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American Hegemony and the Rise of Emerging Powers

Cooperation or Conflict

Edited by
Salvador Santino F. Regilme Jr and
James Parisot



American Hegemony and the Rise of Emerging Powers

Over the last decade, the United States' position as the world's most powerful state has appeared increasingly unstable. The US invasions of Afghanistan and Iraq, non-traditional security threats, global economic instability, the apparent spread of authoritarianism and illiberal politics, together with the rise of emerging powers from the Global South have led many to predict the end of Western dominance on the global stage. This book brings together scholars from international relations, economics, history, sociology and area studies to debate the future of US leadership in the international system. The book analyses the past, present and future of US hegemony in key regions in the Asia-Pacific, Latin America, Middle East, Europe and Africa – while also examining the dynamic interactions of US hegemony with other established, rising and re-emerging powers such as Russia, China, Japan, India, Turkey and South Africa.

American Hegemony and the Rise of Emerging Powers explores how changes in the patterns of cooperation and conflict among states, regional actors and transnational non-state actors have affected the rise of emerging global powers and the suggested decline of US leadership. Scholars, students and policy practitioners who are interested in the future of the US-led international system, the rise of emerging powers from the Global South and related global policy challenges will find this multidisciplinary volume an invaluable guide to the shifting position of American hegemony.

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“This book deals with two of the most important features of the contemporary international system: the rise of new powers and the relative decline of the United States. The contributors provide an excellent and accessible analysis of these changes and their impact on key bilateral relations.” – *Mark Beeson, Professor and Discipline Chair of Political Science and International Relations, University of Western Australia, Australia*

“Declining hegemony is the most debated subject in fields such as International Relations, World History, and Comparative Political Economy. *American Hegemony and the Rise of Emerging Powers* adds new and topical insights to this debate. The book shines through its interdisciplinary approach to the study of changes in global leadership, normative sovereignty, and international governance as they result from the rise and decline of epistemic, economic, financial, diplomatic, and military capabilities.” – *Roland Czada, Professor and Chair in Government and Public Policy, University of Osnabrück, Germany*

“Is US hegemony stable or declining? The answer, this eclectic collection suggests, depends on where one looks: economics, or security? East Asia, or Latin America? Central Asia, or Africa? The different regional perspectives in this book helpfully advance a debate on rising powers hitherto overly focused on China and global-level dynamics.” – *Lee Jones, Reader in International Politics, Queen Mary, University of London, UK*

“This book confronts a question of profound importance. What will arise as US hegemony declines? The complexity of this question is addressed by a diverse group of insightful writers whose rich contributions establish the starting point for a discussion that is key to understanding the future direction of the international system. The stage has been set, let the debate begin.” – *Jerry Harris, National Secretary, Global Studies Association of North America*

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James Parisot worked on this project while teaching as an adjunct faculty at four different universities. Thus he would like to use this space to point out the crisis of precarious labor in the university system. Around half of all instructors in US universities are part-time adjunct faculty. Thousands of academics who publish regularly in respected journals, attend important conferences, etc. are living in a situation which involves juggling academic work with the struggle to find classes to teach that never pay enough, are always temporary, do not provide health insurance, and make it extraordinarily difficult to continue to publish thoughtful and innovative research while dealing with the emotional toil of a life

of continual financial uncertainty. In this regard, he writes this to acknowledge the struggles of all of those researchers who work as precarious laborers in the age of neoliberal insecurity.

Most importantly, we thank all the chapter contributors for their dedication to this book project during several rounds and stages of feedback and revisions.

Salvador Santino F. Regilme Jr
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Abbreviations

ACOTA	African Contingency Operations Assistance
AFRICOM	[US] Africa Command
AIIB	Asian Infrastructure Investment Bank
AKP	Adalet ve Kalkınma Partisi (Turkey)
ANC	African National Congress
ASEAN	Association of Southeast Asian Nations
AU	African Union
BOE	Bank of England
BRICS	Brazil, Russia, India, China, South Africa
CCP	Chinese Communist Party
CDB	China Development Bank
CELAC	Community of Latin American and Caribbean States
CEO	chief executive officer
CNOOC	China National Offshore Oil Corporation
CNPC	China National Petroleum Corporation
CS	Commonwealth of Independent States
CSTO	Collective Security Treaty Organisation
DIRCO	Department of International Relations and Cooperation
DR-CAFTE	Dominican Republic-Central America Free Trade Agreement
EAEU	Eurasian Economic Union
ECLAC	Economic Commission for Latin America and the Caribbean
EU	European Union
FCO	Foreign and Commonwealth Office
FDI	foreign direct investment
FPC	Foreign Policy Concept (Russia)
GAC	General Advisory Council
GDP	gross domestic product
GWOT	Global War on Terrorism
HKMA	Hong Kong Monetary Authority
HKND	Hong Kong Nicaragua Canal Development Investment Company
IANA	Internet Assigned Numbers Authority
IBSA	India, Brazil, South Africa Forum
ICANN	Internet Corporation for Assigned Names and Numbers
ICC	International Criminal Court

IFC	international finance centre
IMF	International Monetary Fund
IMS	international monetary system
IO	international organisation
IPE	international political economy
IR	international relations
MERCOSUR	Mercado Común del Sur
MINT	Mexico, Indonesia, Nigeria, and Turkey
MOFCOM	Ministry of Commerce, People's Republic of China
NAM	Non-Aligned Movement
NATO	North Atlantic Treaty Organization
NEPAD	New Partnership for Africa's Development
NIEO	New International Economic Order
NPT	non-proliferation treaty
NSSP	Next Steps in Strategic Partnership (US)
OAS	Organization of American States
OAU	Organisation of African Unity
OECD	Organization for Economic Cooperation and Development
OPC	Operation Provide Comfort
OPEC	Organization for Petroleum Exporting Countries
OSCE	Organization for Security and Cooperation in Europe
BOC	People's Bank of China
PKK	Kurdistan Workers' Party
PRC	People's Republic of China
PYD	Kurdish Democratic Union Party (Syria)
R2P	Responsibility to Protect
RMB	renminbi
RP	Responsible Protection
RWP	Responsibility while Protecting
SADC	Southern African Development Community
SCO	Shanghai Cooperation Organisation
SDR	Special Drawing Rights
SOE	state-owned industry
SORM	System for Operative Investigative Activities
TGNA	Turkish Grand National Assembly
TIMBI	Turkey, Indonesia, Mexico, Brazil, and India
TPP	Trans-Pacific Partnership
UN	United Nations
UN MINUSTAH	UN Stabilization Mission in Haiti
UNCTAD	United Nations Conference on Trade and Development
UNSC	United Nations Security Council
WSIS	World Summit on the Information Society
WTO	World Trade Organization
YPG	People's Defence Unit (Turkey)
ZIRP	zero interest rate policies

Part I

Analytical and theoretical perspectives

US hegemony and emerging powers



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1 Introduction

Debating American hegemony – global cooperation and conflict

*Salvador Santino F. Regilme Jr and
James Parisot*

Change is the law of life. And those who look only to the past or present are certain to miss the future.

John F. Kennedy (1917–1963) Thirty-fifth President of the USA

As an old Chinese saying goes, peaches and plums do not talk, yet a path is formed beneath them. These worthy fruits of cooperation across the Pacific Ocean speak eloquently to the vitality and potential of China–U.S. relations.

Xi Jinping, President of the People's Republic of China, September 22, 2015
<https://www.ncuscr.org/content/full-text-president-xi-jinpings-speech>

For the last several decades, economic globalization, sometimes referred to as neoliberalism (Fraser 1993; Harvey 2005; Regilme 2014; Sandbrook 2000), has been the dominant historical process shaping the contours of global capitalism. Its key principles have included a commitment to free trade and open markets, privatization of state-owned enterprises, and the liberalization of capital markets, among other major features. This wave of global economic integration was, in many respects, led by the United States (van Apeldoorn and de Graaff 2015). Neoliberal orthodoxy itself emerged from American institutions such as the University of Chicago, and it was anchored in organizations located in the United States, such as the World Bank and International Monetary Fund, which promoted and, in some cases, imposed these policies across the globe (Waltz 2000; Kirshner 2008). Economic globalization and the spread of US power including cultural hegemony appeared to move together (De Grazia 2009), as neoliberalism became a way for the US to sustain its position as global hegemon.

Yet, in recent years, the situation has changed (Overbeek and van Apeldoorn 2012). While those powers which were the historical victors of the original rise of capitalism and modernity, particularly North American and Western European countries, struggled to achieve high economic growth rates, rising powers across the world began to transform the shape of the global order (Wolf 2014; Shambaugh and Xiao 2012; Kahler 2013; Terhalle 2011; Regilme 2013). China's Gross Domestic Product growth rate reached upwards to 10 percent, and India's was not far behind. Russia began to pick up the pieces of the collapsed Soviet Union and assert itself as a major political player, driven by the

production and export of energy resources. Countries including Brazil grew driven by a boom in commodity prices as, more generally, a “pink tide” explicitly critical of US foreign policy took root in countries such as Bolivia and Venezuela. South Africa came together as part of the BRICS (Brazil, Russia, India, China and South Africa), as these countries gave birth to a new development bank. Turkey has moved to make itself a regional leader in shifting relations of conflict and cooperation with American leaders. And China has built political roads of cooperation and infrastructure stretching to Central Asia through the “One Belt, One Road Initiative.” Most recently, the election of President Donald Trump in the US, in an attempt to “make America great again,” has created the potential to reverse decades of economic globalization as the US may shift away from neoliberalism inwards, driven by an exclusivist and xenophobic political agenda.

This list of changes is, of course, not exhaustive, but symbolic of a global power shift the world is going through: perhaps the most significant rearranging of international power since the rise of the West in the age of European colonialism and empire-building, in which Europe initially overtook China to become the world’s dominant political-economic center of power. This movement has created great uncertainties about the future of global capitalism. If neoliberal globalization and American hegemony have been the glue linking together countries across the international order with the effect of limiting the impact of great power rivalries (although not limiting US-led interventions across the world, such as in Afghanistan and Iraq or, more recently, Syria), what happens if the US opts out of liberal internationalism? And as the relative economic growth rates of the US and European countries stagnate—signified by Britain’s Brexit as an attempt to find economic growth separately from EU consensus—while those of China and other emerging powers continue to greatly outpace them, even if slower than in the last decade or two, at what point will “the rest” surpass “the West”? Will Western countries react through coercion, force, or violence to sustain their position at the top of the global hierarchy? Will cooperation amongst rising powers usher in a multipolar world? Will China use its economic might to assert itself as a global leader in the wake of American decline? What do these contemporary discourses on US decline mean to traditional middle powers such as Germany and the future of the European integration project?

In a sense, only time will tell. But if these changes are not analyzed, and potential sources of international conflict not realized, then appropriate political and policy strategies to manage the risk of global conflict in a quickly changing world might not be able to catch up with the erosion of cooperation and the rise of tensions. World War III may not be on the horizon, but a growing wave of increasingly authoritarian leaders have come to power across the globe suggesting that the tendency towards international conflict may be increasing. Yet this shift may not necessarily lead to the outbreak of great power conflict as in previous ages. In response to Trump’s election, Chinese President Xi Jinping presented a speech at the Davos World Economic Forum calling for sustained vigilance towards continuing economic globalization. As he put it:

We should commit ourselves to growing an open global economy to share opportunities and interests through opening-up and achieve win-win outcomes. One should not just retreat to the harbor when encountering a storm, for this will never get us to the other shore of the ocean. We must redouble efforts to develop global connectivity to enable all countries to achieve inter-connected growth and share prosperity. We must remain committed to developing global free trade and investment, promote trade and investment liberalization and facilitation through opening-up and say no to protectionism. Pursuing protectionism is like locking oneself in a dark room. While wind and rain may be kept outside, that dark room will also block light and air. No one will emerge as a winner in a trade war.

(Xi 2017)

Soon after this, it was reported that Zhang Jun, director-general of the Chinese Foreign Ministry international economics department, suggested that China does not want to take a position as global leader, but “If China is required to play that leadership role, then China will assume its responsibilities” (Zhang 2017). China’s transition to capitalism, which has led to it becoming the world’s second largest economy, came through engagement with the US and inclusion in the World Trade Organization. While today the US pushes back against neoliberalism towards Trumpism, China continues to promote the continuation of globalization and international economic integration, including supporting the Trans-Pacific Partnership, from which Trump has removed the US. Thus while the US initiated and anchored neoliberalism, it appears, in the long run, China’s rise to the top may be its ultimate outcome.

The goal of this volume is to address these global issues under the theme of cooperation and conflict. Drawing from a diverse range of disciplinary affiliations in the historical and social sciences, the authors included in the volume each address specific aspects of the possibilities of future conflict and cooperation using both differing regional focuses and theoretical and conceptual approaches. In this sense, the goal of this book is not to close off debate or locate a definitive solution or conclusion, but to create a space for authors with differing conceptual approaches and empirical expertise to express their positions as a way for readers to compare, contrast, and synthesize with the overarching aim of understanding the complexities of the global power shift in the making.

The puzzle around which this book is based arose through the difficulties we had of making sense of the fact that experts in a wide variety of disciplines and regional focuses seem to come to differing and at times opposite conclusions as to the current trajectory of global power. If it is the case that scholars come to differing conclusions due to the use of various theoretical perspectives or geographical emphasis, then might there be a way to solve this quandary? Our overarching perspective suggests that the unresolved nature of our questions may be due to the partial lenses through which social scientists are addressing the issues at stake. What is needed, we suggest, is a holistic, global perspective. First, on a conceptual level, we need an approach that compressively connects social processes operating

in economic, political, and social realms. Thus particular perspectives that focus on American economic decline or continued military strength may view the question of potential decline differently, thus what is necessary is a complete analysis that can bring all these factors together. Second, on a geographical scale, there is a tendency for scholars who are specialists in particular regions to generalize based upon events in their area. But it may be the case that while American power is in relative decline in one location, it may not be elsewhere. Thus we need a global analysis that can link together all of the world's regions to account for American power as a whole.

In other words, it is our contention in this volume that a rethinking of the terms of the debate may be necessary. But this new perspective can only be constructed one piece at a time, by examining the usefulness and limits of theoretical perspectives or academic disciplines one at a time, and foraging through the details of national or regional data individually before linking together the global picture. Differently put, this means continually bringing in new layers of analysis and levels of abstraction to work towards a comprehensive and inclusive world-scale perspective.

Main puzzle: cooperation or conflict?

The prevalent optimism right after the Cold War in the 1990s motivated policy commentators and scholars to assert that “history has ended” (Fukuyama 1992). The dissolution of the Soviet Union and America’s unparalleled military prowess and extensive diplomatic influence cemented the widespread perception of a US-centric world order especially in the 1990s. In the early 2000s, the 9/11 terror attacks and the “war on terror” demonstrated the limits of American power, and what some scholars call as a signal of “imperial overstretch” (Cox 2003; Pieterse 2004). At the same time, the financial crisis in the late 2007–8 highlighted the fundamental vulnerabilities of the global financial system, particularly centered in Europe and the United States – an outcome that runs contrary to the growing economic clout of emerging powers, particularly China. The increasingly assertive economic diplomacy and strategic military interventions of China in the Asia-Pacific region, as clearly demonstrated in the establishment of artificial islands in the South China Sea maritime area, validates the growing perception that America’s hegemonic leadership is under siege. The election of Donald Trump and emergence of far-right and illiberal political movements within and beyond the West, and the bleak future of European integration, all signal widespread perceptions of uncertainty on the future of Western-led global governance.

Viewing those developments, we ask several relevant but all intriguing questions that constitute our puzzle on US hegemony. The first part of the puzzle pertains to the ontological status of the world order as well as the epistemological issues concerning how to know the shifting transformations in international politics (Hurrell 2007; Katzenstein 2012; Narlikar 2013). Is the American-led world order currently in fundamental decline? If the American-led world order is

in decline, what are its key manifestations? Is world power diffusing into an era without a hegemon? To what extent are we shifting away from a US-centric world order to a multipolar global system? What sorts of perspectives and empirical evidence are best used to make sense of transformations in the international system?

Most importantly, the second part of the puzzle of US decline refers to the implications of the transformations within and beyond those states as rising powers as well as the US as a status quo power (Hameiri and Jones 2015; Mearsheimer 2010; Acharya 2014; Nye 2015; Cox 2002; Anderson, Ikenberry, and Risse 2008; Viola 2011; Gray and Murphy 2013): Do the shifting transformations in American power and its changing influence in the international system undermine the supposedly liberal democratic and market capitalism that the West has vehemently defended in the past decades? If so, how could these “Western values,” which underpin the current world order, survive, particularly amidst the rise of a challenger power such as China, the threat of a disintegrating European Union, and the emergence of authoritarian populist regimes in many places within and beyond the West? What are the implications of this shift for the possibilities of cooperation and conflict in the international system?

The aforementioned questions constitute the bigger puzzle of whether the American-led world order is in decline vis-à-vis the rise of new or reemerging powers in the international system. While the authors of individual chapters in this volume may not directly answer all those questions, each individual chapter offers theoretically informed yet empirically grounded arguments and insights into whether US hegemony is in decline and the conditions that led to such a situation.

Analytical goals and multidisciplinary strategy

We examine our puzzle about the purported decline of the US as the world’s most powerful state from a variety of theoretical perspectives and empirical examination drawn from a wide range of geographical coverage. We provide a rigorous survey of the most important factors that determine the ability of world powers to remain at their position. It also reflects on the various perspectives that inform different concepts of power, conflict, as well as cooperation. It demonstrates how such theoretical exercise can provide a better understanding of the debate on US decline in the context of emerging and reemerging powers such as China, Brazil, Turkey, South Africa, Russia, and India. In terms of geographical coverage, the contributions also examine historical and contemporary patterns of assertions of American power in several strategically important areas of the world – the Asia-Pacific, Africa, the Middle East, South Asia, and Latin America – where emerging powers are perceived to be challenging Washington’s influence. The chapters seek to examine the contemporary changes in the patterns of cooperation and conflict amongst states, regional actors, and transnational non-state actors in the context of emerging global powers and the suggested decline of US leadership.

Many contemporary analysts adopt particular frameworks privileging certain factors (such as economic, military, or diplomatic power) above others, and different conclusions are developed based upon this. By providing a space to compare a variety of frameworks, this edited volume seeks to clarify these debates. Additionally, often times global generalizations are made from regional analysis. In contrast, by providing analysis of many world regions, this book takes a fully global perspective. This is reinforced in that we have scholars from several continents and disciplines, including political science, history, economics, area studies, and sociology, contributing to the volume. By expanding the diversity of disciplinary perspectives, our volume enriches the scholarly and policy debates that often amplify only the traditionally strong influences of realist and liberal internationalist perspectives (Aalto, Harle, and Moisisio 2011, 2012; Yetiv 2011).

Perspectives on American decline

Predictions of the end of US hegemony are nothing new. In the 1980s, for example, in the wake of Japan's rise, a plethora of literature was produced predicting the potential end of US global leadership. Among other prominent scholars, Robert Keohane suggested we were moving into an era "after hegemony," Robert Gilpin suggested we might be moving towards increased international economic competition, and Paul Kennedy popularized the concept of 'imperial overstretch' (Gilpin 1987; Kennedy 1987; Keohane 1984). Yet other scholars, including Susan Strange and Stephen Gill, were more skeptical (Gill 1990; Strange 1987). And in many ways the field of International Political Economy (IPE) itself emerged in the 1970s and 1980s as a way to address the question of the possibility of hegemonic decline (Cohen 2008).

But by the 1990s, discussions of decline were replaced by debates over globalization and the information economy. Japan was too deeply incorporated into American power to present any challenge and the American economy seemed to revive under the information technology revolution. But, by the early 2000s, this discourse began to change. As the US initiated the 'War on Terror' invading Afghanistan and Iraq, and as China rose to further diffuse the shape of global power, once again the question of American decline was back on the table. The increased use of overt military force, it was argued, may have been to compensate for declining economic power and hegemonic leadership (Arrighi 2005; Wallerstein 2003). And the shelves of bookstores were filled with volumes with titles including, among many others: *When China Rules the World: The End of the Western World and the Birth of a New Global Order*, *China Inc.: How the Rise of the Next Superpower Challenges America and the World*, and *The Hundred-Year Marathon: China's Secret Strategy to Replace America as the Global Superpower* (Fishman 2006; Jacques 2009; Pillsbury 2016).

To this day it is unclear, exactly, what sort of world we are living in and, for that matter, what direction it is going (Beeson 2009). First, some argue that we are moving into a Sino-centric world (Mingfu 2015; Rachman 2011; Subramanian 2011). China's growth rates continue to rocket past those of Western countries,

even if they have slowed somewhat in recent years. And while the country struggles with export dependency, if Xi Jinping's Davos speech is suggestive, China will continue to develop a middling, consumer class who can move China towards a more self-sustained growth path. Meanwhile China is playing a key role in the creation of a new international architecture challenging American global leadership, from the BRICS New Development Bank which is headquartered in Shanghai, to its investments building a "New Silk Road," to providing loans to African countries without the requirements of the IMF and World Bank, and beyond. Overall, looking through one lens, it appears China may be neoliberal economic globalization's greatest victor.

From another lens, though, China may not become a new world hegemon. For one, the Chinese state seems to lack a universal ideology equivalent to the US's self-proclaimed "exceptionalism" and right to intervene and control world affairs in the ostensible context of the greater good. But while the US economy struggles to gain ground, and the US ability to shape global politics declines, it may be that we are moving towards—or are already in—a multipolar world (Clegg 2009; Desai 2013; Hiro 2010; Sachs 2016). Latin American countries have asserted a new independence from two centuries of the Monroe Doctrine, while countries around the world including Russia, China, Iran, South Africa, Brazil, etc. develop new international connections circumventing US leadership. The US may still be the biggest kid on the block, but its muscle has diminished and it is no longer a unique hegemonic leader, but a powerful country in a diffuse world order.

Yet, some continue to argue for the centrality of US power to the contemporary world order (Bremmer 2015; Brown 2013; Hung 2017; Panitch and Gindin 2013; Starrs 2013; Parisot 2013). This perspective suggests that the American state is still the central manager of global capitalism as the American economy remains the most powerful, backed by Wall Street and the continuing use of the US dollar as "world money." China, this point of view suggests, is actually deeply incorporated into American power, thus lacks the ability to provide any alternative leadership. The US military remains by far the world's most expensive and powerful. And the ideal of American soft power continues to entice cultures around the world towards the image of the American dream. So while the US may no longer be as relatively powerful as it was in the ashes of World War II, it is still number one and will continue to be so for the foreseeable future.

Chapter summary

The organizational structure of the book is divided into three main parts. Part I of the book deals with the analytical and theoretical perspectives and issues pertaining to American hegemony vis-à-vis emerging powers. Aside from this introductory chapter, Part I features a chapter from Jeff Bridoux (Chapter 2), who examines how our knowledge on power in world politics is being produced, sustained, and undermined. Departing from traditional and canonical conceptions of power that highlight material capabilities over intended outcomes, Bridoux suggests that we need a more holistic notion of power in world politics, whereby

concrete and quantifiable outcomes of power (“what power does”) and qualitative and intersubjective conceptions of power (“how and why power does what it does”) are seriously considered. Chapter 2 highlights the analytic importance of “perceptions of power” in making sense of how various intersubjective conceptions of power are produced within the knowledge-power nexus, which, in turn, would have meaningful and substantial implications for foreign policy formulation and implementation. In view of the looming uncertainty of the current role of the United States as a global actor, one of the most important implications of the chapter is that one way of understanding the future of American hegemony is to zoom into the new actors in American foreign policy establishment under the Trump administration. Chapter 2 suggests that the future of US hegemony appears to be a rejection of globalism and multilateralism and a seeming embrace of Americanism and a crude version of unilateralism. Taking the chapter’s analytical approach on power perceptions into account, one could hypothesize that there is a dramatic transformation of achieving or sustaining US hegemony under Trump: whereas previous presidential administrations relatively relied more on global engagement and democratic values, it appears that current American power is now being enforced through nationalist rhetoric, amoral policy justifications, and transaction-oriented bargaining. Whether such shift is effective at all in maintaining American leadership is open to debate, but Bridoux’s chapter surely highlights an important insight: intersubjective perceptions about American power do matter, perhaps even more so than what material power could really achieve.

Part II, meanwhile, focuses on the challenges and opportunities brought in by the emergence of rising powers in the non-Western world to American hegemony, particularly in the area of the transnational and global political economy. In contrast to purely macroeconomic diagnostics and predictive analysis we often hear in the public discourse, our approach in this part of the volume reconsiders the role of the transnational markets and territorially bounded states as areas of debate, power contest, and security struggles. In that regard, the chapter from Michiel Foulon (Chapter 3) espouses a two-level neoclassical realist perspective, whereby a merged view of economic and security interests led to American reassertions of hegemonic power in the past quarter-century amid challenges of relative decline. In particular, Chapter 3 historicizes that the United States disengaged from its European military security commitments in the early post-Cold War era, which in turn coincided with a dramatic increase in the presence of US military personnel and infrastructure in East Asia at the start of the new millennium. That military restructuring paved the way for the increasing American economic interests in East Asia in the 2000s, as a carefully crafted response to American decline. Using a multi-level framework of analysis, Foulon argues that this strategic rebalancing of the US via American led-economic integration in East Asia (while excluding China) is a result of domestic economic interests and macro-global structural transformations. In other words, Foulon’s chapter maintains that the US is in decline, and the domestic pressures and systemic factors of American decline endure even amidst the seemingly transformative Trump administration.

Chapter 4 from Julian Gruin offers an innovative analysis of the future of the post-American monetary order, particularly by zooming into recent developments in international financial centers (IFCs) as focal points of the global monetary system that still features state-led and market-oriented processes of transformation. Drawing upon insights from constructivist international political economy and financial geography, Gruin analyzes Hong Kong and London as two central offshore sites for RMB currency internationalization and their eventual role in the transition to a post-American global financial order. Although Gruin does not contend that transnational financial market actors in those financial capitals have already readily and decisively embraced Chinese financial and monetary governance, Chapter 4 maintains that appreciating such transformations is crucial to understanding the future of the global monetary order, where discussions have often underappreciated the role of ideas and spatially embedded institutional change that Gruin used as an analytic lens. More broadly, his approach also suggests that if we want to locate new global relations in which Chinese power is increasing, we may need to look for alternative variables besides those typically considered.

In contrast to the dominant view that American hegemony is in decline, Sean Starrs argues the opposite in Chapter 5: we are now entering an era much closer to the American century than the US has so far ever achieved. Chapter 5 contends that China has long since renounced its anti-capitalist position, along with many countries in the Global South (even emerging powers), and has started renegotiating the conditions of integration into the global capitalist system. Despite the emerging international financial institutions established by emerging powers (the Asian Infrastructure Investment Bank and the “BRICS Bank”), China and emerging powers frame those institutions as complementary frameworks to the already existing institutions built since the dawn of American hegemony. Starrs highlights that the current global political economy demonstrates a potentially continuing trend of “American-style mass consumerism” and the spread of American economic interests in a world capitalist economy that continues to integrate more and more countries from the Global South. Whereas the election of Donald Trump and the 2016 Brexit vote appears to have reinforced assumptions of American decline, Chapter 5 cautions that the US-style consumerist attitudes and the “anesthesia of the American dream” could hinder “working-class unity challenging capitalism.” Starrs challenges the view that the US is in fundamental decline, as the emergence of markets in the Global South and their continuing integration in the global capitalist economy indicates the “end of the beginning of the American century.” Finally, using data on global corporate power, Starrs attempts to demonstrate the extent to which American economic power remains number one. In short, for Starrs, American hegemony is alive and well, and its influence is continuing to grow.

Part III, the final part of the volume, adopts a more comprehensive and global scale approach to examining the status and future of American hegemony vis-à-vis emerging powers and security struggles in various world regions, particularly in *East Asia* (on Japan, Chapter 6 by Walden Bello and Chapter 7 by Giulio

Pugliese), the *Middle East* (on Turkey, Chapter 8 by Digidem Soyaltin and Didem Buhari Gulmez), *South Asia* (on India, Chapter 9 by Carina van de Wetering), *Africa* (on South Africa, Chapter 10 by Obert Hodzi), China's influence in *Latin America* (Chapter 11 by Rhys Jenkins), and *Europe* (on Russia, Chapter 12 by Maxine David). The underlying analytic motivation herein is to unravel the puzzle of US hegemony vis-à-vis emerging powers, particularly its meaning and implications for several world regions.

To begin this concluding part of the volume, Walden Bello provides in Chapter 6 an insightful examination of the Japanese government's policy dilemmas under the Trump administration. Characterizing the shock to Tokyo's policy establishment due to the political uncertainties posed by the Trump administration, Bello contends that Trump's rise to power marks a radical shift: espousing "isolationism, unilateralism, and protectionism delivered in an insurgent populist style" – a paradigm that contravenes, as Bello claims, a given bipartisanship that usually embraces the notion of America's "global commitments." In Chapter 6, Bello argues that, since the end of World War II, Japan has been a semi-sovereign state under American tutelage, a situation in which Tokyo's interests and dilemmas in the Korean peninsula, Beijing, Moscow, and Southeast Asia have effectively been shaped by Washington's policy establishment. That historical given is now under threat in the Trump era, thereby marking a crisis in Japanese politics and precariousness in the future of US–Japan relations. Bello, however, concludes with a cautiously optimistic tone by underscoring that such a crisis also presents an opportunity: "forging a more progressive foreign policy that moves away from being an extension of Washington's security and foreign policy while at the same time avoiding a regressive nationalist response that could lead to the activation of the country's nuclear capability." Bello's chapter highlights the dilemmas faced by less powerful states' alliance relationships with hegemonic states, particularly when hegemons become increasingly isolationist, alliances are bound to be redrawn in ways that redefine how regional security could be achieved, but that could also mean the beginning of a process of regressing American hegemonic influence in the Asia-Pacific region.

Similarly, Chapter 7 by Giulio Pugliese examines the Japanese government's China policy amidst US relative decline. Employing a structural realist approach, Pugliese's chapter contends that the US is in decline relative to China's reemergence as a key actor in world politics. In agreement with Foulon's assertion in Chapter 3 that the past few years have witnessed an increasing regional economic integration in the Asia-Pacific with China as a key mover, Pugliese argues that this phenomenon of American decline facilitated increased Chinese–US rivalry. That bilateral rivalry, however, did not spearhead an increased US militarization in the region. Pugliese, instead, observes that the Obama administration was "more hands off than many observers acknowledged," which in turn facilitated a quite unprecedented Japanese military assertiveness since the end of World War II. Building on rich empirical evidence and perceptive historical analysis, Pugliese predicts in Chapter 7 that the increasing regional economic integration in East Asia will further test the American-centric liberal order,

as demonstrated by the prevalence of autocratic measures by Beijing as a way to shore up its political legitimacy.

In addition, American power is also a key factor in Middle Eastern regional politics. In that regard, Chapter 8 by Digidem Soyaltin and Didem Buhari Gulmez is an excellent overview of the historical underpinnings and political dynamics of US–Turkey relations and an examination of Turkey as a rising power. Employing a process tracing method, the chapter underscores three stages in US–Turkey relations: (1) the strategic partnership that emerged during the Cold War; (2) the “model partnership” which emerged during the US-led “war on terror” and features the key role of Turkey as a supposedly successful exemplary state in a conflict-ridden region; and (3) the “new foreign policy” stage, which demonstrates Turkey’s recently reinvigorated and assertive role in recent years. Chapter 8 reveals an insightful paradox in US–Turkey relations: an openly pro-US foreign policy stance of Turkey coincided with a decreased political influence in a predominantly skeptical Middle Eastern view of American hegemony whereas recent years of a very assertive Turkish foreign policy and further consolidation of domestic state power attracted some doubts as to whether Turkey is antithetical to broader American interests. Notably, the chapter challenges mainstream views on Turkish foreign policy. First, instead of characterizing Turkey as a “passive reactionary” actor in the region, the chapter maintains that its foreign policy strategy has always been anchored upon “pragmatism and a historical aim to influence her neighborhood based on Ottoman legacy, culture and socio-economic interdependence.” Second, whereas many view the recently assertive Turkish government’s role in regional and international affairs as a pure outcome of domestic consolidation of state power, Chapter 8 highlights the facilitating role of international systemic factors. Whether the US is in decline maybe beyond the explanatory power of the evidence provided in the chapter, yet Soyaltin and Buhari make an important point that the rise of Turkey as a key regional player in the Middle East can actually reinforce American hegemony in the region – a view that is largely ignored in public and scholarly discussions of US–Turkey relations.

In South Asia, meanwhile, India is now being portrayed not only as a key player in Asian politics but also a potentially powerful world actor. Applying discourse analysis, Carina van de Wetering in Chapter 9 maintains that narratives of American decline have been recurrently juxtaposed with discourses of India as a rising power, a perspective that a “discourse coalition of politicians, the media, scholars, and think tank experts from 2001 until 2016” holds. Focusing on texts and policy-oriented outputs produced by the Brookings Institution, one of the most influential foreign policy US think tanks, the chapter highlights how and to what extent India was painted as a non-threatening emerging power. Considering the revolving door between policy agencies and think tanks in the US during that time, such a characterization of India constrained the range of policy options that the US government implemented in dealing with its affairs in India. In other words, it appears that the US–India bilateral relationship from 2001 until 2016 was a story of cooperation. Van de Wetering, however, cautions,

that the US government under Donald Trump's presidency might bring new "discourse coalitions" relevant to US–India relations, and that coalition might have the potential to dramatically transform the story of bilateral cooperation between a seemingly declining US and a rising Indian state.

Chapter 10 by Obert Hodzi focuses on South Africa as a regional actor in the African continent and its relationship with the US as an established power and China as a challenger power. Applying the concept of "self-other identity formation" in his empirical analysis, Hodzi characterizes South Africa as a rising power with various contentious and competing regional and international identities. Particularly, South Africa considers itself as a Western power – a state that is committed to liberal international norms including democracy, human rights, and humanitarian intervention, but at the same time, the country also wants to reinforce its "African identity" by imbibing the paradigms of "pan-African ideals of African Renaissance" and "African solutions for Africa's problems." The latter identity renounces Western interventionism and external influence in the domestic affairs of African states. The underlying assumption in Chapter 10 is that the US is neither in decline nor on the rise. Instead, his chapter provides a more nuanced response by underscoring the increasing competition for influence in the African continent from new or reemerging powers such as China, India, and Brazil, yet South Africa's advantage over those other emerging powers is its "Africanness." The fundamental problem, however, is that it is still an open debate whether the rest of the African states affirm the legitimacy of South Africa as an independent regional hegemon. Affirming that American hegemony in the African continent is at a crossroads, especially with the rise of Chinese influence and the political uncertainty brought by the Trump administration, Hodzi highlights that the South African state will most likely be caught enmeshed in this US–China struggle for regional hegemony. One way of moving forward for the South African state is to settle its "conflicted identities" to make its foreign policy decisions and alliances much more decisive.

Dubbed as the "backyard" of the United States, the Latin American region has been experiencing increasing economic engagement with China, which is predominantly seen as a rising power and the prime challenger of American hegemony. In Chapter 11 Rhys Jenkins empirically traces the transformative economic and political relations of China in Latin America and demonstrates that the increasing Chinese political interests in the continent have been primarily driven by commercial interests – an outcome that is part and parcel of broader trends that include China as the second biggest economic power in the world and a leading source of foreign investments. Jenkins warns, however, that Beijing's overall significance for Latin America is marginal when compared to American power, a trend that is likely to be reinforced by geographical constraints. Insightfully, Jenkins underscores the idea that the Trump administration means that US–China–Latin American trilateral relations are at a "crossroads": a highly protectionist US could undermine America's economic and political ties with Mexico, Central America, and the Caribbean, which in turn could facilitate an opening for more possibilities of stronger influence and presence of Chinese interests in Latin America.

The final contribution (Chapter 12) is written by Maxine David, who considers Russia as a reemerging power that is striving to challenge US hegemony in various ways, more particularly in the political and military spheres. The chapter extensively discusses two long-term principal strategies employed by the Kremlin that aims to undermine a perceived unipolar world dominated by US hegemony. The first strategy refers to balancing, as demonstrated by Russia's membership in several regional organizations such as the Shanghai Cooperation Organization. The second strategy, meanwhile, pertains to the delegitimization of US hegemony, using the case study of the global governance of the Internet. Maxine David warns that while Russia's conditional successes in challenging US hegemony were done unilaterally, a Russia–China bilateral relationship should be a cause for serious concern for US policy-makers and strategists. Chapter 12 maintains that there is a considerable pattern of continuity in Russia's relationship with the USA, particularly by highlighting how Moscow has persistently undermined American unipolarity in a range of global governance issues and regional areas for contestation.

Each of these studies, in a wide variety of forms, speaks to the question of the potential decline of American power. Some argue the US is still number one and will continue to be so, others suggest the US has entered into a phase of decline, and still others are more concerned with raising theoretical and empirical questions which are yet to be addressed well enough to generalize about a global power shift in the first place. Taken as a whole, the points of view developed by bringing these contributions together, we hope, is something larger than each taken individually. In other words, in total, the contributions demonstrate the combination of empirical and conceptual rigor, in their own approaches, which may make solving the question of potential American decline and the future direction of global power possible.

We do not claim our volume fully completes this task. But what it does is to forge the path for a much more comprehensive analysis of American hegemony and the future of global cooperation and conflict. For readers, we have created a vast space of perspectives and evidence which begins to make it possible to start to conceptualize the question of American hegemony and rising powers on a global scale, in a way that links developments in economic, political, and social relations. In this, we hope, this book presents the reader with a comprehensive and eclectic view of American power and gives space to discover both insights and potential limits of a variety of prominent and emerging disciplinary and theoretical perspectives.

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2 Stronger than strong

Perceptions and misperceptions of power

Jeff Bridoux

Introduction

Unsurprisingly, with the question of war and peace at the heart of the discipline, the literature on the concept of power in international relations is rich and diverse, with arguably a recurring focus on efforts to measure its effects. Understandably given the status of the United States in global politics, a sizeable part of this literature addresses the issue of US power resilience, especially since the end of the Cold War. Various studies, mainly relying on quantitative analysis, provide endless arguments on how and why US power is on the rise or declining.

Yet, for all the efforts to actually define and measure power, there is a simple fact that theorists of power find difficult to negotiate: it is impossible to divorce a conceptualisation of power based on capacity acquired via material capabilities from the knowledge of the outcome one is trying to explain (Wohlforth 1993: 1–2). In other words, you need hindsight. One way to go around this problem consists of considering that what matters most is not so much power in itself but how it is perceived. This is not enough, however. Even assessments of power combining neorealist quantitative analysis of material capabilities and perceptions of power based on belief systems, norms and value-based analysis fall short of providing a deep analysis of the sources of such analysis and more specifically of perceptions. The literature on power and perceptions of power does not engage enough with those sources. Opening a reflection on these issues, this chapter investigates the sources of knowledge that support assessments of power and is particularly interested in understanding how such knowledge, informing quantitative and perceptions-based assessments of power by decision-making elites, is produced. Hence, the chapter seeks to answer two sets of interrelated questions: how is knowledge on power produced and how does it affect its perceptions and misperceptions in foreign policy-making? In addition, and speaking directly to the theme of this volume on global cooperation and conflict at an age of alleged US decline, this chapter also asks: does an analysis of perceptions of US power clarify the extent of alleged US power decline and if such decline is misperceived, what does it tell us regarding the potential for cooperation or conflict in the current international system?

In the first section, the chapter makes the point that in addition to traditional analyses of power that tend to focus on material capabilities and control over

outcome, it would be useful to turn to analyses of perceptions of power. Following the seminal work of Jervis and Wohlforth, the chapter argues that an analysis of 'perceptions of power' can potentially mediate between understandings of power and their foreign policy outcome as expressions of power. Perceptions of power allow for the elaboration of a holistic framework of analysis that not only focuses on quantitative outputs of power (what power does) but also on qualitative variables of power (how and why power does what it does).

Secondly, the chapter makes its main claim that existing accounts of perceptions of power are not sufficient. Conceptualisations of US power and potential foreign policy decisions deriving from such conceptualisations, are grounded in perceptions of power that are informed by a reading of the state of the world, of the role and status of the US in the world and mutual perceptions of power. The key point I wish to make here is that such perceptions rely essentially on information which is then treated and presented as a set of truths that are accepted as constitutive of knowledge. Consequently, and inspired by Gramsci, I argue that in addition to an analysis of the material foundations of power, it is necessary to investigate the ideational and epistemological roots of such perceptions of power, which in turn contributes to the formulation of a common sense of power enacted by a whole range of actors. In other words, it is critical to understand how knowledge about power is generated to understand how it is perceived. The analysis demonstrates that the domination of a positivist Common Sense of power assessments is explained by the domination of neoliberalism as organising ideology, a higher philosophy that inserts itself in all dimensions of Western societies, and contributes to the production of a particular type of knowledge based on quantification and objectivity.

Thirdly, and finally, the chapter concludes with a short analysis of discourse on the state of US power in the world made by US foreign policy-makers. The analysis shows that despite the presence of a sizeable literature on perceptions of power, assessments of power remain dominated by objective quantitative analysis even though lip service is paid to constructivist analyses based on the appraisal of the role of values, principles and norms in foreign policy-making. Yet, despite this, assessments of power in US foreign policy remain driven by Structural Realist accounts and positivist methodologies. In turn, such analysis leads to declinist conclusions and a belief that the international system is undergoing a process of multipolarisation.

Thus, in a nutshell, this chapter investigates how knowledge on power is generated, that is which ideologies and philosophy of science traditions coupled with historical and psychological insights into perceptions of power contribute to knowledge formation in US foreign policy circles. Thus, it is argued, perceptions of power could, potentially, constitute a useful concept to make sense of the knowledge–power nexus and its translation into foreign policy decisions in an attempt to answer the question of why and how US power does what it does. This is particularly critical in a changing international environment and especially following the election of Donald Trump as President of the United States, a President surrounded by a team without much foreign policy experience and

known for his volatile personality. Whether the changing dynamics of the international system will lead to more cooperation or more conflicts is anyone's guess. Yet, as a still dominant superpower, the United States will certainly play a major role in defining the future of the international system. The intentions of the incoming administration, clouded in uncertainty regarding its foreign policy, will need to be assessed carefully in order to avoid misperceptions, which in an age of growing uncertainty concerning relations between great powers of this world can be fatal. Consequently, analysis of power both in academic literature and by US decision-makers should include perceptions of power in addition to existing quantitative accounts of power held by the US and its competitors. In so doing, they may realise that the declinist argument does not stay the course and this conclusion may have critical repercussions on US decision-making and on the potential for global cooperation rather than conflict.

Real decline or perceived decline?

The fall of the Berlin Wall on 9 November 1989 remains a powerful image of the forces of freedom at work. West and East Germans hammered at the wall, destroying the most enduring symbol of the Cold War. In the following two years, Communist regimes were overthrown in East Germany, Poland, Czechoslovakia, Hungary, Bulgaria and Romania. In February 1991 the Warsaw Pact was disbanded and in December of the same year, the USSR had ceased to exist. After a decade of liberal expansion in the 1990s, the United States reinforced its global position of power in the international system and was then truly *primus inter pares*, in a position of unrivalled power, endowed 'with the greatest share of world power than any other country in history' (Jervis 2006: 7). Following in the footsteps of Henry Luce's claim that the twentieth century was an American century (Luce 1941), Fukuyama famously announced the *end of history*: the triumph of liberal ideology and of the US-sponsored capitalist 'free' world over communism. A new world order under US leadership was consolidated and few questioned the status of the US as the only superpower. We were living at an age of unipolarity. After merely 25 years, these claims now sound rather hollow. Shaken by a succession of financial crises, general economic stagnation and the rise of populist political movements in Europe and the United States, the liberal ideology seems to be on the back foot and its torchbearer running out of steam. Will the twenty-first century be American too?

The introduction to this volume provides a comprehensive overview of the literature on US decline. Hence this section very briefly summarises the main arguments on US decline before turning its attention to the notion that perceptions of power, in addition to more traditional analyses of power, constitute a conceptual tool that proves useful in the appraisal of power.

The main debates in the literature on the decline of the United States show that there are two types of constraints on US power. Firstly, systemic constraints are used by both sides of the argument. The anarchical nature of the international system and distribution of power – unipolar, bipolar, multipolar – are the

two main factors explaining the limits imposed on or opportunities offered to the United States. A number of analysts, especially Realists and Neorealists, focus on quantitative factors that explain the redistribution of power resources in the international system to explicate that the US is indeed declining while other powers are rising (Kennedy 1988; Layne 2012; Mann 2004; Organski 2014; Todd 2004; Wallerstein 2002; Waltz 1993). In contrast to the announced doom of the US unipolar moment, Brooks and Wohlforth (2008) argue that the age of US dominance in the international system is not yet at an end. There are two sides to their argument. On the one hand, Brooks and Wohlforth argue that the degree of US concentration of power is such that systemic constraints on its security are inoperative (2008: 208). On the other hand, they disagree with the mainstream realist argument contending that the distribution of power resources – economic capabilities translating into military assets – constitutes the most reliable measurement of power in the international system. Instead, they claim, power relies on a number of aggregated capabilities such as the economy, technology, military and naval power, capacity for innovation, organisational-institutional competence and size and location of the country. Hence, one needs to go beyond the exclusive reliance on quantitative data expressing economic and military power and incorporate less tangible factors in analyses of power, which requires a focus on the domestic aspects of power.

Secondly, domestic factors indeed also play an important role in assessing state power. Liberal Internationalism and Constructivism insist on norms, values, and principles to be upheld by the hegemon. Leading by example, the hegemon must thus abide by the rules of the system both at home and abroad in order to preserve its legitimacy as systemic leader (Brooks, Ikenberry and Wohlforth 2012; Cox 2002a, 2002b; Doyle 1986; Gilpin 1987; Haggard and Simmons 1987; Ikenberry 2004; Keohane 1982, 1984; Keohane and Nye 1977; Krasner 1982, 1983; Reus-Smit 2004; Ruggie 1982; Young 1982). Thus both quantitative analysis of power and less tangible and measurable expressions of power need to be considered. In an attempt to reconcile both aspects, neoclassical realism adds that it is not so much all attributes of national power that matter to measure power but rather how such power is perceived. In disagreement with classical and structural realists, who argue that the relative distribution of power in an anarchical world objectively influences the behaviour of states, Neoclassical Realists contend that it is the perception of the distribution of power by decision-makers that constitutes the most important variable with which to measure power, and hence to assess the rise or the decline of states. Consequently, analyses of power must also focus on factors such as the personality of decision-makers and their values, norms, principles and belief systems (Wohlforth 1993).

Perceptions of power

Jervis (1976, 2017) and Wohlforth (1993) argue that an analysis of power limited to the attribution of power, understood as potency or as a sum of material capabilities, to an actor does not really tell us much about the actual power of the said

actor. As Wohlforth argues, in the context of power distribution and war, quantitative analyses of power miss one important aspect: perceptions of power. 'If "power" influences international relations, it must do so through the perceptions of those who act on behalf of states. The quantitative measures of power used in the literature to test various power theories are thus estimators of perceived power' (1987: 353). In contrast to structural realism, Wohlforth rejects the notion that the distribution of power capabilities in the international system influences the outcome of states' interactions (Waltz 1979). Due to the difficulty for statesmen to accurately measure power, it is near impossible for them to actually assess real material balances of power in any given international system. This is essentially due to the fact that in order to know what real power is, one needs to know what the outcomes of the numerous variables of power entail: 'The power value of various measurable resources becomes clear only after the fact' (Wohlforth 1993: 10). There is simply no test of power that is able to provide a definite and incontestable result to help us understand who the most powerful actor is in the international system and what makes it so. Consequently, the closest analysts can get to an accurate assessment of real power is through 'a correct rendering of the perceptions that inform the decisions [of statesmen]' (Wohlforth 1993: 10). Such an approach underlines the role played by unit level variables and their role in translating systemic constraints into specific behaviours (Schmidt 2005: 544).¹

Once the relevancy of perceptions of power is established as useful to gain a more comprehensive understanding of how power works, it is interesting to observe how theorists operationalise their take on perceptions. Jervis (1976) does not focus on power *per se* but on perceptions and misperceptions in general to better understand international politics. His focus is on state-actors and their decision-makers, and on a multitude of variables that affect their perceptions. Jervis seeks to understand whether decision-makers' perceptions of their environment differ and if shared common perceptions differ from reality (Jervis 1976: 14–15). More precisely, Jervis' objective is to better understand how political actors in international politics perceive each other and how these processes of cognitive acquisition lead to misperceptions. Adopting a transdisciplinary approach that brings together international relations theory, psychology and history, Jervis looks at how information is processed by decision-makers, the role of pre-existing beliefs in such a process, that is behavioural expectations and predispositions, and underlines the importance of a historical understanding of images in influencing the interpretation of information (1976: 117, 144–54, 172, 217).

In addition to what one can learn from history to better understand the behaviour of others, Jervis argues that another source of misperception resides in a tendency to see the state's behaviour 'as centrally controlled rather than as the independent actions of actors trying to further their own interests and their partial and biased conceptions of the national interests' (1976: 324). Indeed, decision-makers tend to overestimate the ability of other actors to generate traction in support of their policies across their governments. Such overestimation can lead to misperception of intentions and behaviours if, contrary to the perception of unified decision-making, the other actor's behaviour is the product of

uncoordinated action, shifting the internal balance of power, or ad hoc decisions (1976: 338).

Actors also tend to overestimate the centrality of their importance and influence on other actors' decisions and hence misperceive their behaviours and intentions. Jervis contends that this is especially the case if one actor can be greatly harmed by another:

Actor A usually overestimates the degree to which B's undesired behaviour is a product of B's autonomous desires and underestimates the degree to which it is a response to an action of A's – usually an action that A and B interpret differently. Thus A sees himself as the object of B's unprovoked an inner-directed hostility.

(Jervis 1976: 351)

This pattern of misperception is compounded by a failure to realise that undesired acts are the product of fear of the other (Jervis 1976: 358).

Dissonance is another source of misperception in international politics. Cognitive dissonance theory argues that people will try to minimise dissonance in their decision-making because it makes them feel psychologically uncomfortable. In order to do so, people will seek to maximise consonance by seeking information and situations that confirm their decisions (Jervis 1976: 382). Selective exposure is the process through which the identification of such information comforting the decision made is implemented. Actors reject discrepant information in favour of consonant information (Jervis 1976: 387). In so doing, actors seek to justify their own behaviour and confirm that they have maximised the information they had and that they have used their resources to the best of their ability and in a rational manner to achieve their stated goals (Jervis 1976: 406). Ironically, in so doing, actors fail the test of rationality due to a lack self-reflection and critical analysis and by not taking full advantage of available information (Jervis 1976: 423). Jervis concludes that decision-makers should acknowledge the cognitive processes of perceptions that lead to errors and try to 'see the world the way the other sees it' to avoid 'the trap of believing that the other sees his actions as he sees them' (Jervis 1976: 409).

Complementing Jervis' focus on psychology and cognitive functions, Wohlforth's approach to perceptions of power consists in the analysis of decision-makers' opinions of the value of power resources relative to the outcome they generate. Alongside other neoclassical realists such as Schweller (1998, 2004) and Rose (1998), Wohlforth (1993) thus focuses on the personalities, beliefs and ideas of decision-makers to add to quantitative variables in his attempt to define power: "power" is determined in part by how given material distributions are interpreted' (Wohlforth 1993: 303). This exercise in interpretation is a complex one. It relies on the acquisition of knowledge about how power is acquired and exercised. Such knowledge depends on a number of factors. Feedback generated on power capabilities is ambiguous due to multiple possible interpretations of the same observation. The main source of feedback is the behaviour of states

based on the analysis of intelligence gathered and official statements. Such data reinforces the existing strategic frameworks in place or can lead to changes if the state's behaviour changes drastically. Hence, perceptions can change rapidly. Moreover, feedback is uneven. In time of crisis, feedback intensifies while in quieter times, there is little of it (Wohlforth 1993: 297–9). Wohlforth concludes that power remains an elusive concept. A historical investigation of perceptions of power and the role of ideas and beliefs that shape such perceptions can help to unpack the ambiguity surrounding power in international politics and hence appraise how power works (1993: 306).

By putting perceptions of power at the heart of their analysis, neoclassical realists thus move away from the classical dominance of systemic or structural pressures and give more importance to agency in the study of power in international politics. Perceptions of power mediate between the assumed link between distribution of power resources and real power. The inclusion of the domestic sphere in the analysis of power in international politics and the focus on agency add an important analytical dimension to help us to better understand what power is and how it works. In that sense, neoclassical realism is similar to social constructivism, which contends that a conception of power finds its roots above all in the way one views the world and one's position in it, and hence conditions relations between states. One's view of the world is a personal and collective construct that is permeable to many influences: personal beliefs, education, cultural factors, values, ideas, identity (individual and collective) and the result of one's interactions with others all contribute in the definition of one's understanding of how the world works. These factors leave some autonomy to agents and are to a certain extent under the control of or chosen by individuals (Finnemore 1996; Katzenstein 1996; Nau 2002; Wendt 1992, 1999).

Both social constructivism and neoclassical realism offer convincing analyses of power based on these variables. Nevertheless, both schools say little about how these variables come into being; how knowledge about these identities, beliefs, ideas, and norms is generated. I argue that there is a need to know more about how decision-makers know about the world and about power more specifically by unearthing the conditions under which such knowledge is generated. In other words, we need to know how knowledge on power is produced in order to better understand how it is perceived.

Common sense, knowledge production and perceptions of power

Conceptualisations of power and potential foreign policy decisions deriving from such conceptualisations are grounded in perceptions of power that are informed by a reading of the state of the world, of the role and status of the Self in the world, and perceptions of others' power. Such perceptions thus rely essentially on information, which is then treated and generates a set of truths that are accepted as constitutive of knowledge.

Knowledge informing decision-makers and contributing to how they perceive power comes from a variety of sources. Decision-makers have advisers who rely on

knowledge provided by two types of analysts. ‘In-house’ analysts are the numerous civil servants working in the various governmental departments in charge of acquiring, analysing, synthesising and briefing advisers to decision-makers. ‘In-house’ analysts get their data and facts from observing knowledge outputs such as domestic and international press, academia and, these days, social media. They also acquire information in the shape of reports produced by ‘out-house’ analysts such as think tanks, foundations, lobbies, international organisations and so on (Abelson 2006; McGann 2007; Medvetz 2012; Parmar 2002, 2013; Rich 2005; Stone 2003). The process of knowledge generation is not as fluid as described here as all knowledge producers can access all sources of information directly. Hence advisers and decision-makers, for example, can formulate knowledge claims in addition to the material provided by analysts, or even without consulting them. In the process of knowledge production, cognitive filters of knowledge producers, that is beliefs, ideas, norms and personality traits, all influence the treatment of information and ultimately the retention or rejection of facts that will constitute the final knowledge produced. Figure 2.1 illustrates a concentric model of knowledge production of power in foreign policy.

Nevertheless, while it is fairly easy to locate the sources of knowledge production in foreign policy, a deep analysis of power perceptions requires an analysis of structural conditions that influence knowledge production and the corollary formulation of truths and shared meanings. As Dodge argues, these meanings,

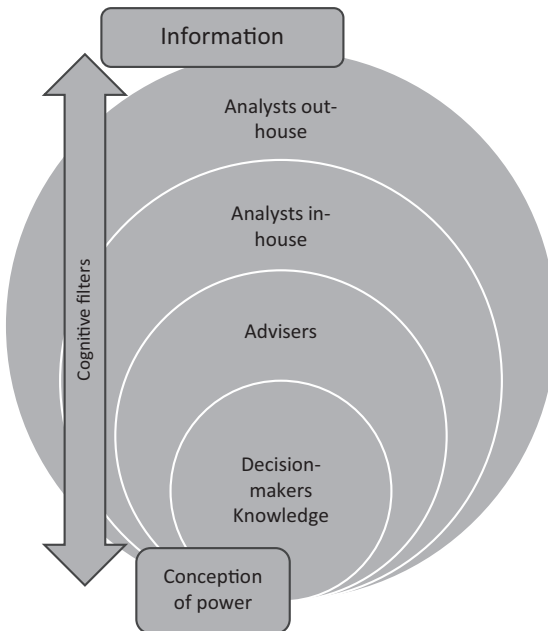


Figure 2.1 Concentric model of knowledge production on power in foreign policy.

or significations, 'are the evolving, collectively understood symbols and myths through which society represents itself, and more importantly in this case understands other societies' (Dodge 2009: 257). By structural conditions, I mean the identification of a dominant mode of knowledge production, or epistemology, which allows us to know what it is we know. This means to identify ideologies and philosophy of science traditions that contribute to knowledge formation in foreign policy circles of both Self and Others, in addition to existing historical and psychological analysis of perceptions.

Gramsci's concepts of ideology and common sense prove useful in achieving such a task. Gramsci conceptualises the hegemony of a dominant social class as relying on an 'organic ideology'. This historically located organic ideology, embodying the dominant classes' aims and objectives, provides the normative cement that holds together society under the hegemony of the dominant class, which aggregates its own and subordinate classes' interests and presents them as common (Gramsci 1971: 704–7). As Gramsci explains, ideology is:

a conception of the world that is implicitly manifest in art, in law, in economic activity, and in all manifestations of individual and collective life. This problem is that of preserving the ideological unity of the entire social bloc which that ideology serves to cement and unify.

(Gramsci 1971: 634)

In that sense, the dominant class' ideology is the dominating system of ideas in society. This 'organic ideology' affects and structures the consciousness of individuals and hence their perceptions. Gramsci then differentiates between diverse ideational roots and identifies two levels of ideology: higher philosophies and common sense. Philosophy is the most elaborate form of intellectual discourse, in which 'the features of individual elaboration of thought are the most salient', while common sense refers to 'the diffuse, uncoordinated features of a generic form of thought common to a particular period and a particular popular environment' (Gramsci 1971: 330). Common sense is thus a collective expression of assumptions and beliefs common to a given society. It is a commonly held conception of the world shared within a society which expresses the dominant ideology at work in a given society at a certain epoch. Yet common sense and higher philosophies are not necessarily disconnected. As Gramsci contends, it is precisely crucial for philosophy to remain in contact with the simple – or common sense – as it allows philosophy to identify the 'problems it sets out to study and resolve' (Gramsci 1971: 638). For our purpose, it is necessary to investigate the ideational influences that shape the production of knowledge, of truths, which in turn contribute to the formulation of specific perceptions of power in the US foreign policy decision-making community. It is thus necessary to trace back the origins of a common sense of perceptions of power to higher philosophies. In the case of the United States, it means to analyse how neoliberalism influences the production of knowledge on power and how such knowledge drives perceptions of relative power and corollary policy.

From theory to practice: the challenges of perceptions of power and policy-making

As Wohlforth argues, ‘perceptions of power are more dynamic than measurements of material relationships. Rapid shifts in behaviour may be related to perceived shifts in the distribution of power which are not captured by typical measures of capabilities’ (1993: 294). This statement emphasises the limits of assessments of power based on quantitative measures of material capabilities. The question is why is there such a dominance of quantitative analyses of power and a relative lack of power assessments based on perceptions and hence more attuned to qualitative analyses?

One of the explanatory lines I wish to pursue here concerns the role of the dominant philosophy at work in Western states: neoliberalism conceived as a ‘politically imposed discourse . . . a specific economic discourse or philosophy which has become dominant and effective in world economic relations as a consequence of super-power sponsorship [the US]’ (Olssen and Peters 2005: 314). As Harvey puts it: ‘Neoliberalism . . . has pervasive effects on ways of thought to the point where it has become incorporated into the common-sense many of us interpret, live in and understand the world’ (Harvey 2007: 3). A detailed analysis of the rise of neoliberalism and its solidification as the prevalent higher philosophy in the contemporary world order is beyond the remit of this chapter. Yet, a brief statement of the main tenets of neoliberalism is needed first to then focus more precisely on how such a dominant ideology affects the way knowledge is produced.

In contrast to classical liberalism and its focus on exchange between humans in a market protected from the influence of the state through the protection of private property rights, neoliberalism shifts the focus of economic activity as the organising principle of all social and political relations onto the competition between economic actors (Read 2009: 27). This shift has profound implications on the role of the state. Where exchange is seen as a natural disposition of man, competition is artificial and requires protection from the formation of monopolies and intervention by the state (Read 2009: 28). Thus the state’s role is to facilitate the enactment of competition as the main feature of the market economy and social relations.² Accordingly, the adoption of competition as the organising principle of society generates the need for a very specific type of subject. The individual is conceptualised as a self-disciplined entrepreneur and investor, calculating risks, maximising self-interest and behaving in a rational way. As Beard argues:

The discourse of the economy becomes an entire way of life, a common sense in which every action – crime, marriage, higher education and so on – can be charted according to a calculus of maximum output for minimum expenditure; it can be seen as an investment.

(2009: 31)

Neoliberal subjectivity thus ‘normalizes the logics of individualism and entrepreneurialism, equating freedom with self-interested choices, making individuals

responsible for their own well-being, and redefining citizens as consumers and clients' (Leitner, Peck and Sheppard 2007: 2).

A society organised around the concept of competition between self-interested rational individuals requires a particular type of governance. Foucault's concept of governmentality emphasises government at a distance as an indirect way of governing (Rose 1999: 49). The act of governing involves setting up targets, monitoring outcomes, deregulation and privatisation of public services and, most importantly for our purpose, 'creating calculable spaces to monitor outcomes (relying heavily on auditing, targets, and ranking) . . . Institutions, agencies and individual citizens are expected to make their activities visible to centres of calculation' (Leitner *et al.* 2007: 4). Progress needs to be measured, quantified, in order to allow for comparative analysis and maximising competition between economic subjects, all for the betterment of society. Quantitative analysis is also needed as a method to objectively set benchmarks and assess how well individuals perform. This need for objectivity through numbers explains the continuous domination of positivism in knowledge production. This domination of positivist methodologies is not something new. The drive to adopt quantification as the hallmark of what it means to 'do' proper science goes back to the dawn of modernity. In the social sciences, the turn to positivism and a reliance on quantitative methods of analysis was essentially triggered by a desire on behalf of social scientists to 'do' proper science through the application of natural sciences methods to the observation of the social world. Neoliberalism represents the pinnacle of this trend and, arguably, its most extreme expression. Positivism and quantitative methods are embedded in all attempts to generate knowledge about and in all manners of managing the social world.

'Knowledge is grounded in particular observations and can extend to general beliefs in so far as experience can confirm them' (Hollis 1994: 43). Seeking to apply natural sciences methods to the observation and generation of knowledge about the social world, positivism and its emphasis on objectivity and quantitative methods of scientific investigation came to dominate the social sciences, and in particular political science and international relations (Porter 1996). This is partly explained by the growing interdependence between communities of experts and their bureaucratic counterparts in search of knowledge (Haskell 1977), and more precisely in the case of policy-making and academia, by attempts to facilitate knowledge exchanges between both sides, or as Nye puts it: 'to bridge the gap' (Nye 2008; see also Leppgold and Nincic 2001, Jentleson 2002; Newsom 1995; Walt 2005). Particularly in the case of United States foreign policy, there is the growing phenomenon of the revolving door between academia and government. What matters for our purpose is to establish the kind of knowledge desired by decision-makers.

Walt argues that decision-makers seek 'good' knowledge.³ 'Good knowledge' is logically consistent and empirically valid, provides a coherent and complete causal explanation, is able to deliver explanatory power, addresses important and relevant questions and is formulated clearly (Walt 2005: 26–7). In addition, Porter contends that knowledge, in order to be taken into account by

governmental experts, also needs to be objective. This is mainly due to the constraints posed by a democratic system of government and a focus on the accountability of civil servants:

In public even more than in private affairs, expertise has more and more become inseparable from objectivity. [. . .] In public affairs, reliance on nothing more than seasoned judgment seems undemocratic, unless that judgment comes from a distinguished commission that can be interpreted as giving representation to the various interests. Ideally, expertise should be mechanized and objectified. It should be grounded in specific techniques sanctioned by a body of specialists. Then mere judgment, with all its gaps and idiosyncrasies, seems almost to disappear.

(Porter 1996: 7)

Taken together, these two imperatives of ‘good’ and objective knowledge lead to the favouring of knowledge production based on positivist epistemology translating into the dominance of quantitative analysis due to a preference for sanctioned methods applied to facts considered as neutral, without room for subjectivity or the analytical treatment of less quantifiable variables. As Porter underlines:

The capacity to yield predictions or policy recommendations that seem to be vindicated by subsequent experience doubtless counts in favor of a method or procedure, but quantitative estimates sometimes are given considerable weight even when nobody defends their validity with real conviction.

(Porter 1996: 8)

In the context of US foreign policy decision-making, and more precisely concerning power assessment, this predominance of positivism and quantitative investigations is evidenced by how analyses of power are conducted. A comprehensive analysis of US assessments of power by decision-makers on the basis of the type of knowledge generated and its consequences deserves far more attention than space allows here. I will limit myself to using a few examples of discourse analysis of US foreign policy decision-makers and agencies’ reports to show how their thinking in the way they conceptualise power is influenced by the higher philosophy of neoliberalism, a reliance on positivism and corollary quantifiable variables, and structural realism as the prism through which the state of power in the world is appraised. There is little room for analysis of perceptions of power in such a model.

The Quadrennial Diplomacy and Development Review 2015 describes the world order as characterised by a growing diffusion of power which affects the existing geopolitical environment and requires a review of how the US promotes its interests and engages with partners (US Department of State 2015: 8). In an era of budgetary constraints and ‘diffuse and networked power’, the report stresses the need to engage with a multitude of partners beyond the nation-state,

tapping into civil society actors who share US values and interests: to promote democracy and good governance, to address gender-based violence and to combat violent extremism (US Department of State 2015: 8). Other strategic priorities include the advancing of inclusive economic growth and mitigating climate change (US Department of State 2015: 9–12). In order to meet these challenges, the report underlines the need to embrace new technologies to maximise the Department's capacity. The Department of State adopts a 'data-driven, evidence-based approach' (US Department of State 2015: 9–12). In explaining how such an approach is to be implemented, the report claims that the Department will implement a knowledge management strategy that 'will encourage the use of data science in making decisions and evaluating their impact', 'will harness data for decision-making, improve efficiencies across the entire program cycle, and connect management information from strategy to results', and 'will bring together the best available resources in a scalable, entrepreneurial start-up environment to solve complex problems. This hub will connect existing policy and regional expertise with advanced technical capabilities, such as diagnostics, data analysis, and design' (US Department of State 2015: 12). Problem-solving through 'a culture of engagement and experimentation' (US Department of State 2015: 13), risk-analysis, planning, performance management and a lesson-learned approach complete the review of the organisational revamping of the Department. Both a neorealist reading of the state of power in the international system and neoliberal approach to knowledge production are clearly at work here. The Department of State understands power to be redistributed among a number of international actors, which thus influences the US status as a global superpower. Objective knowledge about power is generated through reliance on quantitative analysis and is clearly favoured.

The Pentagon's Quadrennial Defense Review's reading of the state of the world is similar to the Department of State's. The report emphasises a 'changing security environment' due to the growing presence of 'new technologies, new centers of power' in a 'world that is growing more volatile, more unpredictable, and in some instances more threatening to the United States' (US Department of Defense 2014: III). Echoing a neorealist analysis of power transition, the Pentagon believes that

Power is thus more diffuse and the United States needs to adjust to the fact that power capabilities are more dispersed and hence more challenging for the US global position of power. Powerful global forces are emerging. Shifting centers of gravity are empowering smaller countries and non-state actors on the international stage.

(US Department of Defense 2014: 3)

This position reflects Secretary of Defense Carter's opinion on a return to great power competition. Russia and China are seen as competitors and their rise to power must be contained by an expansion of US military capabilities:

in the military sphere it means we're going to have to continue to invest in making sure that our capabilities are such that anybody who starts a fight with the United States will regret doing so. [. . .] no one is gonna come close to the United States in terms of comprehensive military power anytime soon. But, make – make no mistake, they're all very competitive. Our enemies and our potential enemies are extremely competitive. Whether they're terrorists who are working hard each and every day, all day to try to think of some way that they can do harm to us. Right up to the potential high-end opponents, who yes have the technological lag, but are determined to close that.

(Carter 2016)

Carter's concept of power is also informed by a neorealist understanding and a focus on quantifiable elements of power: 'tremendous military strength, [. . .], a very resilient economy, [. . .] the best innovation system in the entire world' (Carter 2016), but adds a nod to constructivist understanding of power by adding that US values and norms 'matter to people and appeal to people' (Carter 2016). Again, the Department of Defense, in similar fashion to the Department of State, follows a neorealist understanding of power and its focus on the redistribution of quantifiable material capabilities as signalling challenges to the status of the US as a global superpower.

The National Security Strategy 2015 contends that US strength resides in economic and military resources but is also a product of US values such as the rule of law and universal rights (White House 2015: 3). Power is understood to be in motion, especially in the economic realm:

As the balance of economic power changes, so do expectations about influence over international affairs. Shifting power dynamics create both opportunities and risks for cooperation, as some states have been more willing than others to assume responsibilities commensurate with their greater economic capacity. In particular, India's potential, China's rise, and Russia's aggression all significantly impact the future of major power relations.

(White House 2015: 4)

In addition to a redistribution of economic power in the international system, the National Security Strategy 2015 acknowledges that power is not anymore only in the hands of nation-states. Non-state actors are empowered, especially in democracies where accountability and transparency expected from civil society can generate tensions and conflicts (White House 2015: 4). Taken together, these power shifts make the strategic environment fluid and requires a review of how US power is exercised:

Just as the United States helped shape the course of events in the last century, so must we influence their trajectory today by evolving the way we exercise American leadership. This strategy outlines priorities based on a

realistic assessment of the risks to our enduring national interests and the opportunities for advancing them.

(White House 2015: 5)

Such a position is echoed by President Obama's reading of the state of power in the world.

Indeed, through President Obama's comments on the rise of competitors, one can detect his approach to power. Obama recently commented on Russia: 'The Russians can't change us or significantly weaken us. They are a smaller country, they are a weaker country, their economy doesn't produce anything that anybody wants to buy except oil and gas and arms. They don't innovate' (Obama 2016). He also adds: 'They are overextended. They're bleeding. And their economy has contracted for three years in a row, drastically' (Goldberg 2016). To this classic understanding of power based on material capabilities, Obama adds that values also matter:

But, they can impact us if we lose track of who we are. They can impact us if we abandon our values. Mr. Putin can weaken us, just like he's trying to weaken Europe, if we start buying into notions that it's okay to intimidate the press. Or lock up dissidents. Or discriminate against people because of their faith or what they look like.

(Obama 2016)

His understanding of power seems thus to marry both a neorealist focus on resources and constructivist focus on values: 'Our values, our leadership, our military power but also our diplomatic power, the power of our culture is one that means we will get through these challenging times just like we have in the past' (Obama 2014).

Obama thus seems to develop an understanding of power that goes beyond material capabilities, and more often than not their use through military force. Obama deeply believes in the strength of US values to help the US to keep shaping the course of history. As Fisher (2016) argues:

He believes that deep historical trends point toward continued American centrality in the world, and thus encourage hostile nations to drop their antagonism and work with the US. And he believes history does not favor unpopular dictatorships or overextending regional powers. So in his view, it makes sense to cultivate and encourage those pre-existing forces.

Obama thus favours reaching out rather than confronting, engaging constructively rather than threatening. He has consistently shied away from an overuse of the massive material power at his disposal in favour of a far more measured approach to dealing with provocations and expressions of power by rival powers. It is possible to extrapolate Kuttner's observation of Obama in the context of

domestic politics. One needs to understand Obama's personality and theory of power to understand how he perceives the world and the role of the United States in this world:

Obama's reticence, his reluctance to lay blame, make sharp partisan distinctions, or practice a politics of class, reflects the interplay of his personality and his tacit theory of power – one that emphasizes building bridges to opponents, defying ideological categories, shying away from the kind of mass mobilization that swept him into office, and practicing a kind of Zen detachment.

(Kuttner 2011)

The US administration's reading of power is thus a mixed bag. Elements of neorealist and constructivist understandings of power coexist alongside neoliberal knowledge production praxis. The international system is understood to be moving away from unipolarity in the direction of power diffusion, thus echoing the US power decline argument. Such a reading of the world, however, relies on assessments of power based on quantifiable variables, with military and economic power dominating the thinking of US foreign policy-makers. While President Obama is more receptive to constructivist arguments on the importance of values and norms in how power is assessed, few prescriptions about how to deal with the rise of regional powers and threats to US hegemony actually engage seriously with qualitative variables of power assessment. It thus seems that neorealism still dominates conceptions of power held by US decision-makers. This is essentially due to the dominance of the neoliberal mode of knowledge production with its focus on quantifiable data.

Conclusions

This chapter seeks to address the question of knowledge production on power and its influence on perceptions and misperceptions of power in US foreign policy-making. Starting from the debate on the decline of global US power, this chapter argues that positivism and quantitative analysis are the dominant sources of knowledge production in US foreign policy circles. The dominant mode of analysis of power relies on knowledge production that focuses on states as the main actors in IR, actors who have a sum of material capabilities at their disposal seen as the main source of their power. Yet, as mentioned before, without the benefit of hindsight, it is no easy task to foresee what such power actually does. You can only know what power capabilities can achieve once they have been activated. Quantitative analysis, however, while very useful to acquire knowledge about power as potency and material capabilities, still falls short of providing a convincing analysis of how and why actors of power do what it is they do. In turn, such an approach to power appraisal can lead to misperceptions of power and potentially to wrong decision-making. Indeed, US analysts of power and decision-makers seem to accept the fact that the US is in decline. This is now part of the commonly

accepted discourse on US power, its role in the world and where the world order is heading. Unipolarity is over and multipolarity coupled with growing risks of conflict is the new reality. In such a new world, the US, on the basis of appraisals of power relying on quantitative analysis mainly, is perceived as being in a position of decline. Yet, this is not a foregone conclusion.

In the context of an appraisal of the state of US power, it is particularly relevant to understand how knowledge about power is generated. The dominance of positivism and quantitative analysis in power assessments in the US foreign policy establishment leads to declinist conclusions. In fact, as Brooks and Wohlforth (2008) argue, even a focus on quantitative indicators of power other than GDP and economic growth tell us that the US is facing growing competition from regional powers but is not suffering from a terminal hegemonic disease. In addition, as Neoclassical Realists have demonstrated, once the concept of perceptions of power is activated, the decline of the United States relative to other powers is far from a foregone conclusion. Indeed, at the end of the day, while a decline of US power in real terms matters, what matters most is whether this alleged decline is perceived by potential competitors. Do Chinese and Russian decision-makers perceive the United States in decline? Do they believe that their own power, understood as the sum of material capabilities, is catching up or surpassing that of the US?

An exclusive focus on power understood as material capabilities without consideration for less tangible expressions of power that include perceptions of power only delivers an incomplete analysis of power status in the international system. If one wants to know whether the United States is indeed in decline, one needs to go beyond a reliance on quantitative analysis of power and include: (1) an analysis of how US decision-makers perceive US power and the power status of its closest rivals such as China and Russia; and (2) an analysis of how US power is perceived by the decision-makers of challengers to US hegemony, as well as how they perceive their own country's power relative to the US. Yet, the US foreign policy establishment does not seem to consider that perceptions of power are worth consideration as a complementary approach to the generation of quantitative power assessment. This chapter argues that a deep analysis of structures that conditions knowledge production on power is needed as a first step to go beyond this analytical shortcoming conditioned by a dominant mode of knowledge production relying on positivism, objectivity and quantitative analysis, themselves expressing a Common Sense of knowledge reflecting the structural dominance of neoliberalism as the organising philosophy of Western societies. In contrast, a turn to critical theory in the analysis of knowledge production as informing the generation of truths on which political elites rely to make decisions opens a pathway to reflect differently on what power can do, how it does it and why it does it. This chapter argues that an analysis of perceptions of power is indeed much needed in addition to quantitative assessments of power that tend to predict the doom of US hegemony.

As current US politics demonstrates with the election to the presidency of Donald Trump, the incoming administration declared time and again that the

United States is in decline, that the sources of its power, especially its economic base, is a disaster (Trump 2016), that there is a need to make ‘America great again’. Such perceptions of the power of the United States also led to a more aggressive stance in foreign policy and a rejection of Globalism in favour of Americanism as a key driver of US domestic and foreign policy. The nomination of hard-right Republicans to key positions in the administration offers a glimpse of what is to come. It seems that US foreign policy will move from an era of multilateral engagement with the world to a return to unilateralism or strengthened bilateral relationships with chosen states, such as Russia. The incertitude surrounding President Trump’s approach to foreign relations makes a focus on alternative ways to conceptualise power critical. More than ever, in addition to quantitative assessments of power resources, analysts need to understand how variables such as beliefs, ideas and norms play a role in assessments of power. There is little margin for error. Both US decision-makers and their counterparts in Russia and China, especially, must generate adequate knowledge allowing for a genuine understanding of the real power at their disposal. Misperceptions of power, and more specifically of US decline, in an age of uncertainty can be costly.

Notes

- 1 For early calls for multi-level foreign policy analysis, see Snyder, Bruck and Sapin (1954), Waltz (1959), and Rosenau (1966). For an early investigation of the nature of the relationship between how statesmen see the world – the ‘psychological milieu’ – and the world in which policies are carried out, see Sprout and Sprout (1956, 1965).
- 2 See Foucault (2008).
- 3 Walt uses the term ‘good theory’ (2005: 26).

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Part II

Emerging powers and global economy



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3 Trade and security in US grand strategy vis-à-vis China

Michiel Foulon

Introduction

Following the dissolution of the USSR in 1991, it was argued that the US could use its unique economic and military lead to shape the post-Cold War order. A decade later, at the start of its post-9/11 adventures in the Middle East, the American empire still hovered over the planet. America's vast economic, military and technological lead has often been considered unlikely to be challenged by emerging powers any time soon (e.g. Brooks and Wohlforth 2015/16).

Yet some 25 years after the start of its unipolar domination, many things have not worked out as some expected. The combination of extensive international military commitments and domestic economic turmoil has returned the declinist thesis to the centre of the debate about US grand strategy. At the international level, with sufficient material power, rising powers such as China may balance the US. Even in the scenario of a weak or declining Chinese economy, it remains possible that the Chinese government could assertively challenge American leadership in East Asia, boosting the waning legitimacy of the Chinese Communist Party (CCP) rule in the process (Wang, Brooks and Wohlforth 2016, p. 188). At the domestic level, depleted military and economic resources eat into the financial foundations of the American empire. The technological bubble burst in the early 2000s, followed by costly wars, the devastating 2007 economic meltdown, skyrocketing national debt levels and persistent trade deficits with China. It remains astonishing that the world's only superpower just two decades earlier now appears in so much trouble.

Much of the debate on US decline revolves around American trade deficits and China's rise. Irrespective of whether the hollowing out of the domestic industry causes trade deficits (Kennedy 1988), or trade deficits are the consequence of government policies, these ever-deteriorating US trade deficits with China have resulted in parallel security externalities for China. The latter has enjoyed economic and security benefits from its imbalanced trade relationship with the US for over two decades now. In 2015, the Chinese trade surplus was more than 28 times greater than in 1991. This has fuelled the country's economic growth, allowed the CCP to invest more in its military, and yielded further benefits by way of military information and technology transfers. All of these developments,

as Shiffrinon (in Shiffrinon and Beckley 2012, p. 171) argued, could be used against American core interests.

How did the US respond to these systemic shifts – specifically, its relative decline vis-à-vis China? What happens when an established and an emerging superpower meet at the highest echelon of world politics? What Paul Kennedy (1988, p. 40) summarised as “the age-old dilemmas of rise and fall” of great powers returned as a central question for analysis.

The analysis in this chapter addresses these questions by deploying a neo-classical realist model that includes domestic economic interests and the role of the perception of international threats on behalf of state leaders. The multi-level neoclassical realist view and the variable of the trade–security nexus yield insights that question the dichotomy between economic and security questions. Specifically, it looks at the security and strategy relevance of economic initiatives such as the Trans-Pacific Partnership at the centre of the American rebalance and the broader US response to decline vis-à-vis China. An appreciation of the economic–security nexus and security externalities from US trade deficits with China offers further insights to gauge the degree of American decline. The US has not only seen other great powers catch up, but also produced astonishing levels of security externalities and military benefits for its main strategic adversary.

This chapter thus takes issue with both the substance and theoretical basis of America’s grand strategic response to the rise of China. It demonstrates how the US responded to its relative decline by offsetting security losses via expanding trade with other East Asian states. Therefore, for security reasons, domestic economic interests, which pressured the White House to seek more economic integration in East Asia, resulted in an agenda of American-led East Asian economic integration at the discrimination or even exclusion of China. Understanding how the US responds to its relative decline and perceives the rise of China is of central importance to future debate, and even key to peace and prosperity in the twenty-first century.

Cycles of rise and fall

Contemporary debates on American decline are hardly new. While Huntington (1988) spoke of a fifth wave of American declinism in the 1980s, the rise of China and relative decline of the US during the 2000s and 2010s took this debate down a familiar turn. For most of the second half of the twentieth century, the US feared defeat by the USSR and especially its rapid economic and military growth. When that chapter was nearing its end, Washington began fearing the rise of Japan. As US Senator Paul Tsongas put it, “The Cold War is over; Japan won” (quoted in Krauthammer 2002/3, p. 5), while Paul Kennedy (1988, pp. 595, 603) predicted that Japan “is likely to expand faster than the other major powers in the future”, and “will be the ‘number one’ economically in the early 21st century.”

In the current phase of the debate, some have declared American unipolarity to be drawing to a close, or even completely over (Art 2012, p. 15; Layne 2011). Discussions centre upon the extrapolation of China’s present growth patterns,

which have instilled fear in American analysts. Yet while all the challengers of the US over recent decades grew significantly in economic terms, none of their future growth expectations ever came to pass. The USSR dissolved three years after Kennedy published his seminal work, and Japan's economy is smaller today than 20 years ago. Given the American Cold War victory and Japanese Lost Decade, the decline thesis was generally dismissed. Earlier expectations about rising powers had been based on assumptions which were bound to deceive; so, we might ask, why would the Chinese case prove any different?

Declinist arguments have again built on Kennedy's thesis in recent years. Although some argue that it itself is in need of re-examination (e.g. Harrison 2009, p. 97), Kennedy's argument remains simple yet formidable: like any other great power in history, the international commitments of the US would exceed its domestic economic capacity and signal its decline. In 2015, a budget deficit of \$466 billion, federal debt level exceeding \$18 trillion, defence spending which had nearly trebled since the 1990s, and a trade deficit with the world of \$746 billion (\$367 billion of which was with China) supplied just a few indicators of the worsening state of the empire.

Indeed, the same variables from Kennedy's thesis – international security commitments and domestic economic capacity – are central to contemporary discussions about US decline vis-à-vis China. Unlike the earlier examples, there seems to be no halting the combination of domestic problems, the demand of overseas security commitments and the rise of China. As Christopher Layne (2012) summarised in his work on American decline, "this time it's real".

Understanding the US grand strategic response to decline therefore requires an appreciation of domestic economic challenges and foreign military commitments. As Walt (2011, p. 12) noted, "the bottom line is clear and unavoidable: the United States simply will not have the resources to devote to international affairs that it had in the past." Along similar two-level lines, Lobell (2000) explained that a grand strategic response to decline considers domestic economic capabilities as part of international military might. The next section introduces the neoclassical realist model.

A task for neoclassical realism

What was America's grand strategic reaction to its relative decline and the rise of China? How can we best capture domestic economic factors and international security aspects in terms of that grand strategy? How has our theoretical understanding of American grand strategy improved over the past 25 years? Some recent realist work attempted to address these pressing questions. Neoclassical realism has already become widely adopted as a viable theoretical approach which emphasises the role of unit-level variables. Two specific bodies of neoclassical realist literature offer novel insights for the purposes of this chapter.

A first group of scholars focused on the state's capacity to harness resources (Brawley 2009, 2010; Brooks and Wohlforth 2015/16; Lobell 2009; Taliaferro 2006, 2009; Zakaria 1998). Specifically, states cannot use all national power

for their international endeavours, but only the portion of it which can be extracted from society. Neoclassical realists refer to this as state power. The American grand strategic response to its decline relative to China thus depends on the extent to which its leaders could extract domestic resources, and how domestic factors pressure the government towards certain kinds of foreign policy in East Asia.

A second strand of neoclassical realist literature develops cognitive and perceptual variables within a structural framework (Brawley 2009, 2010; Schweller 1998, pp. 15–38; Walt 1987; Wohlforth 1993).¹ It focuses on state leaders' perceptions, and helps our understanding of what the East Asian security structure looked to US leaders over the last 25 years. True to their positivist epistemology, these realists purport that a version of structure is external to the state and is binding, but this is filtered through perceptions at state leader level. American grand strategy is thus a response to an externally binding systemic power shift that is at the centre of the decline debate. Yet the way in which its leaders responded was based on their perception and assessment of the future material distribution of capabilities in East Asia. Specifically, a rising China was expected to deploy a more aggressive foreign policy in the years to follow, and lead to "a system of competing spheres of influence in the Western Pacific" (Biddle and Oelrich 2016, p. 43).

Ignoring the great variety and richness of unit-level variables which neoclassical realism provides would result in an improper account. The East Asian security structure posited by realists in fact has different meanings to different state actors across the world. Using the Second World War and the Cold War as empirical examples, Schweller (1998, pp. 167–9) and Wohlforth (1993, pp. 7–13) explained that overestimating the growth patterns of other states may lead one leader to view the international system as unipolar, while another perceives it as bipolar. In such regard, understanding American grand strategy is not merely a matter of commonly adopted indicators such as gross domestic product, military spending and so forth. Rather, how was the rise of China perceived by American leaders and how did this generate a pre-established security structure within which economics and American grand strategy operated?

The liberal argument about trade and security remains mixed about prospects for peace and prosperity. Ikenberry (2013), true to the pedigree of liberal IR theory, focused on a double effect from the liberal order as causes for peace and cooperation. He argued that China will have incentives to socialise into while at the same time being constrained by the US-led liberal order. For instance, China is already deeply entrenched in the US-led order and faces growing incentives and constraints that increase the costs of a direct economic or military confrontation with the US. Ikenberry thus presents a more optimistic view of US–China relations and prospects for peace and prosperity in the Asia-Pacific. Central to the liberal argument is that ever increasing economic interdependence to the tune of \$367 billion in 2015 between the US and China would make state leaders realise that military confrontation would be futile. Haggard's (2014) liberal view of the Asia-Pacific, however, is less optimistic. He argued that proliferating

regional institutions since the end of the Cold War, such as the ASEAN Free Trade Area, ASEAN +3, and the East Asian Summit, remain “thin” and “shallow” (p. 52); that undemocratic states in Northeast Asia challenge the democratic peace argument; and even if all East Asian states were to be fully integrated (thus including North Korea and Myanmar) in intra-regional economic and financial interdependence then this does not guarantee that military confrontation would be avoided. Thus, with questions over the role of regional institutions, undemocratic states and economic interdependence, the liberal argument presents a variety of scenarios.

Others argue that US trade deficits with China strengthen – rather than weaken – America’s relative position. American trade and financial imbalances with China, the argument goes, strengthen the United States’ relative position. For example, Panitch and Gindin (2012, pp. 19, 181–2, 294) argued that the US imbalances with China strengthen American power. With US treasuries as the bedrock of global finance and trade, the vast Chinese financial reserves sourced from its trade surpluses with the US put pressure on the Chinese government to recycle its US dollar surpluses by purchasing more US federal debt. So, from this perspective, the effects of American trade deficits, in fact, strengthen Chinese dependence on the US that also integrates China in the US-dominated trade and financial order.

Though such analysis deepens our understanding of the nature of the US-led economic order, it underplays that China also enjoys military benefits from US trade deficits. American purchases of Chinese manufactured goods fuelled China’s economic growth. This expanded the pool of domestic economic resources that the Chinese government could extract and translate into military power against American interest. For instance, a stronger Chinese military with enhanced Anti Access/Area Denial capabilities and a so-called fortress fleet that combines the naval fleet with support from land bases at the contested Spratly Islands could advance an agenda of attempting to push American naval power behind the first island chain. Security externalities expand the debate of US decline beyond the economic dimension: why did the US fuel Chinese economic and military growth when a great power conflict was anticipated?

The insights which neoclassical realism brings render it a highly suitable theoretical framework through which to understand the American strategic response to decline vis-à-vis China. First, in line with the core variables of the declinist thesis (domestic economic factors and international military commitments), neoclassical realism’s two-level framework allows us to explicitly and directly analyse not just both levels, but also the dynamic between the unit and system-levels of analysis. Next, contrary to neorealism, NCR offers insights and added value through unit-level economic and perceptual variables. Third, while traditional realists such as Mearsheimer (2001, p. 422) noted that we should not look at the role of perception to explain state behaviour, neoclassical realists make it a separate variable. Finally, *Innenpolitik* theories which focus on domestic-level factors underplay the primary role of the externally given structure, within which domestic factors play a role in grand strategy. While not the aim of this chapter,

any consideration of other alternative theoretical approaches in International Relations only further brings the unique contribution of neoclassical realism to light.² Put simply, as Layne (2009, p. 104) noted, “studying specific great powers’ grand strategies is a job for neoclassical realism.”

America’s strategic response to decline vis-à-vis China

China’s economic and military rise has resulted, to a large extent, from its ever-expanding trade surpluses with the US over the past 25 years. While the US trade deficit with China was \$13 billion in 1991, it increased more than sixfold to \$83 billion in 2001, before exploding to \$367 billion in 2015. These imbalances not only nourished Chinese domestic production but also yielded security benefits for China vis-à-vis the US. Chinese leaders can extract and translate more economic resources into military capabilities, which can be used against American core interests in the trans-Pacific region. The American strategic community soon focused on these economic and security losses. Washington’s threat perception about China transcended the economic dimension of its trade deficits, as a rising Chinese economy would pose ever more security and military challenges.

The rebalance before the rebalance

The American grand strategic response during the initial post-Cold War years had a strong military dimension. In this phase of rebalancing to East Asia, the US developed a military posture with a smaller, reorganised force. Not economics but “security is the first pillar of our new Pacific community” (White House 1996, p. III). The US reaffirmed and extended strategic partnerships with East Asian countries in China’s neighbourhood: signing a spree of defence-related treaties with such states between 1991 and 2001. The vast majority of these were with traditional US allies such as Japan, South Korea and Australia, and were based around cooperation and exchange of military personnel and intelligence. For example, the US–Australia Agreement in 1995 was aimed at fostering defence cooperation.

In addition, US strategy displayed a security posture with fewer, more widely dispersed military capabilities. In 1995, the National Military Strategy already referred to this as a “smaller restructured force” (US Department of Defense 1995, p. ii). Military spending as a percentage of GDP and total government spending declined by 27 per cent and 36 per cent respectively; the numbers of US military personnel deployed overseas were reduced by over 300,000; while its total active military personnel, both at home and abroad, fell by over 600,000 between 1991 and 2001. Meanwhile, the share of its total overseas military personnel and military infrastructure located in East Asia and the wider region increased considerably. While 41 per cent of all US military infrastructures were located in East Asia in 1991, this had increased to 78 per cent respectively by 2001. Indeed, Nina Silove (2016) considers that the much-branded rebalancing in East Asia in fact took place much earlier, but she only looked back to

the mid-2000s. As Joseph Nye, who served in the Clinton Administration from 1994 to 1995, stated, this was indeed a strategy of “integrate but hedge” during the mid-to-late-1990s (Nye 2013, p. A19): integrating China economically, but hedging it in security terms.

Turning to the unit-level factors of the grand American strategic response, the American domestic economy looked dire at the end of this period of military rebalancing. When e-companies did not yield the anticipated results, confidence in the information technology market, which had surged dramatically in the 1990s, ebbed and collapsed following the crash in 2000. This caused an estimated \$5 trillion market value loss between 2000 and 2002, raising unemployment by 50 per cent in the four years after 2000. The terrorist attacks on 9/11 delivered further major blows to the stock markets and the domestic economy more generally. Moreover, at the international level, the American trade deficit with China accelerated to \$83 billion: nearly six times its 1991 level. At both the domestic and international levels, then, the state of the American economy had suddenly become calamitous.

Trade as a security concern

Adopting a neoclassical realist approach tells us that its domestic and international economic travails pressured the US administration towards policies which sought to boost its economy in the East Asian security structure. Neoclassical realism’s focus on the role of leaders’ perceptions informs us that American grand strategy operated amid a differently observed security structure. Misperceptions of the nature of international threats after 9/11 triggered counterproductive strategic responses. Rather than sticking to its approach from the preceding decade, when it had focused on the economy and balancing towards East Asia, American grand strategy diverted to the Middle East. It was now far less plausible to claim that China was the number one security threat to the US. Weak states, such as Iraq and Afghanistan, could be vulnerable to terrorist networks and, therefore, “can pose as great a danger to [US] national interests as strong states” (White House 2002, p. v).

In January 2002, President Bush delivered his monumental State of the Union address about the “axis of evil”. His National Security Strategy directed all possible efforts and resources against this axis in order to secure “the peace of the world” (Bush 2002; Rice 2000; White House 2002, p. 7). The 2004 National Military Strategy centred entirely on the Global War on Terror and did not even refer to China or East Asia. Thus the American response to 9/11 blew its grand strategy towards China off course, and profoundly changed the perceived security environment for relations between it and other powers. The distraction of the Middle East not only led the US to overbalance, it did not serve a grand strategic goal from a structural realist point of view. This must, surely, have been to the enjoyment of policy-makers in Beijing which became a US ally in the so-called Global War on Terror, while observing the main strategic competitor embroiled in a costly conflict elsewhere.

As the perceived security structure of the US shifted to the Middle East, its economic engine sputtered even more. The bursting of the dot com bubble was followed by increased military spending with the Global War on Terror creating budget deficits and weakening the domestic economy. This entailed a near doubling of the defence budget, from \$382 billion in 2000 to \$751 billion by 2011 which increased defence spending as a percentage of GDP from 3 per cent in 2001 to 5 per cent ten years later (Congress of the United States 2001, pp. 6–10, 73; Stockholm International Peace Research Institute 2012; Watson Institute for International Studies 2013). The budget displayed surpluses in 1998–2001, but these turned to record high deficits in the years thereafter. The first budget deficit of \$158 billion occurred in 2002 and peaked at \$1.4 trillion (10 per cent of GDP) in 2009. The 2007 economic crisis delivered a further blow leading to growth of only 1.7 per cent in 2008, and a recession in 2009. Unemployment rose 60 per cent between 2008 and 2009 and peaked at 9.6 per cent in 2010, while federal debt rose from \$11 trillion to \$16 trillion over the period 2001–11. All of this greatly weakened the economic pillar of American grand strategy towards China, placing further pressure on the administration to seek further economic integration in East Asia.

During this period, trade deficits with China skyrocketed, while the US military rebalance towards East Asia slowed. Trade imbalances with China were already at a record high of \$83 billion in 2001, and reached \$295 billion by 2011. In other words, for every US dollar which went from a Chinese company or investor to an American one to buy goods, a Chinese company or investor received four. The 2006 Congressional Budget Outlook projected that the current account deficit would remain large, and China became the largest importer of goods from the American economy by 2007, up from the third place in 2001 (Congress of the United States 2006, p. 38). The People's Republic became the largest exporter worldwide two years later. American federal treasuries held by China increased 15-fold from \$79 billion to \$1.2 trillion between 2001 and 2011. By the time that President Obama announced a withdrawal from Iraq in 2011, China now received more foreign direct investment (FDI) inflow than the US.

The relative US decline against China, although centred upon trade deficits, transcended the economic realm. Ever-deteriorating trade imbalances created ever more security externalities for China, whose economic benefits expanded Beijing's power and enhanced the efficacy with which Chinese economic power was transformed into military power. Thus the trade imbalances fuelled Chinese economic growth, enabled China to extract more state power, increased its investment in military capabilities, and affected American security in the region. China's military spending doubled from 1991 to 2001, then more than trebled during 2001–11. The trade imbalances not only nourished Chinese domestic production, but also yielded security benefits for China which could be used against American interests in the region.

According to the realist paradigm, states should not allow trade deficits and security losses from economic engagement with their main strategic adversary to loiter and fuel security competition. In the early 2000s, the US administration

still believed that more free trade with China would mainly benefit the American economy through more jobs, and, moreover, the “[US–China] trade relationship will benefit from China’s entry into the World Trade Organization” (White House 2002, p. 28). Merely a decade later these trade imbalances caused concerns that transcended the economic realm. Yet the 2002 NSS warned about “the possible renewal of old patterns of great power competition . . . most importantly . . . China”. The 2006 NSS turned this into a sense of urgency, our “priority . . . is preventing the re-emergence of the great power rivalries that divided the world in previous eras” (White House 2002, p. 26; 2006, p. 35). Now, American-Sino economic imbalances are not only unprecedented, they are also at the centre of the debate about American decline and are key to understanding how it responded via its grand strategy.

In line with the neoclassical realist model presented in this chapter, security externalities stemming from the trade imbalances were possible for two reasons. First, considering the unit-level, macro-economic elites, such as business leaders, CEOs (chief executive officers) and investors who pressured the government, operated by different calculi than American state leaders. Diverging domestic interest groups pressured the American government into foreign policies and international trade cooperation with China which would be counterproductive from a grand strategic viewpoint, and contradicted the administration’s strategic assessment. Ever-increasing imports of Chinese manufactured goods were beneficial for American macro-economic elites, but the resulting security externalities were worrisome for reasons beyond companies’ profit margins. Second, the American perceived security structure, centred on the Middle East after 9/11, also rendered China as not an urgent or key threat. As its intervention drew towards its conclusion in the early 2010s, US grand strategy turned towards Beijing once more, leaving it with the task of rebalancing to East Asia and addressing the pressing challenge of its now fast accelerating decline relative to China.

The return to East Asia

After a decade of costly wars in the Middle East, American grand strategy towards China has been set on course again through its much-branded rebalancing towards East Asia since 2011. The economic and trade pillar, as evidenced by the Trans-Pacific Partnership (TPP), was not a matter of low politics, but of military, security and strategic importance.

On 21 October 2011, Obama announced the total withdrawal from Iraq. Less than four weeks later, he declared in a speech to the Australian Parliament that, “after a decade in which we fought two wars that cost us dearly, in blood and treasure, the United States is turning our attention to the vast potential of the Asia Pacific region” (Obama 2011). In the same year, Secretary of State Hillary Clinton (2011, p. 57), marked this moment as a “pivot point”, introducing the rebalancing towards East Asia. After the rebalancing of the early 1990s and subsequent distraction to the Middle East, now the US embarked on, as Dobbins

(2012, p. 7) noted, “yet another national-security pivot to Asia, with China again the main preoccupation.” The President was clear that this was “a deliberate and strategic decision” (Obama 2011), while Secretary Clinton noted that this was a long-term, grand strategic commitment: “We move forward to set the stage for engagement in the Asia-Pacific over the next 60 years” (Clinton 2011, p. 63). The US thereby established East Asia – and in particular China – as its long-term focus and commitment.

This strategic shift comprised a significant geographical restructuring of the US military posture in the East Asian region. Following the agreement (which excluded China) in February 2016 in New Zealand of the Trans-Pacific Partnership with Japan, Vietnam, Australia, and others, the core of its strategic rebalancing, the US would be able to revive its economy, divert security externalities from trade to its security allies, and develop American-led trans-Pacific leadership.

The renewed American focus on East Asia was accompanied by significant military changes albeit not in terms of amplifying US military capabilities in the region. The pivot was actually followed by a decline in defence spending in absolute terms as a percentage of GDP and as a share of total government spending. The Congressional Budget Outlook budget authority for 2012 (\$670 billion) was 6 per cent less than 2011 (\$711 billion), while defence spending declined by an average of 5 per cent over 2012–14. Additionally, while the number of active military personnel increased again in the four years before the rebalancing in 2011, it declined year on year from 2011–14. Overseas US military personnel in East Asia fell from 134,000 in 2011 to 96,000 in 2015, and in the broader region from 223,000 to 192,000. The main shift in the scale of US military capabilities overseas and the proportion placed in the region took place in the 1990s. Now, defence spending has declined, while the proportion of total overseas military capabilities located in the region has remained relatively stable at 2001–11 levels.

What changed in the American forward military deployment in the region, however, was its geographical dispersion of military capabilities. This was perhaps best seen in the number of territories hosting US military personal or infrastructure. In 2011, a total of 12 states and territories, including the Marianas Archipelago, Micronesia, Australia and Malaysia, hosted American military capabilities, increasing to 29 through countries such as the Philippines, New Zealand, Thailand, Laos, Cambodia, Vietnam, Myanmar and Nepal by 2015. Between 2011 and 2015, the US further deployed a strategy with, as Stepak and Whitlark (2012, p. 52) noted, “a Sinocentric force posture over Euro-centrism”. During this period, then, the grand strategic response has incorporated a significant geographical restructuring of military forces, spread over more than twice the old number of states and territories.

As the security structure in East Asia unfolded, the US still faced two pressing economic issues: a weakened domestic economy and ever-expanding trade deficits with its main strategic competitor. Diverting trade away from China and towards American security allies would help alleviate both issues. It would boost

the American economy with more jobs in the exports sector, and channel security externalities to allies.

Central to the grand US strategic response to China's rise is the TPP, a free trade deal with states which are part of the pre-established US-led military structure in East Asia. Domestic economic incentives pressured Washington to expand trade with these East Asian economies. Yet better international trade relations would also be required to boost the American economy. The TPP would help address both concerns. The United States Trade Representative in 2015 noted, "TPP will promote jobs and growth in the United States" and is "a tool for economic growth and supporting jobs" (Office of the United States Trade Representative 2015).

American participation in the TPP as a response to domestic economic pressures and international incentives from the rise of China unfolded only within the existing security structure. Of the 12 TPP East Asian states that that negotiated (Japan, Vietnam, Malaysia, Brunei, Singapore, Australia and New Zealand) or showed interest to join TPP (Thailand, South Korea, Taiwan, Philippines, Indonesia), no less than 11 states also played host to American military bases and/or personnel. The TPP welcomed new negotiating partners but China remained *de facto* excluded. For its part, China already had bilateral and regional trade agreements and is currently negotiating the Regional Comprehensive Economic Partnership, while the economic benefits for China from joining the TPP were speculative, and the high labour and environmental standards regarding intellectual property rights precluded China from joining. The US-led TPP reflected a geopolitical structure established years earlier.

The kind of threat that American policy-makers believe that China poses is thus not one of seizing capitals, annihilating armies, territorial integrity and political independence (as in traditional realism's survival imperative). Instead the US faces the daunting prospect of more intra-Asian regional integration at the expense of even the exclusion of the US. US-China trade has expanded, but China has integrated more with East Asian states between 2001 and 2015. The share of Chinese exports that went to South Asia increased from 1.59 per cent to 4.13 per cent while the share of Chinese exports that went to the US declined from 20.43 per cent to 18 per cent. Even America's traditional security allies are moving towards more regional integration with China. For example, Japanese exports between 1991 and 2015 have more than tripled with East Asia and the Pacific and increased more than 12-fold with China, but have stagnated and even declined with the US since 2007 (World Bank 2017). Regional initiatives such as the Regional Comprehensive Economic Partnership and the independent Asian Monetary Fund (eventually not established as the IMF-subordinated Chiang Mai Initiative was launched in 2010) which exclude the US raise further concerns about the role of the United States in the region in the twenty-first century. Thus one of the main threats emerging from the American empire's trade deficits with China on the rise is that the former could become marginalised or even excluded from the region.

Thus the TPP was more than just a trade agreement for reciprocal economic gains, and was important for reasons which transcend the trade and economic realm.

The treatment of trade and economic imbalances as a security concern had clear strategic and security goals. Directing trade away from China towards strategic and security allies would allow the US to internalise security externalities from trade in East Asia. In a Congressional Research Service report titled *The Trans-Pacific Partnership Agreement*, Ferguson and Vaughn (2011, p. 5) noted that “Economic linkages can also reinforce strategic relationships. If U.S. trade ties were diminished as a result of being excluded, then U.S. strategic interests and leverage could also suffer.” Where trade deficits with China had once been seen as low politics, now they were part and parcel not only of the neoclassical realist framework of American grand strategy against China, but also of American security. US Trade Representative Michael Froman noted, “The TPP’s significance is not just economic, it’s strategic.” Secretary of Defense, Ash Carter, made the link between trade and security clearest and most explicit when describing the TPP “as important to me as another aircraft carrier” (Carter 2015).

The grand strategic problem for the US of its trade imbalances with China was not only that it weakened the American economy, but also that China gained more in security terms at a time when a great power duel for supremacy in East Asia lies (or so many argue) just around the corner. The realist pedigree of the analysis in this chapter does not necessarily imply that US–China conflict during the shift to a new world order is or will be inevitable. For example, in his analysis about prospects for US–China conflict, Glaser (2011) argued that an extended nuclear deterrence and the stopping power of the Pacific Ocean facilitate high levels of security that may avoid a great power clash. The economic and security pillars of American grand strategy towards China operated in a pre-defined security structure within which states represent domestic economic interests. States seek to redress trade imbalances through the accumulation of trade surpluses and divert security externalities from trade to security allies. In this sense, various geostrategic and geo-economic gains have been at stake.

The Trump Administration and domestic politics in the US could take things in a different direction. President Trump’s executive order to withdraw the US from TPP came less than a year after the agreement was first signed in New Zealand. Even if the US will indeed withdraw from TPP following the executive order on the President’s first day in office, the puzzle remains: how does the US respond to the economic and military rise of China? Accommodating the wishes that come with China’s growing confidence, or maintaining American trans-Pacific leadership? How are trade and security linked in American grand strategy in response to China’s rise?

Contrary to the campaign rhetoric, the Trump administration already reversed some of campaign pledges. It will not label China a currency manipulator, it will stick to the ‘One China’ policy, and it already reassured Japan and South Korea of the American security umbrella in Northeast Asia. Additionally, if the US aspires to be included in a trans-Pacific economic and security region then military withdrawal from important sea lanes of communication for American trade would leave a vacuum that China would be eager to fill. In line with the argument in this chapter, scenarios of a major military conflict, direct confrontation

with China on currency manipulation, and an American strategy of offshore balancing are already reined in by both domestic pressures and systemic constraints. Though the American leadership has changed in January 2017 with an anticipated shift in the course of grand strategy, the systemic and domestic pressures of American decline vis-à-vis rising China remain.

Conclusion

Twenty-five years since the end of the Cold War, discussions about American decline have been revived once more. It remains astounding that the US has lurched from unchallengeable superpower in 1991 to so much domestic and foreign turmoil merely two decades later. Central to this has been the extent to which the rise of China has contributed to the relative decline of the US, and the latter's responses.

This chapter has explained how a combination of security and economic factors can account for American grand strategic adjustments over the past quarter-century. Specifically, the two-level neoclassical realist framework advances an understanding which incorporates multiple levels of analysis. The dire state of its domestic economy and skyrocketing trade deficits with China in the 2000s were part and parcel of American decline and integral to its strategic response.

The early post-Cold War grand strategy featured a reduced military posture. The US disengaged militarily from Europe to a significant extent. Defence spending and the overall numbers of military troops deployed overseas fell. But the most significant change was in the share of total US overseas military personnel and military infrastructure located in East Asia: 41 per cent of all US military infrastructures were located in the region in 1991, rising to 78 per cent by 2001. This first phase of American rebalancing set the pre-established security structure within which economic and trade considerations would play an increasingly instrumental role in the years which followed.

During the 2000s, American grand strategy operated within a different perceived security structure, with a misperception of the main international threat after 9/11 triggering major changes, which diverted American focus to the Middle East. The economy soon started sputtering with budget deficits becoming the norm, and costly interventions in the Middle East entailing a near doubling of the defence budget. The 2007 economic crisis delivered a further crushing blow.

During this period, the American decline relative to China accelerated. Skyrocketing bilateral trade deficits paralleled a deceleration in the East Asia military rebalancing. The former helped generate further security externalities for China. The Chinese government could use its enhanced economic power to develop its military power and use it against American interests in the region. According to the realist paradigm, states should not allow such military and security losses to stem from trade deficits to the benefit of its main strategic adversary.

A key response to America's relative decline came with the next phase of rebalancing in 2011. The fast declining US position demanded a significant geographical restructuring of its military posture in the East Asian region.

Thus its military capabilities were much more widely dispersed, and the much anticipated, rather grandiose Trans-Pacific Partnership was of integral importance. The TPP has the potential to revive the American economy and divert security externalities from trade to security allies. Both it and American rebalancing were important for reasons which transcend the trade and economic realm. Directing trade imbalances away from China and towards strategic and security allies would allow the US to internalise security externalities from trade in East Asia.

The neoclassical realist model in this chapter included domestic economic interests and state leaders' perception of international threats. The multi-level neoclassical realist view and the variable of the trade–security nexus present fresh insights that transcend the traditional economic and security divide. The security and strategic losses from US trade with China deepen our understanding of the extent of American decline. Economic initiatives such as the Trans-Pacific Partnership were at the centre of the American response to decline vis-à-vis China. The US has thus not only declined in economic and security terms because other great powers have been gaining on it; it has also produced astonishing levels of security externalities and military benefits for its main strategic adversary.

The grand strategic problem of US–Chinese trade imbalances for the former was, thus, not merely that these weakened the American economy. China gained more in the security realm at a time of increasing great power competition in East Asia. American grand strategy against decline relative to China reflected this geopolitical and geo-economic zero-sum game. This understanding of how the US responded to its decline and the perceived rise of China will be central to debates about American hegemony, and indeed peace and prosperity in the new world order that is unfolding before our eyes.

Notes

- 1 A third neoclassical realist framework discusses the role of domestic embedded ideology (Dueck 2004, 2006; Dyson 2016; Kitchen 2010; Schweller 2009; Walt 1985, 1987, pp. 181–217).
- 2 For an extensive analysis of the theoretical argument, please refer to Foulon (2015).

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4 Financial centres and RMB internationalisation

Prospects for a post-American monetary order?

Julian Gruin

Introduction

On 30 November 2015 the International Monetary Fund (IMF) determined that the Chinese renminbi (RMB) would be included within the basket of currencies that constitute Special Drawing Rights (SDR). The IMF apportioned the RMB a share of 10.92 per cent within the SDR, a higher weighting than for both the British pound and Japanese yen at 8.09 per cent and 8.33 per cent respectively. Although this decision was more symbolic than of real economic significance, the consensus interpretation among commentators and analysts was that 'the inclusion puts new pressure on Beijing to change everything from how it manages the RMB, to how it communicates with investors and the world' (Wei 2015). Conversely, the decision itself reflects political flexibility on the part of the IMF – it bent its own principles to accommodate the growing prominence of the RMB in the global economy. Influence would appear to be running both ways in the process of China's financial transnationalisation. More recently, MSCI has continued to refrain from including China's A-share market within its emerging market indices, citing an ongoing concern for China's management of its capital markets and the openness of the capital account itself. Accession to the benchmark would boost significantly its ability to attract capital from fund managers of large institutional investors tracking the index. MSCI's reticence reflects the ongoing concerns of international investors towards both the uncertainties inherent in China's macroeconomic prospects and the micro-level regulatory policies that place investors on the back foot when operating within China's capital markets.

Accompanying these macro-level assessments and developments is the attention and focus paid to the rise of offshore RMB hubs as key elements in the internationalisation of the RMB. London and Hong Kong in particular began to assume significance in the overall strategy of establishing offshore RMB hubs as means of supplying international RMB liquidity despite restrictions on both capital flows and currency convertibility (Subacchi and Huang 2012). Both the London financial community and the UK government were enthralled by the prospects of the City of London assuming a role as the pre-eminent offshore trading hub for a currency that just several years earlier enjoyed virtually no international usage whatsoever (Stafford 2015). These developments raise important

questions for those trying to parse the dynamics of change in the global monetary and financial order. Along which politico-economic axes do we see this change unfolding, what are its key drivers and in what form is change likely to unfold? In this chapter I use the course of RMB internationalisation as a case in which to bring concepts and perspectives from international political economy and financial geography together in order to provide more nuanced analytical perspectives on the nature of change in the international monetary system. International monetary relations unfold and evolve at the nexus of state and market power, involving cleavages between state-based financial policy-makers and transnational market-based investors.

The core argument I advance is that as spatially embedded sites of ideational contestation, international financial centres (IFCs) provide a crucial lens through which to perceive and analyse these cleavages. IFCs reside at a crucial intersection between these two levels of analysis, and the distinct processes of agency, contestation and change that underlie them. Drawing upon constructivist IPE literature and recent work in financial geography, I conceptualise the global monetary system as a system that involves both state-led and market-dominated processes of change. From this perspective, states are instrumental in laying the infrastructural foundations for change, which takes place itself nevertheless only as a function of market and investor sentiment. International financial centres are fulfilling two complementary functions in the process of change in the international monetary system accompanying RMB internationalisation. They are territorial sites and therefore vehicles for states to lay political and regulatory infrastructure. But they also function as socio-economic sites of ideational change. In this analysis of Hong Kong and London as two key offshore sites for RMB-denominated market development and as sites of associated agency and ideational contestation, I thereby seek to illustrate their analytic importance in understanding what kind of international monetary change is reflected in the current course of RMB internationalisation.

These arguments raise analytic possibilities that have been thus far largely overlooked in broader debates on Sino-American relations and the dynamics of economic power transition. The majority of this literature regards China's domestic financial reforms as the key determinant of the RMB's impact and future role in the international monetary system, and by extension the future of the US dollar (Subacchi 2016; Prasad 2016). One corollary of this is a deficit of attention paid to more fully contextualising this process within multiple and non-linear trajectories of change surrounding the financial foundations of existing US monetary dominance (cf. Kirshner 2014). The era of US monetary dominance is by no means yet drawing to a close (Cohen and Benney 2014). But in opening up pathways for understanding these trajectories as located in spatially embedded and ideationally mediated financial networks, this chapter thereby contributes to our understanding of the conditions under which US monetary dominance might be expected to weaken, a question to which I return in the final section.

The chapter proceeds in three stages. In the next section I interrogate existing conceptual frameworks for theorising the impact that China's economic

development is having upon the global financial order in an era in which the politics of space and territory are seemingly more important than at any point over the last several decades. Following this, in the second and third sections I present early evidence and analysis of how such change is taking place along a transnational yet nonetheless state-influenced axis of contestation in China's integration into the global financial order. I draw upon fieldwork conducted in Hong Kong and London as key nexuses of China's contested interaction with transnational capital flows and the actors who control them. In the final concluding section, I draw out some of the implications of these arguments for how we might fruitfully hypothesise and theorise a potential critical monetary transition in the post-American global economic order.

Conceptualising change in the global monetary order

To what extent are the spatial elements of financial orders important for conceptualising and theorising monetary change in an era of growing resistance to the global liberal order? Global financial integration and the evolution of the international monetary system as increasingly interdependent transnational financial markets and networks had led early commentators to remark on the 'end of geography' and an era of 'stateless monies' (Martin 1994; O'Brien 1992; Ohmae 1990). The notion that the global financial landscape was being flattened by market forces against which states were powerless to resist was rapidly dispelled by a wealth of work by geographers and international political economists who stressed respectively the continued dominance of spatially specific centres and networks of financial activity (Beverstock, Smith and Taylor 2000; Sassen 2000; Wójcik 2013), and the continued centrality of state agency and power in underpinning the 'reemergence of global finance' (Helleiner 1994; Cohen 1996). In an era of rising nationalism and territorial politics throughout the advanced economies constituting the core nodes of the global financial and monetary system, the sites of tension and contestation between mobile transnational capital and territorially bounded state and social forces are evolving accordingly.

Rather than emphasising the national versus supranational dichotomy that remains the default point of departure for much mainstream international political economy (IPE) analysis, geographers focus on the networks and linkages that connect the actual spaces of global finance – global cities. In so doing, they elevate the role of sub-national actors, who are exercising agency directly within these financial centres, and extending that influence into both the national political sphere and transnationally vis-à-vis other financial centres and the market actors operating within them. Attempts at conceptual mapping undertaken by financial geographers of the international monetary system (Wójcik, MacDonald-Korth and Zhao 2016) and global financial networks (Coe, Lai and Wójcik 2014) are useful in moving away from methodological nationalism without embracing a supranational level of analysis that arguably has little role to play in driving substantive change in global monetary affairs. According to Agnew (2009, 221)

the impact of globalisation on geography ‘entails its reformulation away from an economic mapping of the world in terms of state territories towards a more complex mosaic of states, regions, global city-regions, and localities differentially integrated into the global economy.’ From this perspective, globality is defined by a combination of global networks and localised territorial fragmentation.

Much of the post-crisis IPE literature suggests that IPE scholars have yet to come to terms with the significance of this re-articulation of capital flows and financial activity for understanding global finance. This leaves them blind to transnational linkages between global cities that can have structural influence in steering global financial developments that feed up to and into national and supranational arenas of political action. Viewed within a long-run time frame of fundamental change in global monetary relations, these are precisely the transnational linkages that create the institutional infrastructure underpinning transformations in the global financial order. Thus we should not look exclusively to the policy responses of global governance forums such as the G-20, or international organisations (IOs) such as the IMF, for insight into the balance of change and continuity in the post-crisis global political economy. These are no doubt important arenas of policy transformation. Yet they tell us little about the emerging institutional structures that, through emergent transnational linkages anchored within networked global cities, are crucial drivers of change.

Conversely, the frameworks and concepts being developed within the field of economic geography yield insights that are highly useful in ‘charting’ these emerging dynamics, but in so doing analytically devalue the notion of power and contestation that is the bedrock of the international political economy literature. Martin (2008, xxx) presses for increasing engagement with the political because ‘the new spaces of economic regulation are being reconfigured in historic ways, with major implications for how we think about the geographies of economies.’ But as Agnew (2012, 576) has lamented, too often ‘when “the state” is brought in, it is typically either as an exogenous force introducing shocks or as sets of policies and plans functional to the interests of presumed dominant groups.’ The conceptualisation that I propose in this chapter goes some way in ameliorating these concerns, contributing a more politically nuanced framework and concepts to the literature on IFCs and the geography of global finance more broadly.

These three potential sources of politico-economic agency – transnational markets, international financial centres and territorial states – for driving change in the international monetary system, while each crucial in their own right, sit often uneasily with one another. Yet these conceptual incompatibilities can be overstated. By conceptualising international financial centres both as spatially networked sources of agency in themselves, as well as sites of political contestation between currency-issuing state authorities and transnational market actors, we entertain more nuanced and sequenced processes of change. Taking seriously the territorial rootedness and networked properties of international financial centres draws us away from thinking of change as a linear and predictable function of macro-level dynamics ‘out there’ in the abstract world of transnational investors and capital flows, but rather as the function of spatially

embedded political contestation between state- and market-situated actors. The influence of this spatial embeddedness should not be underestimated, as it involves possibilities for socio-economic and political change that are occluded by macro-level regulatory and economic analysis.

These proposals as to the relevant units and levels of analysis for theorising global monetary change can in turn be augmented with a focus on the nature of this change itself. Here, further insights from constructivist strands of international political economy are particularly useful. Recent work on China's attempts to confront the challenges of capital account liberalisation have emphasised the malleability of the international monetary system, and particularly the ideational factors that lie at the heart of how transnational financial investors form views and develop confidence in the attractiveness of a currency as an international investment vehicle and medium of exchange (McNally and Gruin 2017). The global monetary system and the actors that circulate capital within it operate on the basis of economic ideas and cognitive frameworks that are not static, but are socially mediated and malleable accordingly. In the aftermath of the global financial crisis, the international monetary system's politico-economic institutions persist, but there has been a weakening of their theoretical foundations – free capital mobility and financial deregulation. This is not the first time that the ideational foundations of these institutions have undergone such a transformation. China is emerging into a global financial order that has progressed through successive interpretations of how best to structure monetary policy and the transnational flow of capital (Widmaier 2010).

I illustrate this conceptual thinking in the following sections, by honing in on these aspects of the process of RMB internationalisation within two key international financial centres and offshore hubs for RMB-denominated financial market development, London and Hong Kong. The empirical findings are based on a two-fold research process. Desk-based research involved the collection and analysis of press reports, official policy documents and statistical information on the progress of RMB internationalisation and the development of HK and London as offshore RMB hubs. Secondly, I draw upon a number of semi-structured field interviews undertaken in Beijing, London and Hong Kong with traders and managers in both Chinese and foreign financial institutions, officials from regulatory and policy-making agencies, and market analysts across both the public and private sectors.

The London–HK link: international financial centres and the rise of the RMB

Early on in the rise of London as an offshore RMB hub, there were signs of differences in approach, expectations and capacity between London and Chinese authorities that might give rise to conflict over the integration of RMB business into the City of London (Subacchi and Huang 2012). The UK Foreign and Commonwealth Office (FCO) (2012) stated that:

It is not for the government to dictate what new products should be launched, and when – that will be guided by the market. The role of UK–mainland China, and UK–HK, cooperation is to: facilitate exchanges between our respective companies; remove impediments to the market’s development; ensure it develops in a way that supports financial stability.

As industry insiders Minikin and Lau have observed, financial institutions and investors in London are well aware that ‘one big difference between the Eurodollar and CNH markets is that the former was market-led and the latter is very much government-led’ (Minikin and Lau 2013, 140). Promoters and developers of RMB business within the City of London accept that the offshore CNH (offshore renminbi) market ‘has special characteristics’. The implications are summarised accordingly:

Chinese authorities will want to be sure that any relaxations in currency controls meet their objectives and do not have any unforeseen negative consequences. This is most likely to be achieved if the two governments, their regulatory institutions and the market participants understand each other’s objectives and work together to internationalize the yuan. Thus the UK community – the government, the regulators, and the financial services industry – have an opportunity to maximize London’s position by working in partnership with the Chinese authorities and with counterparts in the Hong Kong SAR.

(Bourse Consult 2013, 13)

Nevertheless, the record of cooperation and engagement between the City of London and Hong Kong indicates that complementarities between the two IFCs have been central to the development of RMB-centric linkages between London and Hong Kong. According to Norman Chan, Chief Executive of the Hong Kong Monetary Authority (HKMA): ‘Hong Kong and London are well placed to develop offshore RMB business and closer cooperation between the two financial centres will bring about mutual benefits and a win–win situation’ (Hong Kong Monetary Authority 2012).

The UK–China Economic and Financial Dialogue held in September 2011 laid the foundations for the City of London to thereafter launch the rather clumsily entitled *City of London Initiative on London as a Centre for Renminbi Business*, encompassing a vision of London developing as the ‘Western hub’ for the international RMB market, complementing Hong Kong as the pre-eminent offshore RMB centre. The ‘Hong Kong – London Forum’ was thereafter established in January 2012 with the Hong Kong Monetary Authority to promote cooperation on the development of offshore RMB business. The forum has met twice a year, beginning in May 2012, with a focus upon the joint development of clearing and settlement systems, on improving CNH liquidity overseas, and on developing an increased range of CNH products.

Importantly, Hong Kong and the HKMA, rather than the People's Bank of China (PBOC) or other mainland authorities, are continuing to drive the initiative. A 2014 memorandum of understanding between the Bank of England (BOE) and the PBOC established the foundations for RMB clearing and settlement arrangements in London, as well as fostering regulatory cooperation over supervisory arrangements and the sharing of relevant information. These initiatives demonstrate the extent to which agency exhibited by private banks and IFCs has operated in tandem with national regulatory recalibration. Indeed, a 2013 currency swap agreement between the BOE and PBOC was central to establishing early momentum for the promotion of RMB internationalisation through London. Private sector linkages have also proved important in driving this Hong Kong–London axis of RMB internationalisation. Major British-based international banks, in particular HSBC and Standard Chartered, with long-standing historical ties to the Chinese and Hong Kong markets and large contemporary financial involvement, have been at the forefront of cooperative efforts towards RMB internationalisation. Both banks were enlisted alongside the Bank of China to organise the sale of the British government's first ever RMB-denominated debt issue in 2014 (Reuters 2014).

The coordination through IFC institutions of both state and private sector efforts to develop offshore RMB markets is also of clear centrality, with evidence of close consultation on how to reconcile market needs in the areas of trade settlement, capital raising and the issuance of investment products. A private sector working group established by the City of London, furnishing advice and suggestions to support London's RMB business development (City of London Corporation 2016b) has played a significant role in propelling these developments.¹ A steering committee [督导委员会] has been established to oversee the work of the working group. In turn, the Chair of the City of London Policy and Resources Committee Mark Boleat chairs the steering committee (City of London Corporation 2016a). There exists a further expert advisory group [专家咨询组] which reports each month to the Steering Committee. Standard Chartered Bank and HSBC co-chair this expert advisory group.

Three further working groups report to the Expert Advisory Group. There is a clearing arrangement infrastructure working group, chaired by JP Morgan Chase, that meets every other month, with the objective of ensuring that the RMB clearing system is operating so as to maximally meet the needs of London market actors. The market, products and services working group meets quarterly, screening and assessing RMB-denominated financial products in Europe and the UK, and to anticipate what kinds of financial products will be necessary in the future. This working group is co-chaired by HSBC and Deutsche Bank. Finally, the publicity and marketing working group, chaired by Standard Chartered Bank, meets monthly, seeking to promote the London offshore RMB market to businesses and investors (City of London Corporation 2016a). Since 2010, these working groups and the public-private sector partnerships embodied within them have been highly active via the City of London's representative offices in Beijing, Shanghai and Hong Kong (for more details, see City of London Corporation 2015).

This information is available only via the Chinese language website of the City of London, begging the question of the intended audience for relatively specific details of how and with whom the City of London is seeking to develop and establish its position as an RMB business centre.

Although these initiatives and policy measures are naturally embedded within other important national and transnational political dynamics, they point also to the importance of taking serious the political agency at the meso-level of IFCs and the institutions that underpin them. The state apparatus as well as private sector institutions and individuals are key components of this agency, but the effect of this agency is that IFCs are now *increasingly directly constitutive* of off-shore markets in addition to simply being functionally convenient nodes within global financial networks. As part of China's RMB internationalisation strategy, IFCs therefore take centre stage in the process of literally making and remaking markets that hold deeper transformative potential in the evolution of the global monetary system.

Contesting the liberal imaginary: ideational change in the IMS

The importance of international financial centres such as Hong Kong and London derives to a large extent from their functional characteristics and complementarities within global financial networks. But as key sites of change in the international monetary system (IMS), their importance stems also from the social dimensions of their roles as financial nodes, agglomerating not just human capital in economies of scale but also hosting cognitive and ideational frames that affect the all-crucial factors 'investor confidence' and 'market sentiment'. In this section I therefore focus on the ideational contestation that is taking place in London and Hong Kong as key nodes of global finance that are likely to play an even more central role in the transition to a post-American global financial order.

The ongoing malleability of the IMS

Even though China is expected to become more financially open over time, there is little evidence of the Chinese Communist Party (CCP) embracing a deeply different relationship to the power of financial capital than it has over the past twenty-five years (Gruin 2016). Chinese policy-makers are unlikely to acquiesce to the 'need [for state institutions] to be adapted to operate in a world of liberalized capital markets' (Fischer 1997). Rather, Chinese economic governance has all along signified a very different attitude towards the role of markets, both domestically and internationally (McNally 2015). Just as Eichengreen and Kawai speculate that 'currency internationalization may have implications not only for the PRC's economic model but also for its political model' (Eichengreen and Kawai 2014, 16), the reverse may also apply. In this section I argue that RMB internationalisation may also have deep implications for how the international monetary system itself is structured and operates. To be clear, I am not arguing

that transnational financial market actors in London and Hong Kong are already reconciled to embracing of China's financial institutions and mode of monetary governance. Rather, the argument is for the importance of understanding such changes as they are unfolding within international financial centres. I therefore present early evidence of how in key centres of global finance this gradual process of change is interacting with transnational market forces.

The contemporary liberal monetary order emerged out of the compromise of embedded liberalism that the Bretton Woods system of fixed exchange rates and domestic monetary autonomy underpinned (Kirshner 1999; Ruggie 1982). This set of ideational frameworks and normative commitments emphasised the need for close monitoring and control of cross-border movements of private financial capital (Helleiner 1994, 49; Abdelal 2007). As the market power of finance over labour was successively entrenched through the 1980s and 1990s (Widmaier 2016), one fundamental idea accompanying the rise of this neoliberal financial order was 'that capital ought to flow across country borders with minimal restriction and regulation' (Abdelal 2007, 1). Yet this key characteristic of globalised finance was not inevitable. Even as the basic architecture of the Western liberal order remained intact through various guises of liberal internationalism (Ikenberry 2009), the ideas underpinning global financial governance remained neither static nor coherent.

China entered into this system during the 1990s with a firmly fixed exchange rate, a virtually closed capital account and an emphasis on attracting foreign direct investment (FDI) in export-oriented manufacturing sectors. Beginning in the early 2000s, China's external balance of payments situation began to create large current account surpluses. The 2008 crisis revealed the limits of contemporary global macro-economic coordination and the deficiencies of the global 'non-system' that followed the Bretton Woods framework (Adam, Subacchi, and Vines 2012). Alongside this, the explosive growth in credit that eventuated from China's response to the crisis increasingly exposed the problematic foundations of China's own investment-driven growth strategy. And finally, quantitative easing and the introduction of zero interest rate policies (ZIRP) in advanced markets around the world have further contributed to the precariousness of global monetary stability and the uncertainty of future directions in monetary policy. The limitations of monetary policy are now increasingly apparent, with fiscal policy re-emerging as a necessary – if less politically convenient – method of shoring up growth in key economies.

Within this broader macro-economic context, a breakdown of the policy consensus over free capital mobility has generated policy space for alternatives to emerge. The questioning of free capital mobility began in the aftermath of the Asian Financial Crisis, when Malaysia instituted capital outflow controls, but gathered steam after 2009. Ideational change within the economics profession and the evolution of IMF conditionality (Kentikelenis, Stubbs and King 2016) coincided then with greater confidence across emerging markets to implement capital controls. China's capacity and willingness to forge its own path in managing capital mobility and the exchange rate had already commenced in the early 1990s.

Policy-makers embraced the broad institutional architecture of global monetary affairs, yet firmly rejected the notion that the global monetary order was in a position to impose upon them distinctly liberal visions of monetary, fiscal or exchange rate policy (IWEP interview, May 2012; MoF interview, June 2012; PBOC interview, October 2012).

There therefore exists a deeply entrenched lack of mutual understanding that revolves around the appropriate relationship between the political dynamics of CCP control in China, and the economic dynamics of formulating and implementing macro-economic and monetary policy. As one official put it, '[officials and policy-makers] from the IMF and from the US always are suspicious of China. They believe that because [the CCP] is involved in policymaking, we don't care about economics' (MoF interview, June 2012). The implication is that external observers of China's macro-economic policies too often fail to acknowledge that CCP involvement is not a *political fetter* upon the development of sound macro-economic policy, but rather that CCP involvement is in many ways the *practical manifestation* of sound macro-economic policy (Gruin 2013).

Spatially embedded ideational change

Gradual ideational change in international economic policy is also being reflected in transnational financial markets. Despite much research on the significant ideational changes shaping external financial liberalisation, there has been little sustained consideration of changes in how transnational investors perceive and react to fetters on their ability to direct capital where and how they see fit (cf. Grabel 2003). The current era of 'productive incoherence' (Grabel 2015) is generating scope not just for a changed relationship between China and external policy organisations, such as the IMF, but also with financial market actors. The dynamic malleability of the international monetary system extends beyond policy paradigms; as social institutions, the expectations and behaviours of transnational financial market actors are prone to change, even if in a contested fashion. The prevailing view remains that the Chinese institutions behind this process of domestic and external liberalisation are not yet strong enough to support investor expectations of currency safety and security (Prasad 2016). Yet the findings presented here provide at least an initial reason to expect that in the current period of uncertainty over both the objectives and tools of macro-economic policy, the pragmatic and holistic – even if not pro-market – approach to financial governance adopted by Chinese policy-makers will prove increasingly amenable to transnational financial investors.

In this section I detail how this set of policy objectives is being pursued, and how it is being interpreted by and potentially harmonised with the demands of currency investors, both private and public. Zhou Xiaochuan's 2009 essay on reforming the international monetary system is often interpreted as a critique of power imbalances arising out of the geopolitical order (Zhou 2009). Yet China's 'financial statecraft' (Volz 2014) constitutes an effort to reconcile both the domestic imperatives of financial stability with the demands of fickle public and

private investors. This therefore emphasises in this context a power imbalance that is transnational rather than international or domestic in nature; it exists between the power wielded by private holders of capital on one side, and the power exercised by political authorities as sovereign states on the other.

Reforms in capital account convertibility undertaken thus far by Beijing represent a genuine and deep-seated commitment to furthering China's global financial integration. However, this is taking place in a highly controlled manner, characterised not just by cautious gradualism, but by concerted efforts to mould capital flows according to their perceived impact upon the monetary trilemma. Foreign investors will increasingly be able to access Chinese domestic capital markets and vice versa, but this will be through mechanisms that PBOC Governor Zhou Xiaochuan described as 'non-traditional managed convertibility' (Zhou 2015, 6). Yam (2011) further draws a distinction between 'full' and 'free' capital account convertibility, arguing that the former should be the preferred long-term objective of Chinese policy-makers, a situation defined as the relaxation of capital controls but the maintenance of 'soft controls'. This is a view reflected across much of the policy community in Beijing (Cheng 2014).

Chinese efforts to manage the opening of the capital account are being complemented with a clampdown on short-term volatility in both the onshore and offshore RMB exchange rate. The limited coordination of monetary policy internationally provides opportunities for currency trading desks, hedge funds and other institutional investors to speculate on uncovered interest differentials. Without global monetary policy coordination, each national monetary authority is forced to evaluate its own position vis-à-vis a segmented pool of potential transnational investors. Zhou Xiaochuan's view concerning such relationships between the PBOC and different market participants is clear:

The central bank has different communication strategies for different market participants. To the general public, the central bank focuses on communications in knowledge and institutional frameworks. For institutions that use foreign exchange, such as importers and exporters, it is important for the central bank to guide and stabilize their expectations. For speculators, however, the central bank views them as rivals in a game, and it is unimaginable for the central bank to reveal its operational strategies to them. This is like a player who will never reveal his next moves to the opponent in a game of chess.

(Zhou Xiaochuan 2016)

In facing off currency speculators the PBOC has sought ways to manage liquidity in the onshore and offshore markets through novel policy tools such as control over reserve ratio requirements for foreign banks onshore RMB deposits (Hamlin 2016). In addition to the development of novel policy tools, the outward extension of Beijing's financial influence involves the development of surveillance and control methods that reflect a distinctly different attitude towards political authority over financial capital. The imposition of stringent

reporting requirements on cross-border transactions that enable different capital flows to be targeted and supervised is one prominent example (HKMA interview no. 1, April 2016). Such disclosure requirements are developed as part of the PBOC's macro-prudential regulatory framework, a policy goal that targets both offshore and onshore markets in equal measure (HKMA interview no. 2, April 2016). Forcing both public and private investors to reveal the nature and purpose of capital flows, with an emphasis upon short-term portfolio flows, constitutes a significant part of the PBOC's efforts to deter currency speculators and other investor classes whose actions are potentially destabilising.

Such statements from both policy-makers and market actors reflect the ideational malleability of the international monetary order as viewed through Beijing's eyes. As an official with the Hong Kong Monetary Authority stated, 'Beijing still does not see this as a choice. It still wants to continue internationalizing the RMB, but at a controlled and stable pace of progress. And they don't believe foreign influences can force their hand' (HKMA interview no. 3, April 2016). One HKMA official stated pithily that in its role as currency manager, the PBOC was 'not going away anytime soon, if ever' (HKMA interview no. 2, April 2016). Investors are coming to accept such practices as decreasingly exceptional:

What the PBOC is doing no longer seems as weird as it once did. When I speak with my clients and describe to them what is happening [with RMB-denominated debt instruments] and why we think [the PBOC is] doing it, they are no longer as surprised as they once were. Which does make some sense considering all of the surprises that we are getting from central banks around the world.

(BNP Paribas interview, April 2016)

Whether viewed in a negative or positive light, the statist presence of the PBOC in the offshore market is widely recognised in Hong Kong as important and deeply impactful on the status of the RMB as an offshore currency.

As with China's management of the capital account, one effect of these moves has been to provoke uncertainty among investors. But demand for the RMB as an international currency is a relative measure, one that 'should be understood in the context of an increasingly unstable global economic environment' (Standard Chartered interview, April 2016). In such a context, an interventionist approach to calibrate the monetary trilemma in novel ways may prove not just tolerable but even attractive to 'those investors searching for stability as much as yield' (HKMA interview, April 2016). These efforts by the PBOC in key offshore RMB hubs such as Hong Kong are being complemented by the steps to consolidate the position of Chinese financial institutions in London, and importantly to do so without compromising the core elements of Chinese monetary governance: retention of capacities to intervene directly in financial markets, to monitor and guide capital flows and to exert direct and indirect pressure over relevant financial institutions.

Conclusion: tipping towards the post-American monetary order?

In this chapter I have argued that the composition and hierarchical structure of the international monetary order is contingent upon a variety of structural and ideational factors that are mediated through international financial centres. The previous sections detailed two such dimensions of change in the international monetary order – the spatial embeddedness of capital flows in networked IFCs and the nature of those centres as sites of ideational contestation and change. The preliminary findings presented in this chapter of these micro- and meso-level analytic factors point to their status as under-appreciated counterparts to the macro-level analyses of currency characteristics and traits that render them suitable for significant international usage. They are important not only because they provide additional lenses into the spatial operation and contested political dynamics of international monetary relations, but also because integrating them into models of theories of broader change in the IMS opens up more potentially interesting mechanisms and dynamics of change in the global monetary system.

Space constraints prevent a thorough working out of these analytic possibilities. But one particular avenue for future research involves the prospects for critical junctures and tipping points (Capoccia and Kelemen 2007) as plausible and central causal pathways in theorising the non-linear transition to a global financial order that is no longer dominated by American monetary preponderance. Yet there has been relatively little effort to think through this transition in such terms. The increasing visibility of deep contradictions in the American model of democratic capitalism (see Streeck 2011) is weakening faith in the ability of liberal states and societies to reach sustainable compromises within a financially interconnected world. Relatedly and partially as a direct consequence, prospects seemingly deepen by the week of political agents and constituencies seeking strategic, piecemeal, and reversible integration into the global political economy, leading potentially to multiple variants of authoritarian capitalist governance.

Given the impact and influence of such trends on the idealised operation of global financial markets, it is by no means assured that broader confidence and faith in the US dollar as the hegemonic international currency at the heart of the existing global monetary order will not be undermined and weakened accordingly. Such change is likely to be non-linear in nature, characterised by a combination of incremental institutional and ideational acceptance of less liberal and independent modes of monetary governance on the one hand, and on the other fat-tail events that in the context of networked financial interdependencies and spillover effects can lead to rapid and systemic ruptures in the existing order. In this chapter I have illustrated how the evolving dynamics of institutional cooperation between key financial centres such as Hong Kong and London and the gradual ideational changes that accompany these dynamics lay important foundations for such ruptures. Such an eventuality remains as yet a relatively remote possibility, but the arguments put forward in this chapter raise it at least as a plausibility that merits further research, analysis and consideration.

Note

- 1 The working group consists of the following members: (1) Bank of China (UK); (2) China Construction Bank (United Kingdom); (3) Commercial Bank of China (UK); (4) HSBC; (5) Standard Chartered Bank; (6) Barclays Bank; (7) Deutsche Bank; (8) JP Morgan Chase Bank; (9) Citibank; (10) Agricultural Bank of China (UK); (11) ANZ; (12) Bank of China (UK).

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5 The rise of emerging markets signifies the end of the beginning of the American Century

Henry Luce and the emergence of global capitalism¹

Sean Starrs

From the vantage point of the greatest Wall Street crash since 1929, the ensuing 2008–9 global financial crisis, the Great Recession, and the Eurozone crisis, contrasted with the continued rapid economic growth of many emerging markets, most of all China, coupled with their growing confidence in global governance—Henry Luce’s (1941) vision of an “American Century” appears to be crumbling into dust. Many commentators assert that the 2017 inauguration of President Donald Trump may signify the final nail in the coffin of the liberal international economic order. This chapter, however, argues something very different. Instead of its implosion, the American century is only now being realized, after half a century of growing pains and challenges. Thus, the first decades of the twenty-first century mark the end of the beginning of the American century, as we are now closer to Henry Luce’s original vision than ever before. In order to understand this, we must have a clear conception of what the American century is supposed to be, how it could only be partially achieved post-1945, with many challenges, and how the rise of emerging markets and their integration into global capitalism is precisely one of the main goals of the American century. Unlike too many commentaries on changing world order that focus mostly on the present and linear projections into the future, we must delve into the past and have a bird’s-eye view of the post-1945 world order to understand how to conceptualize the post-2008 rise of emerging markets—and whether this will lead to increasing cooperation or conflict.

Therefore, this chapter returns to Henry Luce’s vision in the 1940s and in the first section sets out the parameters of what constitutes the American Century—and we shall see that it was only partially realized from the 1950s to 2008. The key components of Luce’s vision were only really achieved by the turn of the century with the collapse of state communism as an alternative growth model and the capitalist rise of emerging markets since the 2000s. We shall compare and contrast the stark differences between the first wave of emerging markets (or the Third World) in the 1950s to the 1970s with the second wave post-2008. In short, during the first wave they challenged Western-dominated capitalism, but in the second wave they are integrating with this same order. And as the founding editor of *Fortune Magazine*, Luce was concerned with how American business

could influence the world, what he considered to be the driving thrust of the American century. The second section of this chapter will therefore investigate to what extent American business has benefited from the capitalist rise of others. We shall see that far from American decline and increasing conflict with the rise of emerging markets post-2008, we are now closer to Luce's vision of the American century than ever before.

Henry Luce's vision of the American Century and its partial realization 1941–2008

While Dean Acheson and George Kennan, among other US state planners, actually designed American foreign policy in the 1940s, this chapter focuses on Henry Luce because he played an influential role in shaping elite opinion at the time, popularizing the concept of the "American century." Luce established a media empire that included widely read magazines such as *Fortune*, *Life*, *Time*, and *Sports Illustrated*. His seminal article in *Life Magazine* published in February 1941 (1999), *The American Century*, was a call-to-arms for his fellow American elites to once and for all abandon what he saw as the disastrous American policy of "isolationism" since the end of the Great War. Professing the heights of liberal capitalist idealism, Luce proclaimed that this was a golden opportunity to spread American business, culture, knowledge, and values around the world, allowing the world to share in the American dream and prosperity, the good life of mass consumerism and democracy. This was not selfless idealism, as Luce argued that this liberal internationalism would be in the best interests of the United States and American business, while a return to isolationism would lead to further chaos, war, and economic catastrophe. Thus, he called upon his fellow Americans to "accept wholeheartedly our duty and our opportunity as the most powerful and vital nation in the world and in consequence to exert upon the world the full impact of our influence, for such purposes as we see fit and by such means as we see fit" (Luce 1999: 165).

Luce proclaimed that the purpose "for America and for America alone [is] to determine whether a system of free economic enterprise . . . shall or shall not prevail in this century" (1999: 169). Especially after World War II, the primary threat to the expansion of capitalism was of course its main alternative, communism, as led by the Soviet Union. As for the means, in Luce's post-war writings, he argued, "The U.S., possessing industrial production roughly equal to that of all the rest of the world, is alone capable of producing and exporting the machinery and skills" that are necessary to roll back what many American elites regarded as the increasing "communization" of the world (1947: 82). The primary agents with this role were what Luce regarded as "battalions for freedom": the giant American corporations that would, beginning in 1955, comprise the annual *Fortune* 500 list, from Standard Oil of New Jersey (the precursor to today's ExxonMobil) to Ford and General Motors, from General Electric to IBM and smaller firms such as Gillette Safety Razor (1947: 189). Luce argued that if these American "battalions for freedom" follow their "enlightened self-interest" rather than "ruthless exploitation,"

the more prosperity they allow others to have, the more they can buy American goods (1947: 84). This is a crucial point for considering the current capitalist rise of emerging markets, as many commentators assume a zero-sum world of others rising thereby causing the US to automatically decline.

Luce's vision, then, was far grander than mere international trade (albeit he thought that was vital too), but encompassed foreign direct investment leading to the establishment of a global mass consumer market open to American goods. In other words, the foundation of the creation of the American century is the protection and promotion of global capitalism, making the world safe for American business to, in his mind, work their magic building global prosperity. To achieve this, the US would revive other capitalist economies, which would not become a threat to the US, but a boon for all concerned (as long as they remained open). For example, like other American elites, Luce was an early proponent of European integration. In 1950 he argued that, under the "makeshift slogan" of "integration," the US should urge "the Western Europeans to create a common economy of 250 million people . . . so that in essential respects the European economy will more closely resemble the American" (1950: 60). Again, this was "enlightened self-interest," as Luce asserted that a "virtuous circle" would be created because the "more prosperous and competitive is Europe, the more profitably and freely can Europe and America" do business (1950: 60). Given the recent history of the first half of the twentieth century, this was a bold and indeed visionary claim for an American elite to make in 1950.

In sum, then, the American Century is the protection, promotion, and expansion of global capitalism under American influence and leadership, deepening global capitalist integration driven by American corporations. The more of the world's population that falls under this sphere of capitalist influence, the greater this vision will be realized. The capitalist rise of others is a sign of the success of the American Century, not its downfall, as long as these rising countries are open to American business and influence, and are integrated into this system of global mass consumerism.

While Luce was unwavering in the grandiosity of his vision, from the vantage point of the 1940s he knew that his American Century would be a tall order to implement across the entire world. Luce recognized that "for political reasons, half the world is probably out as a field for direct American investment: Russia and the Russian-dominated countries of Eastern Europe, northern China and Manchuria, most of India, Germany and Japan, Korea, and Indo-China" (1947: 189–90). In fact, I argue that these "political" challenges would only intensify over the next several decades. Not only were there communist revolutions in China and Cuba that nationalized and kicked out capitalist firms, but there were also a slew of anti-Western, national independence and/or anti-capitalist movements across Africa, Asia, and Latin America in the 1950s to the 1970s (Prashad 2008). As Bruce Cumings put it, these "anti-colonial revolutions that had won or were winning power throughout the Third World gave a towering influence to a variety of Third World leaders (Mao, Ho Chi Minh, Kim Il Sung, Patrice Lumumba, Castro, Quadaffi) that would be unimaginable [by the turn of the century]" (Cumings 1999: 274).

There were also collective efforts such as the Non-Aligned Movement (NAM), established first by Egypt, India, Indonesia, Ghana, and Yugoslavia in 1961 (with origins in the 1955 Bandung Conference, Indonesia) to chart a national state-led development path—and a New International Economic Order (NIEO) in the 1970s—that was independent from both the United States and the Soviet Union. Parallel to NAM with similar goals were the formations in 1964 of the Group of 77 (G77) in the General Assembly of the United Nations and the United Nations Conference on Trade and Development—both of which also supported the NIEO. The Organization for Petroleum Exporting Countries (OPEC) was founded in 1960 in the context of rising Arab nationalism and socialism, and specifically the attempt to wrest control of domestic oil production and prices from Western transnational corporations (which were then called the “Seven Sisters”).

In short, in the decades following Luce’s proclamation of the American Century, the bulk of the Eurasian landmass was effectively closed to American business and much of the rest of the Third World was attempting to decouple from their dependence upon Western capitalism. From the vantage point of the contemporary *capitalist* rise of the BRICS (Brazil, Russia, India, China and South Africa) and other emerging markets, it is perhaps easy to forget how much of a challenge to the prevailing Western-dominated capitalist order this first wave of the rise of the Third World attempted to present. Indeed, combined with economic recession and stagflation in the US itself in the 1970s along with uncertainty over the international monetary order because of the US unilaterally ending the dollar–gold standard in 1971, many saw American hegemony as either already finished (Kindleberger 1969; Rosecrance 1976; Keohane 1984; Cox 1987) or in terminal decline (Amin *et al.* 1982; Kennedy 1988).

Ironically, despite the conventional wisdom on American decline in the 1980s, by that decade the Third World challenge had largely collapsed. There were a variety of reasons such as fragmentation as a result of economic crisis and their implementation of the IMF’s Structural Adjustment Programs, which, along with “neoliberalism” (Harvey 2005) more generally, dismantled core features of national state-led development and import-substitution industrialization with privatization and liberalization. Also important were a slew of American covert and overt military interventions in countries that sought a nationally independent development path, such as Iran in 1953, Guatemala in 1954, Congo in 1961, Brazil in 1964, Indonesia in 1965, Chile in 1973, among others, not to mention dropping more bombs on Indochina than in World War II combined (Blum 2004). Moreover, the First World was ultimately unable to present a unified front against the United States to create an alternative monetary order (Germann 2014; Gowan 1999), and the US dollar remains the *de facto* world currency today, a source of immense power for the United States to live beyond its means (Cohen 2015). As a consolation, the US helped to establish both informal and formal forums and institutions (such as the World Economic Forum in 1971, the Trilateral Commission in 1973, the Group of Five in 1974 eventually leading to the Group of Seven in 1976, among others) to collaborate in what is

now called “global governance”—the collective management of global capitalism by the world’s elites. And by the 1980s the United States had grown out of its stagflation.

Nevertheless, even in much of the world that ostensibly *was* open and welcoming to American direct investment, given that the vast majority of the world’s population were still peasants, Luce lamented, “business activity does not touch the mass of the people or touches them so little as to be of no importance either to them or to business” (1950: 60). Therefore, Luce argued that the US must “get all the people in the world, or as many of them as we can, functionally related to a business economy,” which would “mean a vast Reformation in the world’s ways of earning its living” (1950: 60–1). This effort would later be called “modernization” (Rostow 1960) and “international development” (Leys 1999), and by the 1970s was driven by the IMF (Chossudovsky 1997) and World Bank (Cammack 2004), among other development agencies whether governmental, intergovernmental, or nongovernmental. Nevertheless, living standards in many Third World countries in the 1980s and 1990s, especially in Africa and Latin America, actually declined. It was still far from clear whether the masses of the Third World would be successfully integrated into global capitalism as consumers.

For these reasons alone it is difficult to argue that the American Century was successful as a global project until at least the collapse of the Third World challenge and the opening of China by the 1980s, and the collapse of the Soviet Union in 1991. Hence it was only in the 1990s that capitalism became truly globalizing, as the vast majority of the world became open to American business and investment. After Luce called for the speedy resolution of negotiations for the establishment of an International Trade Organization (1947: 83), due to a lack of consensus it quickly dissolved into a General Agreement on Tariffs and Trade, and could only be achieved half a century later in 1995 with the establishment of the World Trade Organization (WTO). Nevertheless, it was not yet clear in the 1990s whether emerging markets were indeed emerging, especially with robust mass consumer markets, which at a minimum require enough workers to have a steady income. Rather, many countries were still struggling to grow in the 1990s, with especially Latin America and East Asia plagued by financial crises, coupled with Russia and much of Eastern Europe mired in a great depression. Moreover, China’s integration with global capitalism as “workshop of the world” was still in its early stages, with its export- and urbanization-driven growth accelerating rapidly only after China joined the WTO in 2001, spurring the commodities supercycle that in turn stimulated the rise of numerous emerging markets (Starrs 2014).

The 2008 Wall Street crash and ensuing global financial crisis revealed two important features of the emerging twenty-first-century world order: (1) far from having decoupled, emerging markets were by then deeply integrated into global capitalism in general and Wall Street in particular as the crisis rapidly spread around the world; and (2) emerging markets were fully committed to driving global (capitalist) growth as the West was mired in crisis (Cammack 2012). China especially led the recovery for many countries by implementing the second largest

government stimulus after the US, as well as increasing its IMF quota and being active in the newly resuscitated G-20. China also pushed for the establishment of new non-Western-centric gatherings and organizations, such as the BRICS Summit and Asian Infrastructure Investment Bank, the ramifications of which will be discussed in the conclusion.

That China's growth began to slow from 2013 while other major emerging markets, such as Brazil and Russia, have since been mired in recession should not detract from the fact that essentially the entire planet is now, post-2008, integrated into global capitalism (Kiely 2016) in a way that validates Luce's vision of a world open to American business. That the key problem for emerging markets after the end of the commodities supercycle is whether they can restructure their political economies towards sustained consumer market growth symbolizes the end of the beginning of the American Century. But why call it the American Century when the US appears to be in relative economic decline vis-à-vis emerging markets in the aftermath of the 2008 Wall Street crash? This would only make sense if the US continued to benefit disproportionately from the consolidation of global capitalism into the twenty-first century. We must now turn to the data.

American capital and the rise of others: investigating the data

Robert Gilpin (1975) already argued in the 1970s that as American corporations expand abroad through foreign direct investment, they spread American knowledge and technology, allowing foreign competitors to catch up thereby diffusing their original market dominance. Luce, however, assumed that the US would continue its dominance as others become more prosperous, as the US would be able to benefit from the rise of others by creating more business for American corporations (his "enlightened self-interest"). Thus, after decades of expanding and deepening operations abroad coupled with the rise of East Asia, have American firms lost their technological dominance to foreign competition?

The four tables below attempt to compare American dominance over half a century in four broad sectors that are crucial for advanced knowledge and technology: (1) Auto & Parts; (2) Information Technology; (3) Aerospace & Heavy Machinery; and (4) Pharmaceuticals & Specialized Chemicals. There are a variety of metrics to measure corporate dominance, such as assets, sales, and market value relative to competitors, but in the following tables I choose relative profit-shares in each sector because accumulation of profit is the primary goal of capitalist firms—and high profit margins often indicate advanced knowledge and technology (as well as successful marketing). Indeed, firms will sometimes sell or disinvest (rather than grow) assets, shed employees, and reduce production in order to boost profit. On the other hand, firms may also temporarily suffer reduced profit or even a loss while they restructure in order to boost long-term profitability. The largest firms that can sustain prolonged losses may have a competitive edge over firms that cannot afford to temporarily reduce profit. Hence there is a degree of arbitrariness to any single metric and a variety of factors must be considered, both quantitative and qualitative.

Furthermore, there are a number of difficulties when comparing corporate competitiveness across the world since the beginning of the post-war period. Most of all, we lack consistent and comprehensive data stretching back to mid-century. In the tables below, I draw upon the annual corporate rankings pioneered and compiled by Luce's very own *Fortune Magazine*. Its international corporate lists by profit only begin in 1963, and comprise only the world's top 200 industrial firms (whereas *Fortune's* first list, of the top 500 *American* firms by revenue, begins in 1955). The tables, then, present the rankings by profit in 1963 and 2016, the latest year at the time of writing. We should take note, however, that the early years of the annual rankings have an American bias, since *Fortune's* American staff had easier access to corporate annual reports from American firms over foreign firms, especially those based in non-English speaking countries. In addition, accounting standards—including how profit is calculated—vary and have changed numerous times since 1963 both within a single country and between different countries. Indeed, increasing international standardization in accounting and reporting rules is one aspect of globalization, not to mention the introduction of capitalism itself in China and the former Soviet Union. These rankings are also affected by currency fluctuations as non-US values are converted to US dollars. For example, in 1994 with a sharp appreciation of the yen, the “sales of 94 Japanese companies [on the *Global 500* list] went up in dollars, down in yen” (*Fortune* 1994: 143). There are also vastly divergent rates of inflation across time and countries.

Moreover, there has obviously been significant technological dynamism since 1963, creating entirely new sectors, markets, and businesses, while also destroying or diminishing the competitiveness of other firms or entire industries. In 1963, for example, canning firms such as American Can and Continental Can could still make profit similar to aerospace firms such as Lockheed Aircraft and Martin Marietta, all between \$41 million and \$50 million. The United States had been dominant in the canning industry since the nineteenth century, but the fact that this American dominance had dissipated since the early 1960s does not necessarily indicate lost American competitiveness at the technological frontier. Rather, it is the industry itself that has lost competitiveness as technological advancement accelerated, reducing the canning industry to low-value, low-technology status (textiles is another example). This “creative destruction” (Schumpeter 1994) is especially the case in what constitutes the most advanced technologies at any given time, information technology being one of the key examples (helping to propel globalization itself). Thus, the following sectors are meant to be sufficiently broad to account for significant technological dynamism over the past half-century, including within a single firm such as General Electric, which has shifted its core sectors from household appliances to airplane engines and other heavy machinery over this period.

We begin with the Auto & Parts sector, with Table 5.1 revealing the top 10 firms in the world by profit in 1963 and 2016, and their aggregate national profit-shares. The era in which the American profit-share could be a staggering 93% of the top ten firms in Auto & Parts is certainly long gone. So too is the utter dominance of General Motors (GM), more than triple the profit of its

Table 5.1 Top 10 firms by profit in Auto & Parts, 1963 and 2016

1963		2016						
Firm (world rank)	Nation	Profit (\$mm)	Profit-share	Sector	Firm (world rank)	Nation	Profit (\$mm)	Profit-share
1 GM (1)	US	1,459	US 93%	1	Toyota (9)	Japan	19,264	Japan 32%
2 Ford (5)	US	481	De 4.7%	2	GM (34)	US	9,687	De 27%
3 Goodyear Tire & Rubber (33)	US	71	Japan 2.6%	3	Daimler (37)	De	9,345	US 23%
4 Chrysler (38)	US	65		4	Ford (57)	US	7,373	China 11%
5 Firestone Tire & Rubber (44)	US	60		5	BMW (64)	De	7,065	ROK 7.6%
6 Volkswagen (49)	De	56		6	Hyundai Motor (85)	ROK	5,675	
7 Daimler-Benz (50)	De	54		7	SAIC Motor (109)	China	4,741	
8 American Motors (96)	US	34		8	Nissan Motor (123)	Japan	4,364	
9 Nissan Motor (108)	Japan	32		9	Robert Bosch (148)	De	3,542	
10 Toyota Motor (116)	Japan	30		10	China FAW Group (157)	China	3,253	

Source: Author's calculations from *Fortune* (1963, 2016).

Note: "De" is Germany; "ROK" is South Korea. Note that because of Volkswagen's diesel emissions testing scandal, it had a loss of \$1.5 billion in 2016.

nearest competitor, Ford. After half a century, the global auto sector is much more geographically fragmented, with Japanese, German, and American firms representing the leading nationalities, and Chinese and South Korean firms rounding out the top ten. The exponential increase of the profits of Japanese and German carmakers in this period is also staggering, from 173 times larger for Daimler (from a profit of \$54 million in 1963 to \$9.345 billion in 2016) to 642 times larger for Toyota (from \$30 million to \$19.264 billion in the same period). Of course, some proportion of this increase will be accounted for by currency fluctuations and inflation. Regardless, clearly non-US firms have benefited from the expansion and deepening of global capitalist production and consumption over the past half-century, as 70% of Toyota's and 85% of Daimler's sales in 2015 were conducted outside their home country (author's calculations from UNCTAD 2016, Annex Table 24).

Nevertheless, despite much turbulence over the decades that have seen the rise and decline of British, French, Italian, Swedish, and other carmakers, coupled with the rise of Northeast Asian firms, GM is still the number two firm by profit in 2016 and Ford is still number four (down from second in 1963). Moreover, 31% of GM's and 38% of Ford's sales in 2015 were outside of the United States (author's calculations from UNCTAD 2016, Annex Table 24), implying that they have also benefited from the expansion and deepening of global capitalist production and consumption. Indeed, GM's January 2017 market share in China, the world's largest automobile market by volume since 2009, is 14%, second only to Volkswagen's 19%, and equal to the top three Chinese brands combined: Changan, Geely, and Great Wall (author's calculations from ChinaAutoWeb 2017). In 2014, the Ford Focus was "China's best-selling car" (Mitchell 2014). Also note that while SAIC's 2016 profit is the seventh largest in the world, its joint ventures with GM and Volkswagen account for 95% of its sales, with its own brand cars accounting for 3% (SAIC Motor 2016: 14).

Table 5.2 presents the top ten firms in Information Technology. This sector has been one of the most dynamic over the past half century, not only driving the information technology revolution that has underpinned globalization but also creating entirely new sub-sectors and markets, as well as destroying others. Hence we should expect a high degree of sectoral churn, which is what we see in Table 5.2 as there is only one firm that is on both top ten lists separated by 53 years: IBM, from largest profit in 1963 slipping to fourth in 2016. Indeed, IBM is the only firm in the top ten of 2016 that even existed in 1963 (Samsung Electric Industries—which restructured as Samsung Electronics in 1988—was founded in 1969, albeit its primary owner, the Samsung Group, was founded in 1938). Therefore, given the revolutionary changes in and by this sector over the past half-century, including to a significant degree driving the rise of Northeast Asia, it is astounding that the American profit-share is relatively the same in 1963 (86%) as in 2016 (80%). This American dominance is all the more remarkable when considering that the US dollar against a basket of major currencies has devalued by about a third over this period (Federal Reserve Bank of St. Louis 2017), thereby increasing the relative value of non-US profit-shares against the

Table 5.2 Top 10 firms by profit in Information Technology, 1963 and 2016

1963		2016						
Firm (world rank)	Nation	Profit (\$mm)	Profit-share	Sector	Firm (world rank)	Nation	Profit (\$mm)	Profit-share
1 IBM (11)	US	241	US 86%	1	Apple (1)	US	53,394	US 80%
2 Eastman Kodak	US	140	Nl 10.8%	2	Samsung Electronics (14)	ROK	16,532	ROK 11%
3 Western Electric	US	135	Japan 3.2%	3	Alphabet (15)	US	16,348	Taiwan 6.1%
4 Philips (24)	Nl	95		4	IBM (23)	US	13,190	China 3.7%
5 General Telephone & Electronics (28)	US	86		5	Microsoft (26)	US	12,193	
6 Radio Corp of America (46)	US	58		6	Intel (28)	US	11,420	
7 Westinghouse Electric (48)	US	57		7	Oracle (33)	US	9,938	
8 Tokyo Shibaura Electric (126)	Japan	28		8	Taiwan Semiconductor (35)	Taiwan	9,542	
9 National Cash Register (185)	US	21		9	Cisco (40)	US	8,981	
10 Zenith Radio (190)	US	20		10	Huawei (81)	China	5,873	

Source: Author's calculations from *Fortune* (1963, 2016).

Note: "De" is Germany; "Nl" is Netherlands; "ROK" is South Korea.

US when converted to dollars. And it should not be surprising that the sector that largely developed the technology to propel globalization has also benefited greatly from globalization. For example, 65% of Apple's, 90% of Samsung Electronics', 54% of Alphabet's (Google's holding company), 53% of IBM's, 54% of Microsoft's, and 55% of Oracle's sales are conducted in foreign countries (author's calculations from UNCTAD 2016, Annex Table 24).

Table 5.3 reveals another important sector for advanced technology: Aerospace & Heavy Machinery. The American profit-share has declined by over a fifth, from 84% in 1963 to a still dominant 66% in 2016 (despite the US dollar depreciating by a third). Moreover, General Electric (GE) suffered a loss of \$6.126 billion in 2016 largely due to restructuring (Fortune 2016: 26—General Electric). In contrast, GE's profit in 2015 was \$15.233 billion, more than double its chief competitor Siemens' profit of \$7.288 billion in 2015. The corresponding American profit-share of Aerospace and Heavy Machinery in 2015 was 76% while Germany's was 13% (author's calculations from *Fortune Global 500* (2015))—a small change from 84% in 1963. Moreover, despite GE's steep 2016 loss of over \$6 billion, investors seem to believe that GE's restructuring will be successful as its share price increased 25% in that same year (Fortune 2016: 26—General Electric). All of this is to say that while the American profit-share in Aerospace & Heavy Machinery has declined over the past half-century, American firms continue to dominate the top ten of this sector with more than two-thirds of the profit. Firms in this sector have also benefited from globalization, as 77% of Siemens', 55% of GE's, and 45% of United Technologies' sales were conducted abroad (author's calculations from UNCTAD 2016, Annex Table 24).

Table 5.4 presents another sector that has seen a high degree of technological and competitive dynamism, with only two firms in the 1963 list remaining in the 2016 list (Procter & Gamble and Dow Chemical). Technological advances have been especially prominent in the sub-sector of biotechnology since the 1980s (when Gilead Sciences and Amgen were founded, the number one and number nine firms by profit in 2016). More generally, pharmaceuticals have risen in importance in the *Fortune 200* in terms of profitability relative to other sectors such as automobiles, as seen in Table 5.1. Concomitantly, there has been a declining importance in industrial chemicals for advanced technology and profitability, with Dow Chemical the only relevant firm remaining in the top ten in 2016 from 1963 (incidentally, retaining its sixth place across those two years). Driving some of these changes are British and especially Swiss firms, the latter accounting for a quarter of the profit in Pharmaceuticals & Specialized Chemicals. Nevertheless, similar to what we saw in Aerospace & Heavy Machinery, American firms still collectively dominate the top ten with a 63% profit-share in 2016, despite declining over a quarter from 87% in 1963. Unsurprisingly, this sector has also benefited from globalization in terms of foreign as a proportion of total sales, especially Swiss (Novartis' 98% and Roche's 99%) and British (GlaxoSmithKline's 94%) firms, but also American, from 63% for Procter & Gamble and 56% for Pfizer to Johnson & Johnson's 49% and Amgen's 20% (author's calculations from UNCTAD 2016, Annex Table 24).

Table 5.3 Top 10 firms by profit in Aerospace & Heavy Machinery, 1963 and 2016

1963		2016						
Firm (world rank)	Nation	Profit (\$mn)	Profit-share	Sector	Firm (world rank)	Nation	Profit (\$mn)	Profit-share
1 General Electric (9)	US	266	US 84%	1	Siemens (43)	De	8,338	US 66%
2 Caterpillar (40)	US	62	Japan 11%	2	United Technologies (54)	US	7,608	De 19%
3 International Harvester (42)	US	60	De 5.4%	3	Boeing (97)	US	5,176	Japan 8.3%
4 General Dynamics (53)	US	53		4	Honeywell International (106)	US	4,768	Ne 6.8%
5 Lockheed Aircraft (57)	US	50		5	Fuji Heavy Industries (142)	Japan	3,637	
6 Martin Marietta (70)	US	45		6	Lockheed Martin (144)	US	3,605	
7 Matsushita Electric Industrial (78)	Japan	39		7	Airbus Group (166)	Ne	2,991	
8 Siemens (84)	De	37		8	General Dynamics (167)	US	2,965	
9 Hitachi (85)	Japan	37		9	Emerson Electric (177)	US	2,710	
10 Deere (88)	US	36		10	Caterpillar (194)	US	2,102	

Source: Author's calculations from *Fortune* (1963, 2016).

Note: "De" is Germany; "Ne" is Netherlands.

Table 5.4 Top 10 firms by profit in Pharmaceuticals & Specialized Chemicals, 1963 and 2016

1963		2016						
<i>Firm (world rank)</i>	<i>Nation</i>	<i>Profit (\$mm)</i>	<i>Profit-share</i>	<i>Sector</i>	<i>Firm (world rank)</i>	<i>Nation</i>	<i>Profit (\$mm)</i>	<i>Profit-share</i>
1 Du Pont (6)	US	452	US 87%	1	Gilead Sciences (10)	US	18,108	US 63%
2 Union Carbide (15)	US	160	De 13%	2	Novartis (12)	Swis	17,783	Swis 25%
3 Procter & Gamble (21)	US	109		3	Johnson & Johnson (18)	US	15,409	UK 12%
4 ICI (23)	De	101		4	GlaxoSmithKline (25)	UK	12,867	
5 Monsanto Chemical (30)	US	78		5	Roche Group (38)	Swiss	9,212	
6 Dow Chemical (31)	US	73		6	Dow Chemical (52)	US	7,685	
7 American Cyanamid (45)	US	59		7	Procter & Gamble (65)	US	7,036	
8 Allied Chemical (47)	US	58		8	Pfizer (67)	US	6,960	
9 American Home Products (51)	US	53		9	Amgen (68)	US	6,939	
10 Bayer (56)	De	50		10	AbbVie (99)	US	5,144	

Source: Author's calculations from *Fortune* (1963, 2016).

Note: "De" is Germany; "Swiss" is Switzerland.

The next four tables exhibit the same sectors and firms as the previous four, but present the three largest national ownership shares of each of the top ten firms in 2016, as well as the three largest average national ownership shares of the top ten in aggregate. These tables reveal an aspect of globalization that is little commented upon: the increasing liberalization of finance since the 1980s (in large part driven by the US) around the world has allowed American investors to collectively own sizable shares of non-US firms by the early twenty-first century. Thus, even if the relative aggregate dominance of the American profit-shares in certain (but not all) sectors is less overwhelming than half a century ago, American investors own not only firms based in the United States, but also increasingly firms based outside of the United States. This aspect of globalization has significant implications for the continued centrality of the United States in global capitalism, as we shall see below. But first, let us investigate to what extent American investors own the top ten firms in each of these four advanced sectors.

Table 5.5 reveals diversity in the concentration of national ownership shares, from a high of 98% Chinese ownership of the Chinese state-owned enterprise SAIC Motor to the widely geographically dispersed ownership of Daimler. All Chinese state-owned enterprises are majority Chinese state-owned (in the case of SAIC Motor, the Chinese state owns 88%). Also note the predominant aggregate ownership of American investors of American firms (87% of GM and 85% of Ford), as well as the considerable American ownership of German, Korean, and Japanese carmakers—ranging from almost a fifth to over a third. Thus, on average American investors own 35% of the top eight firms in Auto & Parts (the ownership structures of the ninth and tenth firms are unavailable due to not being publicly listed). This is the largest national aggregate share by almost 300%, and significantly larger than the 25% American profit-share of the top eight in this sector. By contrast, the Japanese profit-share of 35% of the top eight is not matched by the average Japanese ownership of 9.6%, nor the average German ownership of 8.1% despite the German profit-share being 24%. This indicates that in terms of the globalization of the corporate ownership of the world's top carmakers in 2016, American investors have benefited more than any other nationality. Similarly, note the national asymmetry in ownership shares, as American investors own much more of foreign capital than foreign investors own of American capital.

Table 5.6 reveals that average American ownership in Information Technology is even more predominant at 72%, more than ten times its nearest rival of South Korea with 7%. Again, American firms have an overwhelming concentration of American ownership, from 79% of Cisco to 87% of Alphabet. In contrast, non-US firms have less concentrated national ownership, even if the Korean share of Samsung Electronics is still dominant at 63%. American investors, however, collectively own 18% of Samsung Electronics and 42% of Taiwan Semiconductor, whereas Taiwanese investors own less than a quarter of the latter despite being based in Taiwan. Table 5.7 reveals that American ownership of firms in Aerospace & Heavy Machinery is even more pronounced than in previously discussed sectors, with an average 88% American ownership

Table 5.5 Top 3 national ownership shares of top 10 firms in Auto & Parts, 2016

Rank	Firm	Nation	Top 3 national ownership		
			#1 (%)	#2 (%)	#3 (%)
1	Toyota (9)	Japan	Japan 68	US 21	UK 4.4
2	GM (34)	US	US 87	UK 3.3	Canada 1.5
3	Daimler (37)	De	US 35	Germany 15	Kuwait 15
4	Ford (57)	US	US 85	UK 3.9	Swiss 1.8
5	BMW (64)	De	Germany 50	US 18	Norway 4.3
6	Hyundai Motor (85)	ROK	ROK 68	US 19	Lux 3.8
7	SAIC Motor (109)	China	China 98	Hong Kong 0.5	Singapore 0.4
8	Nissan Motor (123)	Japan	France 59	US 18	Japan 9.3
9	Robert Bosch (148)	De	N/A	N/A	N/A
10	China FAW Group (157)	China	N/A	N/A	N/A
Average national ownership of top 8			US 35	China 12	Japan 9.6
National profit-shares of top 8 (from Table 5.1)			Japan 35	US 25	Germany 24

Source: Ownership from *Bloomberg Professional* database, collected July–August 2016; average national ownership is author's calculation.

Notes:

1 "De" is Germany, "Lux" is Luxembourg, "ROK" is South Korea.

2 Robert Bosch and China FAW Group are not publicly listed firms, hence their ownership structures are not available.

Table 5.6 Top 3 national ownership shares of top 10 firms in Information Technology, 2016

Rank	Firm	Nation	Top 3 national ownership		
			#1 (%)	#2 (%)	#3 (%)
1	Apple (1)	US	US 84	UK 4.3	Canada 1.8
2	Samsung Electronics (14)	ROK	ROK 63	US 18	Lux 3.0
3	Alphabet (15)	US	US 87	UK 4.6	Canada 2.0
4	IBM (23)	US	US 82	UK 3.9	Canada 2.6
5	Microsoft (26)	US	US 82	UK 4.7	Canada 2.2
6	Intel (28)	US	US 84	UK 3.9	Swiss 1.9
7	Oracle (33)	US	US 86	UK 4.1	Canada 2.4
8	Taiwan Semiconductor (35)	Tai	US 42	Taiwan 23	Lux 6.9
9	Cisco (40)	US	US 79	UK 5.5	Canada 2.6
10	Huawei (81)	China	N/A	N/A	N/A
Average national ownership of top 9			US 72	ROK 7	UK 3.4
National profit-shares of top 9 (from Table 5.2)			US 83	ROK 10	Taiwan 6.3

Source: Ownership from *Bloomberg Professional* database, collected July–August 2016; average national ownership is author's calculation.

Note: "Lux" is Luxembourg, "ROK" is South Korea.

Table 5.7 Top 3 national ownership shares of top 10 firms in Aerospace & Heavy Machinery, 2016

Rank	Firm	Nation	Top 3 national ownership		
			#1 (%)	#2 (%)	#3 (%)
1	Siemens (43)	De	US 32	Germany 20	UK 16
2	United Technologies (54)	US	US 87	UK 2.9	Canada 2.5
3	Boeing (97)	US	US 90	UK 3.0	Swiss 1.8
4	Honeywell International (106)	US	US 89	UK 3.3	Canada 2.3
5	Fuji Heavy Industries (142)	Japan	Japan 69	US 18	Lux 3.4
6	Lockheed Martin (144)	US	US 91	UK 3.5	Canada 1.8
7	Airbus Group (166)	France	US 39	France 22	Germany 20
8	General Dynamics (167)	US	US 90	UK 3.0	Canada 1.0
9	Emerson Electric (177)	US	US 81	UK 7.4	Canada 2.4
10	Caterpillar	US	US 90	UK 2.8	Canada 1.3
Average national ownership of top 10			US 71	Japan 6.9	Germany 4
National profit-shares of top 10 (from Table 5.3)			US 66	Germany 19	Japan 8.3

Source: Ownership from *Bloomberg Professional* database, collected July–August 2016; average national ownership is author's calculation.

Note: "De" is Germany, "Lux" is Luxembourg.

Table 5.8 Top 3 national ownership shares of top 10 firms in Pharmaceuticals & Chemicals, 2016

Rank	Firm	Nation	Top 3 national ownership		
			#1 (%)	#2 (%)	#3 (%)
1	Gilead Sciences (10)	US	US 78	UK 4.8	Canada 2.4
2	Novartis (12)	Swiss	US 43	Swiss 33	Lux 6.3
3	Johnson & Johnson (18)	US	US 82	UK 5.2	Canada 3.3
4	GlaxoSmithKline (25)	UK	US 41	UK 37	Lux 3.2
5	Roche Group (38)	Swiss	Swiss 93	Unknown 6.1	US 0.6
6	Dow Chemical (52)	US	US 85	UK 3.9	Canada 2.6
7	Procter & Gamble (65)	US	US 84	UK 4.8	Canada 2.5
8	Pfizer (67)	US	US 84	UK 4.8	Canada 2.1
9	Amgen (68)	US	US 85	UK 3.9	Sweden 1.4
10	AbbVie (99)	US	US 85	UK 5.0	Canada 1.7
Average national ownership of top 10			US 67	Swiss 13	UK 7.0
National profit-shares of top 10 (from Table 5.4)			US 63	Swiss 25	UK 12

Source: Ownership from *Bloomberg Professional* database, collected July–August 2016; average national ownership is author's calculation.

Note: "Lux" is Luxembourg.

of the top seven US-based firms. Of the remaining three non-US firms in the top ten, American investors collectively own the leading national share in Siemens (32% versus Germany's second largest share of 20%) and Airbus Group (39% versus France's 22%), while American ownership of Fuji Heavy Industries is almost a fifth (the second largest share). Likewise, Table 5.8 demonstrates the disproportionate American ownership of the top Pharmaceuticals & Specialized Chemicals firms, including 43% of the Swiss firm Novartis and 41% of the British firm GlaxoSmithKline—albeit the American share of Roche Group is miniscule at 0.6% while the Swiss share is overwhelming at 93%. The average American ownership of the top ten is 67%, more than five times larger than its nearest national rival, Switzerland's 13%.

There is an important caveat, however, to Tables 5.5–5.8. They list the aggregate nationality of corporate owners, gleaned from the *Bloomberg Professional* database. This database lists all known shareholders of each corporation, both individually and in aggregate by nationality. The shareholders of these corporations range from individual persons and families to investment firms (of many types), other corporations, and the state—their nationality is based on their citizenship for individuals and their legal domicile for firms. The shareholders that are investment firms, however, manage the wealth of many individuals, and these individuals could be from around the world. For example, while Goldman Sachs is legally domiciled in the United States and thus given the nationality of “American,” it manages the wealth of individuals from many nationalities, implying that corporate ownership by Goldman Sachs does not necessarily exclusively equate with the corporate ownership of American households. Wall Street firms do not publicly release the identity of their clients, so the proportion of their clients being American or any other nationality is unknown.

What we do know, however, is that of the world's \$168 trillion of total household wealth (excluding primary residence) in 2015, only \$9.8 trillion, or 6%, is managed offshore, in a country other than the household's domicile, according to the Boston Consulting Group (2016: 11). Of this \$9.8 trillion of offshore wealth, American households only account for \$700 billion, which is around 1% of total American household wealth. In other words, 99% of American household wealth (excluding primary residence) is managed by US-domiciled firms—namely Wall Street. The largest recipient of offshore wealth is Switzerland, holding just under a quarter of the \$9.8 trillion, followed by the UK and the Caribbean (Boston Consulting Group 2016: 12). Hence, even if specific investment firms such as Goldman Sachs might manage a higher share of foreign wealth than others, in aggregate, the overwhelming majority of wealth managed by investment firms is ultimately owned by those domiciled in that firm's nation—with the exceptions of wealth managers based in the Caribbean, Luxembourg, Singapore, Switzerland, and other offshore centers, which predominantly manage the wealth of non-citizens (Boston Consulting Group 2016: 11). Thus, because 94% of the world's total household wealth of \$168 trillion is managed *onshore* by firms of the same nationality as their clients, it is safe to assume that the aggregate American ownership shares of the world's top corporations exhibited in Tables 5.5–5.8 indeed overwhelmingly represents the ownership shares of American households,

and so on for most national ownership shares (except for offshore wealth centers led by Switzerland)—even if the exact proportions are unknown.

To further emphasize this point, Figure 5.1 presents the national shares of the world’s millionaires (those individuals with a net worth of US\$1 million or more, including primary residence), as a proxy for the world’s capitalists. Despite American GDP accounting for “only” 24% of world GDP in 2015 (author’s calculations from World Bank 2016), American citizens account for a whopping 46% of the world’s millionaires. This shockingly high proportion makes sense when we understand that American capitalists own not only American capital, which remains globally dominant after the 2008–9 global financial crisis (Starrs 2013), but the globalization of corporate ownership has allowed Americans to own capital based around the world, including even increasingly Chinese state-owned enterprises (SOEs) (Starrs 2017). More generally, Figure 5.1 reveals the continued national concentration of global wealth, which I argue is a reflection of the continued national concentration of corporate dominance, as seen in Tables 5.1–5.4.

In sum, across the four advanced sectors investigated in Tables 5.1–5.4, American firms continue to collectively dominate in Information Technology, Aerospace & Heavy Machinery, and Pharmaceuticals & Specialized Chemicals, with over 60% profit-shares in 2016. Indeed, despite great dynamism and creative destruction in Information Technology, the proportion of American dominance has barely changed from 86% in 1963 to 80% in 2016, especially when considering

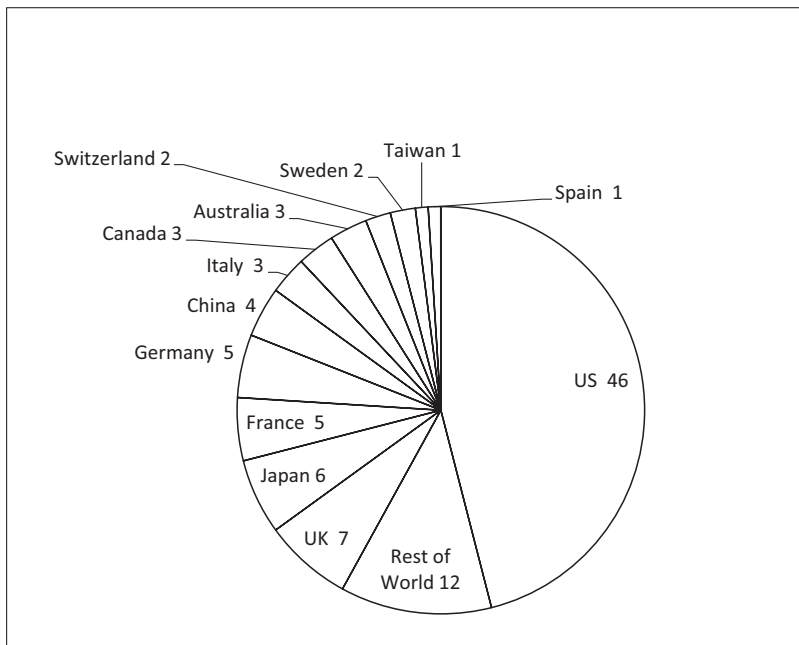


Figure 5.1 National share of world millionaires, 2015 (%)

Source: Adapted from *Credit Suisse* (2015: 25, Figure 3).

that the US dollar depreciated by a third across that period. American firms, however, have lost their collective dominance in Auto & Parts since the early 1960s, with intense competition from especially German and Japanese car-makers. A number of major industrial countries have attempted to protect and promote an indigenous automobile industry over the decades, a sector that is traditionally seen as symbolizing advanced industrial prowess. This has resulted in the geographic diffusion of technology and competitiveness, especially to East Asia. Nevertheless, GM and Ford are still second and fourth, respectively, largest carmakers by profit in 2016—remaining globally competitive over the past half century, if no longer dominant.

Regardless, it should be noted that the auto sector itself has diminished in importance in terms of profit and more broadly as a driver of advanced industrial growth, as electronics and software become the most important components to differentiate twenty-first-century cars. In 1963, the total profit of the top ten Auto & Parts firms was 2.7 times larger than the total profit of the top ten Information Technology firms. By 2016, this ratio reversed, with the total profit of the top ten firms in Information Technology being 2.1 times larger than in Auto & Parts. Similarly, in 1963 the total profit of the top ten firms in Pharmaceuticals & Specialized Chemicals was half that of the top ten in Auto & Parts, and in 2016 it was 44% larger than Auto & Parts. In these more important sectors by profit American firms continue to collectively dominate.

Moreover, the globalization of capital has also entailed the globalization of corporate ownership, and especially the globalization of American ownership of top corporations from around the world. Tables 5.5–5.8 not only reveal the overwhelming concentration of American ownership of American firms, but also sizable shares of foreign firms, often ranging from a fifth to more than two-fifths of Swiss-based Novartis and Taiwan-based Taiwan Semiconductor. No other nationality comes close to this magnitude of American corporate ownership, and is a little commented upon aspect of how American investors in the age of globalization have benefited from increasing liberalization of financial markets and capital controls around the world. This is at least partially reflected in the continued concentration of global capitalist wealth in the United States. Figure 5.1 shows that in 2015, Americans constituted 46% of the world's millionaires, despite Americans accounting for only 4.4% of the world's population as opposed to 6.4% in 1945 (the supposed height of American hegemony), and 24% of the world's GDP (down from roughly half in 1945). I have argued elsewhere (Starrs 2013) that American economic power has not declined, it has globalized—and this is key to understanding the decades-long realization of the American Century with the rise of the BRICS in the era of globalization.

Conclusion: post-2008 is the beginning of the end of the American Century

In the context of increasing Chinese confidence and influence in the global political economy after the 2008–9 global financial crisis, it may seem strange to argue

that the American Century is only now being realized. But once we recognize that China (along with the rest of the “Third World”) has long since abandoned its anti-capitalist resistance and is now negotiating the terms of its integration into global capitalism, with its domestic market more open to American business and influence than ever before, we are much closer to Luce’s vision of the American century than at any point during its supposed height in the immediate post-war period. In the 1950s and 1960s, even if China was open to American business (which of course it was not), today’s far more prosperous Chinese consumer market (if still limited and rife with inequality) is much more beneficial to American corporate interests than a vast peasant society largely untouched by mass consumption. As we saw, this is precisely what Luce envisioned in the 1940s as a distant goal, to integrate the world’s peasant societies into global capitalism as workers and consumers, which only truly became realized by the 2000s with the capitalist rise of the BRICS and other emerging markets (Cammack 2004: 2012)—to an extent surely beyond the dreams of even the ever optimistic Luce.

And American firms have certainly benefited from the rise of a global consumer class, as have firms from other capitalist powers, including increasingly China. Indeed, it is this mutual interest between the world’s capitalist powers in expanding and deepening global capitalism that in large part explains its durability since the middle of the previous century (Panitch and Gindin 2012). Luce recognized this mutual interest in the 1940s in regard to Europe and the US, but, after many challenges over the ensuing decades as outlined above, this structural alignment of capitalist interest is only now truly global with the capitalist rise and integration of the former Third World. The contrast between the efforts of the Non-Aligned Movement in the 1960s and 1970s to decouple from Western capitalism with the efforts of the BRICS and especially China today to integrate with global capitalism is remarkable.

Of course, there are still disagreements over the terms of emerging market integration and global governance remains a contested and evolving process (Parisot 2013). Most notably, China is seeking to increase its international influence by establishing non-Western-centered international organizations to provide infrastructure funding—namely the New Development Bank (or colloquially known as the “BRICS Bank”) in 2014 and the Asian Infrastructure Investment Bank (AIIB) in 2015. The latter was especially seen as a direct challenge to American hegemony and the Bretton Woods institutions. In 2015, despite American pressures to eschew membership, a slew of Western countries, beginning with Great Britain, joined the AIIB—marking an embarrassing diplomatic flop for the United States. But after the initial hubbub over supposed American decline had subsided, what is notable is how careful the AIIB is not to appear to threaten the Bretton Woods institutions. Article 1.1 of the AIIB’s Articles of Agreement states that it seeks to “work in close collaboration” (rather than challenge) prevailing multilateral institutions (AIIB 2015), and various announcements have been made of areas and projects in which the AIIB and Bretton Woods institutions will cooperate (AIIB 2017). Moreover, both the AIIB and BRICS Bank will dispense financing in US dollars rather

than any other currency, and the development contracts will presumably be open to bidding from international firms (not exclusively Chinese SOEs as in most of its bilateral development projects). Hence, even though it is still early days, it seems likely that the AIIB and BRICS Bank will help to further integrate emerging markets into global capitalism (and deepening the global role of the US dollar), giving especially China a role in international infrastructure financing, and normalizing their increased participation in global governance.

Meanwhile, China is still a robust member (including financial donor) of all the major international organizations created under the aegis of American hegemony, perhaps most notably the IMF and WTO. That Xi Jinping made China's first presidential address at the 2017 World Economic Forum in Davos, Switzerland (established in 1971 during the height of and partially as a response to the rise of the Third World challenge), and used his address to defend globalization and economic openness, is a stark realization of how far the desire for Third World decoupling has transformed into embracing and even defending global capitalism. Luce would have been proud, and this transformation is certainly in the interests of American business.

This stark difference between the first and second waves of the rise of the Third World half a century ago and today also points to the flexibility of American hegemony. The belief in the importance of maintaining and expanding global capitalism for the American national interest has remained relatively consistent for American elites since 1945 (having vanquished "isolationists" with the destruction of World War II). Thus, the US has also been relatively flexible in its hegemony (compared to previous hegemony). This is especially the case in the American capacity to integrate (or co-opt) rising powers into a collective management of "global governance." The establishment of the G7 in the 1970s and G20 post-2008 are prime examples. In fact, this American flexibility extends to encouraging the very rise of its potential rivals, whether Japan and West Germany in the early post-war period or China today—as long as these countries allow the expansion of American business and influence within their borders (even this can be flexible, as the US tolerated Japanese protectionism for decades, in order to revive Japanese capital).

A genuine challenge to American hegemony would be if other countries moved to decouple from the American-centered system in order to carve an alternative regional or world order. That the Latin American challenge of the 2000s led by the late President Chavez of Venezuela was never able to decouple from the American system despite their best efforts reveals how tall a task this is. The Soviet Union came the closest to posing such a threat for several decades, but its remnants have now embraced global capitalism, along with what used to be called the Third World. The fragmentation and depoliticization of the latter into "developing countries" and "emerging markets" is by now so thorough that we take for granted their embracing of and desired integration with global capitalism. Capitalists of the world have united under the banner of globalization, spurring a structural alignment of class interest in maintaining the American century.

If systemic change will likely not come from the world's capitalist classes, then what of the world's working classes? Political shockwaves rippled through 2016 with the Brexit vote in June in the UK and the election of Donald Trump in November in the US, both events often interpreted as the cries of anger of the working class against decades of globalization. Contrary to Luce's assumptions, what is in the interests of big business is often not compatible with the interests of the working class, with profit-oriented policies and practices leading to soaring inequality, precarious employment, and continued environmental degradation. What Luce did correctly surmise, however, is that the American lifestyle of mass consumerism and the anesthesia of the American dream could be effective antidotes to working-class unity challenging capitalism. Clearly national diversity and localizations remain, but we are closer than ever to spreading American-style mass consumerism across the world, a great boon for American, as well as many foreign, corporations—as well as a great distracter and co-opter for the working classes of the world. Nevertheless, history is still being written, and the emergence of working classes with the capitalist rise of emerging markets may create new opportunities for international solidarity and resistance, as more people realize the negative effects of capitalist globalization (Bond and Garcia 2015). It is all the more important to understand, then, the increasing emerging market cooperation in expanding and deepening global capitalism post-2008. After a multi-decade detour down the road of attempting to decouple from Western capitalism, the capitalist rise of emerging markets—far from an eclipse—signifies only the end of the beginning of the American Century.

Note

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Part III

**US hegemony and rising
powers in various
world regions**



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6 The travails of semi-sovereignty

Japan's dilemma in the era of Trump

Walden Bello

At the beginning of 2016, the Asia-Pacific order appeared to be frozen in the post-Cold War era. Prone to earthquakes, the region was shaken by two magnitude seven political shocks later in the year. The first was the election of Rodrigo Duterte as president of the Philippines in May, the second was the surprise triumph of Donald Trump in the November US elections.

Two earthquakes

Japan, the US's principal ally in the region, was probably the most stunned by the developments. During his second term as Prime Minister, everything seemed to be going in Prime Minister Shinzō Abe's way. He had rammed through his unilateral interpretation that "collective defense," which would involve Japan in military operations with allies outside its home territory, did not violate Article 9 of the Japanese constitution, the famous peace clause. He had faced down domestic opposition to Japan's participation in the regional free trade arrangement called the Trans-Pacific Partnership (TPP). In both enterprises, Japan had acted, in the traditional fashion, as Washington's junior partner.

Collective defense was Japan's contribution to former President Barack Obama's vaunted strategic reorientation that came under the rubric "Pacific Pivot." The Pivot was essentially a strategic reorientation of US power from entanglement in unwinnable Middle East wars to heightened engagement in an area of the world which favored its conventional capabilities, particularly its naval power. The TPP likewise masqueraded as a free trade agreement but its main features were the tightening of corporate intellectual property rights and the empowering of foreign investors to resist regulation by state authorities. It also functioned as the goeconomic counterpart of the pivot, with the world's biggest national economy teaming up with its third biggest, to contain the second biggest, China (Bello 2013, 2014).

The Duterte surprise

Then, in mid-year, the regional design that the Obama-Abe partnership had painstakingly patched together over six years unexpectedly began to come apart.

Shortly after assuming office, Philippine President Rodrigo Duterte went on a surprising, unprecedented offensive against Washington, starting with his cursing Ambassador Philip Goldberg as a “homosexual” and President Obama as a “son of a bitch” and climaxing in an October visit to Beijing, where he declared “separation” from the United States and waxed melodramatic about “the Philippines, China, and Russia against the world.” Duterte’s diatribe was provoked by Goldberg’s public reprimand of Duterte’s scandalous comments about a rape victim and Obama’s statement that he would raise concerns about human rights violations in Duterte’s “war on drugs,” which involved the extra-judicial execution of drug users and pushers.

Abe was alarmed. He was not upset by Duterte’s notorious campaign of extra-judicial execution of alleged drug users; he is, after all, the grandson of one of Japan’s top fascists during World War II. What worried Abe was the prospect of a breakaway Philippines, which functions as the “southern anchor” of the US military presence in the Western Pacific, of which Japan is the “northern anchor.” This triggered Abe’s invitation to Duterte to make Tokyo the site of the latter’s first state visit outside the Association of Southeast Asian Nations (ASEAN). Beijing brusquely cut in, however, and Duterte, recognizing the regional power hierarchy, went to China instead last October before going to Japan.

Despite this snub, Abe swallowed his pride and made Manila the number one target of his mid-January 2017 tour of Southeast Asia. Abe felt compelled to become a more proactive partner in shoring up the longstanding US–Japan–Philippine alliance. With US–Philippine relations at an all-time low, Abe fancied himself as a “mediator” between Washington and Manila. He apparently accomplished his main mission in Manila, which was to get Duterte to officially state the importance of his country’s alliance with the United States. That concession did not, however, get in the way of the controversial Filipino leader’s continuing to forge closer ties with Beijing or with Moscow, which sent a destroyer on a goodwill visit to Manila a week before Abe’s arrival. In fact, a few weeks after Abe’s visit, Duterte denounced the US as unloading weapons in the Philippine bases the Americans were using, implying that these were intended to target his new ally, China, and threatening to tear up its most recent military treaty with the US (Alvarez 2017).

The Trump shock

Duterte, however, was a relatively small problem compared to Trump. During the US presidential campaign, Trump did not seem to have a good image of Japan. Where Japan figured in Trump’s speeches, it was mainly as a country that enjoyed US protection without paying for it. Once he got elected, he promised, he would collect protection money from Tokyo and other allies. He denounced the TPP that Obama and Abe had so painstakingly promoted as contrary to US interests and spoke about retaliatory tariffs against “unfair traders.”

Tokyo took Trump’s campaign statements to mean that he would erect a tariff wall around the United States that would screen out cheap imports in the same way that his planned Wall on the Rio Grande would keep out Mexican

migrants. Like so many other Asia-Pacific governments, Tokyo assumed that Trump's rhetoric against the TPP and free trade was just for the campaign, and that he would not carry out on his threat if he came to power, especially since the Republicans in Congress had gotten behind Obama in support of TPP. Moreover, Abe assumed that Hillary Clinton would win, a confidence conveyed by the fact that in a pre-election visit to the US, he made it a point to seek out Clinton while ignoring Trump.

Trump's triumph in the November polls and his subsequent statements and actions left Tokyo speechless. Trump threatened to impose a "big border tax" on Toyota if it built an assembly plant in Mexico to export to the US and he lumped Japan and China together as "currency manipulators." Then came the biggest shock of all: on his very first full day in office, Trump took the US out the TPP.

In the three weeks after Trump's inauguration, Tokyo's policymakers were adrift, worried that Trump did not see the value of the US–Japan military alliance and that he indeed saw the presence of the bases in Japan as simply a business arrangement: I protect, you pay. And even if the US maintained its bases, Tokyo was apprehensive that the new regime in Washington would act unilaterally in the region to promote its interests, while leaving Japan to work out its own political and military relationships with other powers in the region, notably Russia and China.

More than anything else, Trump's pulling the US out of the TPP unnerved Abe. He had spent so much of his political capital trying to ram it through the thicket of protectionist interest groups trying to stop it and, up to the last minute, he had nursed the hope that he could still convince Trump of its virtues.

To Abe and the Tokyo establishment what was most worrisome was the suspicion that under Trump there would be a paradigm shift in determining whether one was a friend or a foe. That China obviously fell in the category of foe was certain; what worried the Japanese establishment was whether, in Trump's world view which is very suspicious of things Asian, Japan might also be seen an enemy rather than simply as a misbehaving partner, as it used to be regarded by Washington. Reflecting the Japanese establishment's anxiety that Trump was upending the Asia-Pacific order, one newspaper editorialized that the new president deserved to be tagged the "Disruptor in Chief" (America's Disruptor in Chief 2017: 8).

An extremely apprehensive Abe paid Trump a visit in mid-February 2017 to get assurances that Trump respected the *ancien régime*. Trump declared "100 percent" support for the US–Japan alliance and was friendly to Abe over golf and in informal chit-chat. But form predominated over substance and worries about the mercurial Trump persisted. The Japanese were right to continue to worry since, while Trump could be mercurial in his moods, there could be no mistaking the fundamental strategic thrust of his rhetoric and actions.

The end of the post-World War II order

To Tokyo, old certainties that underpinned the post-World War II order were suddenly melting, and rapidly. The lynchpin of this power structure was what

the historian James MacDonald described as the great “unspoken bargain.” That is, “the United States would exercise a near monopoly of force. However, it would use its force not to gain exclusive economic advantages, but as an impartial protector of Western interests” (King 2016: 110–11). Japan was part of the Western bloc that benefited from US military protection and US-supported global free trade.

If they were flustered by his tweets and actions, Japan and other US allies were certainly deeply troubled by Trump’s inaugural speech. In that address, Trump was clearly sketching a new paradigm, one that was definitely different to the one that had guided US foreign relations over the last eight decades since the onset of the Pacific War. It was an intervention infused with a perspective of isolationism, unilateralism, and protectionism, delivered in an insurgent populist style, with three key stresses: lost jobs, uncontrolled borders, and others, including allies, taking advantage of the United States. The address highlighted the opportunistic moves that Trump was making to construct a broad multiclass social base for a reinvigorated nationalism anchored in the white working class. The choice of “America First” was not accidental. It was the battle cry of Charles Lindbergh’s isolationist movement that nearly succeeded in foiling Franklin D. Roosevelt’s efforts to involve the US in World War II.

The address, in short, was at odds with the 80-year-long era of interventionist liberal internationalism resting on US military and economic power and augured the transition to something more inwardly focused. This was a “Fortress America” speech, one that viewed global entanglements as the problem. There was none of the staple of bipartisan speeches: “America’s global commitments.” There was no Kennedyesque rhetoric about bearing any burden and paying any price to “safeguard freedom” around the world. Instead there was the implicit suggestion that taking on global commitments had made America weak and made others strong and wealthy. Trump appeared to be appealing to the weariness of a people that have shouldered the burdens of empire and imperialist wars with little success and much grief.

US allies listening to the speech could be forgiven for getting the impression that, for Trump, traditional security considerations appeared to be secondary in his definition of friend and foe. After all, his words were blunt that craven allies were a big part of the problem:

For many decades, we’ve enriched foreign industry at the expense of American industry; subsidized the armies of other countries while allowing for the very sad depletion of our military; we’ve defended other nation’s borders while refusing to defend our own; and spent trillions of dollars overseas while America’s infrastructure has fallen into disrepair and decay. We’ve made other countries rich while the wealth, strength, and confidence of our country has disappeared over the horizon. One by one, the factories shuttered and left our shores, with not even a thought about the millions upon millions of American workers left behind. The wealth of our middle class has been ripped from their homes and then redistributed across the entire world.

(Trump 2017)

From here on, Trump seemed to be saying, uppermost in Washington's assessment of one country's status would be economic considerations: did your policies promote or did they diminish America's economic strength? If the latter, then you were a foe even if you had traditionally been a strategic partner of the US. Trump seemed to be posing the "biblical" question: what does it profit the United States to have won the Cold War against the Soviet Union only to lose the economic war to Japan, Germany, and China?

From semi-sovereignty to isolation?

All this is so bewilderingly new for Tokyo. As a defeated power in World War II, it had settled into the role of a semi-sovereign state, whose basic strategic and foreign policy choices were made in Washington. The basic structure of the US–Japan relationship has remained essentially unchanged over the last 70 years since the 1951 US–Japan Peace Treaty. In his illuminating book, *Power Play*, Victor Cha distills the essence of semi-sovereignty underlying Japan's condition over the last seven decades despite some minute changes in details:

The United States [concluded] an arrangement that legitimized and enshrined America's near-absolute control over Japan's internal and external affairs. The arrangements were neo-imperial in nature. In military terms, the United States sought to retain "long-term strategic control" of the Ryukyu chain. Okinawan air and sea bases were critical to the US strategic position in Asia. The United States could not have fought the war in Korea (nor would it be able to fight the war in Vietnam) without the outposts in Okinawa for staging, logistics, repairs, hospitals, and secure sanctuaries. The United States had 169 bases, 45,000 military personnel, 54,600 dependents, 3,300 civilian employees, and nearly 70,000 Japanese employed on the islands. It negotiated a status-of-forces agreement over the heads of the Japanese government regarding the extra-territorial rights of US soldiers, which allowed 97 per cent of the 14,000 crimes committed by US servicemen in Japan between 1953 and 1957 to be tried outside Japanese courts. The official language of the Japanese air force and navy was English, not Japanese. The security treaty even had a provision for allowing American forces to quell internal riots and political disturbances with the approval of the Tokyo government, leading critics to say that the United States was basically able to use force anytime and anywhere in Japan.

(Cha 2016: 143)

Former Secretary of State John Foster Dulles confided to the British that "the 1951 treaty amounted to a voluntary continuation of the military occupation, but in the guise of a normal political relationship between two nation-states" and "gave the United States the right to maintain in Japan as much force as we wanted, anywhere we wanted, for as long as we wanted" (Cha 2016).

Japan's subservient role was humiliating for the country's establishment, but it was also welcomed by key sectors of the Japanese political class. This ambivalence

was captured by the words of the extremely influential Prime Minister Shigeru Yoshida: “[T]he day [for rearmament] will come naturally when our livelihood recovers. It may sound devious, but let the Americans handle [our security] until then. It is indeed our Heaven-bestowed good fortune that the Constitution bans arms” (Cha 2016: 149). The condition of semi-sovereignty has had its benefits. Among them was Japan’s being able to become an economic superpower in the four decades since the end of the war, partly because it invested very little in defense. And it was comfortable. When things went right, like the US–China rapprochement in the 1970s, Japan could share in the blessings. When things went wrong, like the war in Vietnam, Washington was there to blame, even as Japanese businesses made money from the war.

This subservient but comfortable role that Japan filled is what is now in question. For seven decades, someone else made Japan’s basic security and foreign policy decisions. Now, suddenly, owing to the unpredictable nature of democratic politics in its key ally, Abe and the Japanese establishment are being forced to confront the headaches that come with making decisions on fundamental issues that had long been decided by Washington: Tokyo’s relationships with China, Korea, Russia, and Southeast Asia.

A man of the right, Abe has always stated that his mission was to make Japan a fully fledged sovereign state, free of the vestiges of wartime defeat, like Article 9 of the Japanese constitution, which banned war as an instrument of Japanese foreign policy. Moving away from the US alliance was not, however, one of his priorities. Rather, his strategy has been to use the alliance with the United States to rearm Japan and enable its military to play a greater regional role outside Japan’s home territory. For some on the right, rearmament includes the attainment of a nuclear arms capability in the medium to long term (GlobalSecurity.org 2017).

An alliance losing its way?

If, indeed, Trump is headed in an isolationist and unilateralist direction, how will Japan deal with China whose containment is the top priority in the Japanese right’s Grand Strategy? This is not to say that Trump will conciliate China. This is not likely, but it would not be surprising if his strategy were be a unilateral one, like launching a trade war or pushing a naval confrontation, without consideration of its impact on the US’s traditional allies.

The traditional US strategy has been to use its allies to isolate its enemies politically alongside its employment of military power. Unilateralism, in contrast, is a go-it-alone strategy, and this, more than a withdrawal of the US from its bases in the Western Pacific, is what worries Abe and other Asian elites. For the unilateralist, allies are just as much a burden as the enemy, and it is better to act alone to promote your interests and, as much as possible, leave it up to them to take care of themselves.

The Japanese establishment’s concern with China is part of what could emerge as a strategic dilemma. With the United States under Trump slouching towards

isolationism, what is the future status of Washington's principal ally in Asia? Will Japan be reduced to an isolated offshore state in the post-post-World War II Asian order, drifting in an alliance that is losing its common purpose? This sense of deep insecurity, this deep discomfort of having to now make very hard decisions that used to be made in Washington, is something shared by the Japanese public, for which the status of protectorate has been part of the normal order of things. Some 84 percent of those polled in a Kyodo News survey said they worried Trump would create global instability. The survey results most likely reflect the anxiety that the benevolent father, the most recent personification being Obama, is being replaced by a stingy uncle who does not care if you sink or swim.

Trump's foreign policy is a work in progress, one that will have twists and turns depending on the changing moods of the mercurial president. But the Japanese—government and people—have been given notice of its strategic direction.

Crisis and opportunity

But may not a crisis for the elites of Japan and Asia be an opportunity for progressives? Here the parallel with the Philippines might be instructive. Even as they have condemned his policy of extra-judicial killings, many on the Philippine Left have supported President Duterte's rhetorical disengagement from the United States and pushed him to, in fact, abrogate the Visiting Forces Agreement and the Enhanced Defense Cooperation Agreement that have allowed large-scale deployment of US forces in the country. Unlike Japan, which benefited economically from the post-World War II global order, the Philippines has been dragged down for over a century by Washington's hegemony, and anything that reduces that load is welcome.

Japan's relations with the United States have major differences from those of the Philippines, but for Japanese progressives the conjuncture is also one of crisis providing opportunity. The opportunity is, however, less straightforward and fraught with risks. It is that of forging a more progressive foreign policy that moves away from being an extension of Washington's security and foreign policy while at the same time avoiding a regressive nationalist response that could lead to the activation of the country's nuclear capability. If the latter were to be Japan's choice in response to American isolationism, then that would be just as worrisome to many Asians as US hegemony. The challenge for Japanese progressives is to steer a course between Scylla and Charybdis to arrive at the port of lasting regional peace.

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7 No conflict by invitation

Japan's China balancing amid US relative decline¹

Giulio Pugliese

Introduction

Following the end of World War II (WWII) and the 1951 signing of the Peace and Security treaties in San Francisco, the Japanese government's China policy had consistently acted within the perimeters of US grand strategy in East Asia. Throughout the post-war years, Tokyo and Washington insisted on a Realist foreign policy premised on balancing behavior, but this varied depending on the respective threat perceptions. A structural realist periodization posits two systemic changes in the regional distribution of power; specifically the transition from a bipolar order (1945–91), to a period of flux (1991–2000s), to an unstable multipolar order in post-Cold War East Asia (circa mid-2000s–). Japan's China policy throughout the three periods has been consistent with its status as a junior alliance partner and largely reacted to Washington's strategic calculations. Yet in more recent years, a rising China has ignited fears over the geopolitical implications of its growing regional influence. Such fears are more deeply felt in Japan than in the United States, in particular after the advent of the new Xi Jinping administration. The second Abe Shinzō government, installed in late 2012, exemplifies Japan's more confident resort to the realist toolkit to tame what it understands as an aggressive neighbor (Pugliese 2017).

Several studies have analyzed Japan's China policy within the context of US–China–Japan triangular relations, but the literature on this important topic is quite limited (Wan 2006: 168–200; Christensen 2006, 2011: 221–59). Extant studies stress Japan's subordinate position to the United States but have largely downplayed the inherent tension in Washington's stance vis-à-vis Sino-Japanese relations, especially in the post-Cold War years. When US anxieties against Japan's China policy are mentioned, scholars have normally focused on US frustrations over Japan's timid efforts in redefining the scope of the alliance (Sebata 2010), rather than on Japan's recalibration of its foreign policy away from Washington during the short-lived Hatoyama premiership (O'Shea 2014; Jerdén 2017). Yet, Washington's quest for greater Japanese security responsibilities has recently met expectations from the Japanese government's side. Japanese policy-makers appreciate the interlinking of the alliance spokes in the US-centered “hub-and-spokes” security system to confront China's ascendance (Envall 2016: 5–19). Moreover, the Abe Shinzō government has heightened

its military profile and raised its voice in the international arena, only partly in response to US desiderata (Pugliese 2015a: 60–2). Little noticed, Abe’s Japan has pursued assertive diplomatic and declaratory stances that, in a few instances, went beyond US preferences. Chris Hughes attributed such dynamics to Abe’s comeback and the flaring up of the Senkaku/Diaoyu standoff (2015: 64–78). Similarly, Sheila Smith briefly identifies in the heated island dispute the “new scenario” that kindles US fears of entanglement in both Chinese and Japanese escalatory moves (2015: 259).

This chapter pre-dates Japan’s security proactivity and US caution to the mid-2000s and ascribes such transformation to changes in the foreign policy outlook of both Japan *and* a growingly disengaged US. To be sure, Japan is bearing more responsibilities in the preservation of East Asian security. Since the first Abe administration and under the principles of the 2013 National Security Strategy, Japan has promised it will be more proactive in preserving the global and regional commons together with the US and other like-minded countries, such as Australia. Yet, while Tokyo has traditionally pursued a more sympathetic China policy compared to its ally, this chapter argues that Japan and the US have traded roles in recent years, even before the flaring up of the Senkaku/Diaoyu territorial dispute. Abe’s 2012 comeback has made evident that Tokyo’s China policy has hardened beyond US strategy, possibly entrapping the US in flashpoints of Sino-Japanese discursive or military conflicts, but similar instances had already surfaced under the first Abe administration. In the process, there is a possibility that the United States will become involved in a major conflict with China due not only to Beijing’s but also to Tokyo’s increased reliance on power politics as a tool of statecraft.

To gauge this under-analyzed phenomenon in a trilateral context, this chapter clarifies the merits of a structural realist approach to the study of post-Cold War US–Japan–China relations, and emphasize its appeal against other international relations (IR) theories. In doing so, the chapter will delve deeper into the international factors that affect Japan’s strategic outlook: the decline of US primacy in East Asia pitted against the staggering re-emergence of China to regional centrality. Under *both* Abe administrations, these factors fueled Japanese insecurity and a more assertive foreign policy. The chapter will then focus on Japan’s China policy and recent Sino-Japanese frictions to find that the US government consistently aimed at a stronger Japan, but is now stifling some Japanese initiatives that risk entrapping the United States into Sino-Japanese military or history issue-related brinkmanship. In so doing, the chapter gauges Washington’s leverage as a cap on Japan’s nationalistic displays and more assertive postures to measure the likelihood of a Sino-American conflict at the invitation of a more proactive Japan.

US-centered liberal visions of East Asia in the early post-Cold War years

The fall of the Soviet Union in 1991 fed the hopes of many Western governments. In fact, the different strands of liberalist theory—commercial pacifism,

liberal institutionalism, and democratic peace theory—dominated mainstream US policy and scholarly debates on East Asia in the post-Cold War years.² More than any other nation, the victorious superpower—the United States of the “roaring nineties”—dusted off the declinist pessimism of the late 1980s (Kennedy 1987), and translated its new-found economic and political appeal into a foreign policy aimed at dismantling economic and thus political barriers. The 1994 *National Security Strategy of Engagement and Enlargement* testified to the saliency of the above aims because US policy-makers, such as National Security Advisor Anthony Lake, understood a world composed of free trading democracies as conducive to US economic prosperity and physical security. In addition, the boom in productivity and outbound investment during the 1990s, facilitated US economic expansion through a late 20th-century “Open Door” policy premised on economic globalization (Ambrose and Brinkley 2010). The so-called “third wave” of democratization in East Asia coincided with the dying years of the Cold War, and in addition to fundamental domestic socio-economic changes, a more proactive US foreign policy was partly responsible for democratic transitions in East Asia. It is often forgotten that by the late 1980s, Washington quietly favored the economic and, to a lesser extent, political liberalization of several autocratic regimes: subtle US pressure over President Chun Doo Hwan’s South Korea is a case in point (Brazinsky 2007: 223–50).

Together with the end of the Cold War and the demise of state socialism as a viable socio-economic and political alternative, the triumph of market-based democracy signified “the end of history” in the eyes of a good portion of the American establishment (Fukuyama 1992). For progressive and neo-conservative policy-makers, the liberal democratic model represented the very goal of humanity, which included cultures and political systems that still diverged from the Western liberal tradition. In such a context, the Bill Clinton administration’s welcoming of the People’s Republic of China into the World Trade Organization (WTO) reflected the mainstay thinking of two typical liberalist schools: commercial pacifism, according to which deep symmetric economic ties change states’ preferences in favor of cooperation, and democratic peace theory, according to which democracies do not fight each other (Haggard 2014). The United States government took advantage of the enormous economic potential of the Chinese market, including in terms of its cheap labor force, in the belief that a trading China would have pursued a largely cooperative foreign policy and, eventually, evolved into a benign democracy.

Economic and democratic liberalist optimism converged with the promises of liberal institutionalism. According to liberal institutionalists, China would have slowly found its participation in a variety of international organizations—such as the WTO, the World Bank, the International Monetary Fund (IMF), and the like—beneficial to its own national interests. Thanks to smoother channels of communications, growing preferences for prosperity, and the gradual relinquishment of state sovereignty to supranational agencies, China would embrace the US-led liberal international order built in the aftermath of World War II and re-affirmed and extended after the collapse of the Soviet Union (Ikenberry 2008). Thus, when President Clinton publicly stated that “on human rights and

religious freedoms, China remains on the wrong side of history” (Elliott 29 June 1998), he provided eloquent evidence of the deep-seated teleological historicism of US government thinking towards East Asia and the world at large. According to this thinking, all was “for the best in the best of all possible worlds,” to cite Professor Pangloss from Voltaire’s *Candide*.

Moreover, in the belief that market liberalization, deregulation, and a progressive “financialization” of the economy would have been beneficial to global trade and US-based financial and multinational enterprises, the US pushed for a neoliberal economic agenda at home and abroad (Dore 2000). From the 1990s onwards, the much-vaunted dirigiste Asian model based on the “developmental state” (Woo-Cumings 1999), gradually lost momentum. This transpired due to the growing appeal of supply side-centered neoclassical economics, because of Japan’s economic stagnation, and due the 1997 Asian Financial Crisis followed by substantial international pressure in favor of structural and political reforms. Thus East Asia’s assimilation of Western, and more specifically Anglo-Saxon, economic norms hinted at convergence with the US-led liberal order. Based on the above, the 1980s and the 1990s witnessed a liberal evolution of the politico-economic systems of major East Asian states such as South Korea, Taiwan, and Japan—a one party-centered developmental democracy throughout the Cold War. The historical track record of the late 20th century slowly cemented US exuberance over its staying power.

The above changes were favoured by an irresistible globalization. Earlier processes of economic internationalization, which coincided with the first and second industrial revolutions, mostly benefitted the great bourgeoisie from colonial powers (Hobsbawm 1975, 1987). In comparison, the globalization that gained considerable momentum in the late 20th century levelled the playing field between advanced capital-intensive OECD countries, and labor-intensive developing economies such as China and India (Friedman 2005). The liberalization of trade and the free movement of capital coincided in fact with major developments in information, communication, business systems, and transportation technologies. The expansion of multinational corporations and the massive inflow of foreign direct investments (FDI) in East Asia could have seriously challenged state sovereignty from above and below.

Likewise, the globalization of the late 20th century favored regional integration processes in two ways. Firstly, the dismantling of trade and financial barriers would increase traditional intra-regional exchanges of physical goods, services, and capital, and since Asian economies were at very different stages of economic development, companies from (physical and human) capital-rich economies found it beneficial to outsource different stages of production in *multiple* Asian countries, depending on their respective comparative advantage. This process facilitated deep intra-regional and inter-regional production networks, leading to the rise of a “Factory Asia.” For instance, iPhones are designed in California, but most of its high-end technology is made by Japanese, Korean, and Taiwanese manufacturers across Asia; it’s only at the end stage that iPhones are finally assembled and “made” in China, but through a Taiwanese company (Asahi 2012; Ravenhill 2014)!

The iPhone example also suggests that intra-regional production networks are embedded within a global system: iPhone's demand is global and Apple pockets roughly 60 percent of the retail price of its smartphones (Ravenhill 2014: 354–5).

Secondly, East Asia has witnessed financial regionalism. In the aftermath of the Asian Financial Crisis, East Asian states inaugurated a set of bilateral, now multilateral, currency swap agreements under the so-called Chiang Mai Initiative. In a sense, East Asian states relied on emergency foreign exchange reserves promised by regional counterparts, amounting to a quasi-monetary fund that could do without the support of the Washington-based International Monetary Fund (IMF). With time, the initiative would free East Asian states from political and economic conditionalities dictated by the neoliberal agenda of international and US federal organizations inside the beltway commonly known as the “Washington Consensus.” In fact, the economic weight and political clout of the United States in this complex web of trade and financial links meant that regionalism was moving within the confines of US “empire”: the need for the IMF to sanction the bulk of Chiang Mai emergency liquidity funds is a case in point (Parisot 2013). While James Parisot's appreciation of US staying power in East Asia is a Marxist one, his understanding doesn't differ considerably from Ikenberry's US-centric declination of institutional liberalism: one premised on a tight and incredibly sticky web of US-centered international institutions, to which behemoth economies such as China would have necessarily adapted to (Ikenberry 2011).

Through a broad-brush overview of the major changes affecting East Asia in the early post-Cold War years, the above section has provided an account of the most influential liberal appreciations of regional dynamics. The trends underlined throughout this section highlighted commercial pacifism, liberal institutionalism, and greater convergence with Western political and economic models as the dominant appreciation of East Asian trends in the 1990s. As recounted, the above liberal visions for an East Asian future also rested on the primacy of the US-led liberal order. Yet, the underappreciated pillar of that very liberal order was the US military presence, which indicates the merits of looking at the region through the lenses of Realism.

The realist underpinnings of East Asia's *Pax Americana*

US policy-makers never lost track of the foundational importance of great power politics to preserve a stable East Asian regional order and US hegemony. According to structural realism, the regional order is made up of states responsible for their own security and prosperity. Since the future intentions of surrounding powers are unknown, states' defense and security policy is defined by the strategy that opposes the stronger or more threatening state in order to maintain a state of equilibrium. This is commonly known as balancing, and its recurrence and intensity depends on the regional distribution of power (Waltz 1979).³

While acting as a benign hegemonic power, US foreign policy towards East Asia presents strong elements of offensive realism. According to John Mearsheimer,

post-WWII US deployment in Germany and Japan not only deterred Soviet aggression in key industrial centers, but also curbed them from turning into Great Powers (Mearsheimer 2001: 75–82). Christopher Layne argues that US grand strategic behavior was even more assertive. US foreign policy from 1940 onwards was informed by a desire to mold the international system to maintain primacy; to that end Washington consistently pursued “extra-regional hegemony” (Layne 2006). Historical evidence corroborates the above. In late 1991, Under Secretary of Defense for Policy Paul Wolfowitz and his taskforce started working on a new Defense Planning Guidance, a document that detailed the United States’ overall military strategy as the framework for future defense budgets. The document draft spelled out the means for US hegemony: no contestant was allowed to emerge as a challenger to US primacy, including Japan. The leaked Planning Guidance draft was heavily criticized for its cynical vision premised on raw US military supremacy, but the final version left its core policy prescriptions unchanged: the United States would have precluded any power from dominating regions critical to US interests, and to that effect permanent US military superiority was needed (Mann 2004: 198–208).

In terms of policy practice, Washington’s East Asia policy was driven by a synthesis of neo-realism and liberalism. For this reason it would be mistaken to associate post-Cold War US policy debates with the first—if partly manufactured—great IR debate, where historian E. H. Carr denounced the false hopes of the mainstream “utopians,” the liberal IR thinkers of the early 20th century, by pointing at the recurring tragic dynamics of state-centric realism; according to Carr, international politics were premised on national interests, power struggles, and the destructive forces unleashed by nationalism (Carr 2001). In fact, US policy practitioners never lost track of the need to preserve US military regional engagement. Indicative of this trend, (neo-)liberalist IR theorist and Assistant Secretary of Defense for International Security Affairs, Joseph Nye, engineered the post-Cold War US realignment of military forces deployed in East Asia by keeping a robust US presence under the so-called 1995 “Nye Initiative.” In this context, Japan qualified as an important chess piece in Washington’s strategic calculations and, to a certain extent, the United States kept a strong military presence also to check an eventual Japanese military ascendance.

During the Cold War, the United States’ broader foreign and security policy limited Japan’s room for maneuver in the international arena. Prime Minister Yoshida Shigeru and his successors willingly wore the diplomatic straitjacket knitted on the occasion of the San Francisco peace and security treaties: Japan’s security and prosperity was best served by close alignment to the United States, a focus on economic development, and, as a corollary to the above, a low politico-military profile (Soeya 2005; Calder 2010). But how did Japan’s China policy evolve after the end of the Cold War?

A nagging sense of insecurity aside, Japan still prioritized a policy of China engagement until the early 2000s because it rested on the above-mentioned post-Cold War beliefs: trade and economic growth would have induced China into enjoying the fruits of prosperity brought by international trade agreements

and international organizations as a status quo player. From the vantage point of realism, until the early 2000s, China's military and economic power was still relatively small relative to Japan and especially its transpacific ally. More importantly, it is only in the 2000s that China inaugurated a substantial naval build up to project its power into the oceans, thus feeding into Japanese insecurity and American anxieties. At any rate, Japan—as a maritime power—preserved a consistent naval posture (Patalano 2008) and, given the very appreciation of the United States' relatively benign role in East Asia, Japan mostly delegated—or “buck-passed”—security guarantees to the prominent regional player, the United States (Lind 2004). Japan's appreciation through defensive realism of trilateral dynamics, an appreciation that rested on the soothing effects of ameliorating threat perceptions from both sides of the Pacific Ocean, meant that its security profile increased marginally and mostly as a result of US pressure (Sebata 2010: 259–333).

Nonetheless, China viewed the US attempt to reinforce its alliance with Japan, notably through the enunciation of new security guidelines in 1997, as a potential threat to the region's order. Chinese analysts and leaders perceived the US to be moving away from its role as a “bottle cap” on Japanese rearmament towards an “egg shell” role, under which the US would provide a military shield for Japan while favoring its ally's gradual, but steady, rearmament (Christensen 2006). Yet it would be incorrect to posit that mid-1990s US *and* Japanese military planners re-enacted coercive diplomacy against Beijing, as Christensen does in a later study (Christensen 2011: 221–59). Preliminary evidence shows that Chinese analysts' assessments were correct, because the Japanese government was more lukewarm to US calls for greater alliance burden-sharing. Tokyo, at this point, did not share Washington's bleak assessment of regional security. This would continue until the bumpy years of the Koizumi premiership, characterized by the progressive chilling of China–Japan political interaction due especially to the Premier's yearly visits to the controversial Yasukuni shrine, and China's staggering economic and military rise finally feeding into Japanese insecurity.

Beyond *Pax Americana*: Japan's hardened stance pre-dates China's assertiveness

The 2006 Sino-Japanese political détente culminated in the inauguration of the Japan-China Strategic Mutually Beneficial Relationship (*nicchū senryakuteki gokei kankei* 日中戦略的互惠關係), but this did not prove very tenable as the regional order lost its liberal facade around that very year. On the contrary, events validated neo-realist analysis: the changing regional distribution of power towards an unstable multipolar regional order fed growing tensions. The changing power differential between China and the United States was chiefly responsible for altering the strategic landscape, and Japan felt very early the need to more forcefully counterbalance China's rise.

The so-called “War on Terror” inaugurated by the George W. Bush administration distracted the United States from the most likely challenger to its primacy:

a rising China exemplified the traditional, state-centered logic of realism. The United States' disastrous military interventions in the Afghanistan and Iraq quagmires were accompanied by the 2008 financial and economic crisis. The crisis ignited by subprime mortgages and Lehman Brothers' bankruptcy spread globally and inflicted a major blow to the world economy, showcasing the downside of excessive deregulation and risk-prone financialization of economic activities. The worst economic crisis since the Great Depression should have delegitimized the glorified Anglo-Saxon economic model. Nonetheless, neo-Keynesian expansive fiscal policies were dusted off only briefly following the 2008 crisis: northern European and American economic policy-makers had thrown those precepts back in the dustbin by 2010 and failed to curtail the "moral hazards" of an irresponsible, and ever more economically decisive, financial sector. At the same time, the crisis inflicted a major blow to the Anglo-Saxon economic model and during his tenure Barack Obama clearly prioritized US domestic issues and economic growth, often along with a hands-off approach towards world affairs (Dueck 2015).

In contrast, the Chinese economy lifted up part of the deficit in global demand following the global financial crisis and China's annual Gross Domestic Product growth wavered around a 7 percent increase per year. Notwithstanding its mixed command and market economy, China became the second wealthiest nation by 2010, and its hosting of the 2008 Olympic Games and 2010 International Exposition sanctioned its coming of age, its substantial increase in material capabilities, and a degree of confidence in its foreign relations. In stark comparison with Obama's approach—and possibly also in light of that—China translated its economic (re-)emergence to regional primacy with a more assertive foreign policy. Domestically, hawkish segments within the Chinese Communist Party and the Chinese state's apparatus became gradually more vocal. For instance, they started to advance Chinese claims over disputed territories with more confidence, because they understood a progressively inward looking US as a paper tiger. In short, Chinese home-bred nationalism and hubris clearly moved also from structural realist factors, where the growing regional power differential increasingly favored China, and reinforced its ability to interdict and threaten US forward deployment in the Asia-Pacific.

The global financial crisis and the ensuing Great Recession hastened shifts in the regional power balance, but it is worth noting that US and Japanese policy-makers had envisioned earlier on the risks of a region dominated by China. Indeed, Washington policy-makers had already developed policies aimed at preserving a favorable balance by the early 2000s under the first George W. Bush administration, with the vocal support of the Department of Defense and the Vice-Presidency. For example, US overtures to India, a state that was not a signatory to the Nuclear Non-Proliferation and Comprehensive Nuclear-Test-Ban Treaties, were indicative of the George W. Bush administration's reliance on power politics: the US–India civil nuclear deal was a blow to the Nuclear Non-Proliferation regime, an exemplary international institution that pinpointed the so-called liberal order. It is worth noting that in 2007 Japan signed a "global strategic partnership" with India, and eventually allowed exports of nuclear

technology and components to the subcontinent. At the same time, a diffuse sense of insecurity in East Asia went hand-in-hand with the changing regional power balance. Progressively weaker states, such as the Philippines, Vietnam, and even Japan, fretted about their own territorial rows with China and hurried to secure their own interests there before China became a regional hegemonic power. These states also became engaged in active regional diplomacy aimed at building a network of strategic partnerships, or ententes, that went beyond the existing US-led regional alliance system. Abe Shinzō's Japan, during both the first and successive administrations, is evident proof of the new-found impetus for power politics in East Asia (Pugliese and Insisa 2017).

The language register of the US and Japanese governments indicated the willingness to defend the international liberal order. In a private interview, former Special Assistant to the President for National Security Affairs and Senior Director for Asia at the US National Security Council, Michael J. Green, testified to the rationale behind US overtures to strategic states such as India: the US pursued a "balance that favored freedom" (Interview 2013). Similarly, Japan started to legitimize its national security dynamism as a function of "universal values such as freedom, human dignity and human rights, democracy, market economy, and rule of law" around the same time (Ministry of Foreign Affairs of Japan 2006). It was implicit in Japan's wording that an authoritarian China's ascendance needed to be confronted, and it would be welcome as a peer when it became a full member of the liberal order. Scratch the rhetorical surface, however, and by that time power politics was becoming the *leading* engine of international relations in the Asia-Pacific and beyond. US flexibility towards international norms, such as nuclear non-proliferation, testified to those trends. Needless to say, the main target of said initiatives was a rapidly ascendant China.

In this context, Tokyo responded with enthusiasm to Washington's calls for enhanced security cooperation, as the US-centered hub-and-spoke bilateral system of alliances was gradually giving way to "intra-spoke" cooperation: for instance, among Australia, India, and other US regional alliances and newly inaugurated strategic partnerships. But it would be only after intra-ministerial overhaul and strategic planning that Tokyo's balancing overtures materialized under Abe's first administration, which were launched in September 2006 alongside Abe's consistent preoccupation with China's rise. Thus, in 2005–6 Japan's Ministry of Foreign Affairs and key policy-makers set the basis for a *new* balancing architecture that seemingly echoed US policy desiderata (Pugliese 2017).

Yet the US China strategy in the second George W. Bush administration turned slightly more conciliatory and followed the line of the State Department, away from the Dick Cheney/Department of Defense line. Former US official Thomas Christensen contends that Deputy Secretary of State Robert Zoellick's engagement policy, of "making China a responsible stakeholder," almost took on doctrinaire status in 2006 (Christensen 2011: 242–3). Thus Abe's much coveted security architecture in the Asia-Pacific that targeted China, such as the nascent US–Japan–India–Australia quadrilateral entente, eventually went against US interests and, among others, Washington publicly killed the project in its

cradle in 2007 to appease an overtly anxious China and avoid the slippery slope of a security dilemma. In August 2007, then Secretary of State Condoleeza Rice conveyed to Japanese Defense Minister Koike Yuriko the need to proceed with prudence lest the wrong signals be sent to Beijing (Akita 2008: 1–6). In fact, since the above conversation was instrumentally reported to the press, the US was actually sending conciliatory signals to Beijing. It was arguably the first time that Tokyo and Washington traded roles in their China policy in the post-Cold War environment: the US took note of its involvement in multiple war theaters in the Greater Middle East, wanted to induce a more cooperative attitude from Beijing, and, for the first time, feared entrapment in Sino-Japanese tensions partly of Tokyo's own making.

The first Abe administration was acting boldly, but the broad geostrategic environment the Japanese government found itself operating in meant that the US would favor Abe's bold external balancing initiatives only up to a point. Notwithstanding the prominence of balancing behavior, limited experiments at engagement—particularly on the history issue—have been attempted and evidence proves that US pressure was at play. Prior to becoming Prime Minister, President George W. Bush had secretly sent veiled indirect threats to then Chief Cabinet Secretary Abe about the negative spillover effects of history-related matters on US–Japan relations: since prominent members of the second Bush administration were particularly concerned about the repercussions of eventual Japanese nationalistic displays, such as a visit to the controversial Yasukuni Shrine, US public criticism was likely (Pugliese 2015a: 53). The United States was now censoring Tokyo's quadrilateral balancing initiative—an initiative suggested by the very same US earlier on—and also some of Abe's historical revisionism, which was considered deleterious for both US–Japan–Korea and US–Japan–China relations.

A conflict by invitation? Chinese assertiveness, Japan's firm stance, and US fears

While Japan and the US were inaugurating balancing policies of differing intensities towards China, it is worth noting that Beijing's foreign policy outlook was relatively cooperative. In the aftermath of the 1989 Tiananmen incident and the 1991 fall of the USSR, the Chinese Communist Party (CCP) leader Deng Xiaoping insisted on the merits of the package of economic reforms and opening of the Chinese market inaugurated in 1978. Deng posited that a low-profile foreign policy went hand in hand with market liberalization, and that both were indispensable for fostering sustained economic growth beneficial to a developing Chinese economy. For that purpose, the “Little Helmsman” was responsible for selecting those leaders that would have steered the Chinese ship of state through the rich seas of a globalizing world economy: Jiang Zemin and Hu Jintao (Nathan and Gilley 2003: 39–45). The Jiang and Hu era thus mostly internalized Deng's precepts of “keeping a low profile and biding one's time” (*taoguang yanghui* 韬光养晦) also on the basis of a strong consensus in favor of international cooperation: China's peaceful rise

coincided with the prioritization of socio-economic development (Lampton 2008: 8–36). China’s strong preference for international cooperation and a low-profile foreign policy fed into a positive appreciation of China’s rise; indeed according to an authoritative China specialist, Beijing was slowly becoming socialized in international and regional institutions (Johnston 2008).

However, China was pursuing a cooperative foreign policy also in light of its counterparts’ balancing inducements. After all, realist scholars noted that China was still playing by the *Realpolitik* playbook during the Jiang and Hu era. According to Avery Goldstein, by the late 1990s China advanced a “neo-Bismarckian” strategy, premised on reassurance and great-power diplomacy to bolster its security and increase its material capabilities (Goldstein 2003); this would continue as Japan and the US deepened the alliance in the mid-2000s, and the Abe administration inaugurated bold security reforms: the regional balance still favored the United States and Japan with their formidable navies. Yet China’s “hide and bide” consensus wouldn’t hold for long following the 2008 world financial crisis and its advancement into the oceans, thus confirming earlier Japanese and American fears. Quite fittingly, the Dengist foreign policy consensus crumbled during the later Hu administration, but definitely ended with the advent of Xi Jinping, the first leader whose ascendance had nothing to do with the late Deng.

Xi Jinping’s China is exemplary of the regained centrality of the Middle Kingdom in the regional landscape. The new paramount leader publicly sanctioned change on October 24, 2013, during a speech given at an important party conference on China’s relations with neighboring powers. Xi stated that Chinese diplomacy needed now to “strive for achievements” (*fenfa youwei* 奋发有为) (Xinhua October 25, 2013). Following his speech, the various actors involved in shaping the grand narrative of China’s foreign policy came to increasingly adopt the same expression used by Xi during the conference, in order to highlight the new reality of the country’s “great power diplomacy with Chinese characteristics,” effectively doing so over the head of Deng’s decades-old pleas for caution. As a consequence, China’s neo-Bismarckian strategy of hiding capabilities and biding time was already giving way to what we might well call a “neo-Wilhelmine” approach towards its immediate neighbors: Chinese policy-makers, with Xi at the center, abandoned caution and did not shy away from advancing China’s interests through military means (Lam 2015).

Concretely, China pursued an aggressive irredentism in the East and South China Seas. It did so on the basis of geopolitical considerations, cool strategic thinking, and a diffuse nationalism, which reinforced an emotional sense of territorial entitlement (Pugliese 2016). At a structural level, however, China decided to push its weight around because of the gradual power vacuum left by a degree of US disengagement. On the face of Obama’s initially hands-off approach over Chinese coercive behavior in the Scarborough Shoal and Senkaku/Diaoyu Islands, substantial US defense budget sequestration, continued US involvement in the Greater Middle East, and a new preoccupation in Ukraine, Chinese observers must have understood the US Pivot as a paper tiger. Similar dynamics

were at play in Ukraine: post-Iraq US military fatigue prompted a more assertive foreign policy from the likes of Russia and China. The increased number of crises, louder nationalist drum-beating, and more forceful military signaling, would point at an increased likelihood for conflict in East Asia. After all, the flaring up of the Japan-China Senkaku/Diaoyu Islands standoff has brought Japan–China relations back to their lowest point since the normalization of diplomatic relations in 1972.

It is indicative that by the 2010s national security and geopolitical priorities also affected major international economic initiatives. For example, the 2015 signing of the Trans-Pacific Partnership among 12 Asia-Pacific economies constituted another instrument to contain Chinese regional influence. US and Japanese policy-makers saluted with favor both the economic and strategic implications of such a deal because its East Asian perimeters mostly coincided with the network of US and Japanese strategic partners (Foulon 2015). Chinese economic initiatives, inaugurated under the Xi administration, clearly betrayed such national security subtext. To be sure, the Asian Infrastructure Investment Bank (AIIB) was born out of economic considerations and due to China's inability at gaining more say within the World Bank system; contrary to the assertions of liberal internationalists, the US-led international liberal order hasn't been able to adapt and democratically open up to increasingly important actors. At the same time, China also aimed at increasing its economic leverage within the Eurasian landmass for clear political and geopolitical aims, while advancing into the South China Seas (Pugliese and Insisa 2017). Arguably, national security and political considerations trumped economic ones for both initiatives. As of writing, the only major US ally that refused to join the AIIB along with the US was Abe's Japan. Furthermore, preliminary testimonies suggest that the Abe administration took a firmer stance against China's AIIB initiative compared to the United States (Akita 2016: 46). Under Abe, Japan needed no US pressure to keep a distance from Chinese geo-economic initiatives.

In fact, the intensification of the territorial dispute post 2012 and the comeback of the Abe administration have hardened Tokyo's China policy beyond the perimeters of Obama's "Asia rebalance," possibly entrapping the US in flashpoints of Sino-Japanese nationalistic or military rivalry. Under the Obama administration, Washington had demonstrated exactly the same sensitivities as had the second Bush administration towards the Abe administration: it toned down Japan's over-reliance on power politics in its dealing with China and (less quietly) censored blunders on the history issue to both ameliorate the regional security dilemma and avoid entrapment in Sino-Japanese tensions of both Beijing and Tokyo's making. Thus Obama avoided touching upon national security issues in his first meeting with Abe in February 2013 while the US publicly condemned Abe's visit to the controversial Yasukuni Shrine in December 2013 and also refrained from allowing Japan to enable preventive strike capabilities for fear of entanglement in Tokyo's very own coercive diplomacy. Previous scholarship has noted such subtle signaling (Pugliese 2015a; Hughes 2015: 64–78), but this chapter has highlighted how similar dynamics were at play *before* the Senkaku/Diaoyu

standoff, and under a Republican administration, which has been traditionally understood as much more sympathetic to Japanese views compared to Democrats. In fact US anxieties over some of Japan's more proactive security stances and nationalistic displays are likely to stay: these dynamics reflect a rapidly evolving strategic landscape. Thus while Washington aims at a stronger Japan, it needs to dissuade both Beijing and Tokyo from taking a more assertive foreign policy. More importantly, these dynamics suggest not only relative continuity in US foreign policy, but consistency in Abe's Japan's hardened stance vis-à-vis China, beyond US intentions: the road to trilateral relations and regional stability will be bumpy indeed.

Is Japan really capable of dragging the United States into a conflict with China? In the author's view, the trilateral dynamics recounted so far are symptomatic *both* of growing US fatigue and fears of entanglement, and of Japan's somewhat more assertive foreign policy behavior. After all, the Abe administration testifies to a rightward shift in Japanese security policy, but from a minimalistic starting point. Controversial visits to the Yasukuni shrine by a sitting prime minister now represent a major thorn in US–Japan–China relations, but Abe's historical revisionism is clearly not representative of mainstream Japanese views. On the contrary, Japanese public opinion has a restraining influence on nationalistic displays from the top-down (Pugliese 2015b). In addition, popular suspicions of Abe's security agenda were evident from the Abe Cabinet's plummeting support rates during Diet deliberations for the 2013 Specially Designated Secrets Law and the 2015 Legislation for Peace and Security, which enshrined the principle of collective self-defense. Finally, absent a major—and deadly—security shock, Japan's nuclear breakout is very unlikely due an even more diffuse national allergy in post-Fukushima Japan; as of writing, only three of 54 nuclear reactors are operating because of the popular anxieties following the March 11, 2011 “triple disasters.”

More importantly, a mature Japanese economy will likely shrink in size due to the twin problems of an ageing and shrinking population. For these reasons, the Japanese government's autonomous security activism will be blunted. Firstly Japan will face powerful inward-looking forces: future Japanese governments will devote growing amounts of public expenditure to the social security of an elderly society; by 2025 about 30 percent of the population will be made up of people aged 65, and social security costs are steadily increasing at a linear pace (Seike 2016). Secondly, absent major technological advances that would dramatically increase Japanese productivity, Japan is destined to decline in relative *and* absolute terms, thus confining Japan to its traditional role as a middle power.

In this scenario, the leverage enjoyed by the United States over Japanese decisions *de facto* increases. US military fatigue and a measure of disengagement actively contribute to raising Japan's military profile, but Japan will still rely on the *indispensable* US second-strike security guarantees for dealing with China. As of now there is no easy substitute for US protection and extended deterrence: neither in the shape of a very costly and unpopular aggressive Japanese

build-up of home-bred military capabilities (i.e. internal balancing), nor in the shape of alliances or ententes with third parties such as India, Australia, and the like (i.e. external balancing): these countries will likely not align with Japan against China, and thus will not become allies. The continued centrality of the US–Japan alliance to Japan’s strategic outlook ultimately means that US leverage over Tokyo’s policy options will both empower and successfully restrain Japan’s role vis-à-vis China. For instance, Japan has restrained from constructing facilities in the Senkaku to convince the United States that Tokyo will not rock the boat of Japan–China relations. Moreover, quiet US pressure over the August 14, 2015 Abe Statement, and the unlikelihood that Abe will visit the Yasukuni Shrine again following US criticism, are good examples of US leverage at play (along with other international and domestic factors). Brad Glosserman, executive director of the US-based Pacific Forum Center for Strategic and International Studies think tank, testified to such pressure regarding the Abe Statement in an e-mail exchange: “I have been in meetings when I and others pressed government of Japan representatives to take that extra step, and I have been told by US government representatives that they did the same” (Pugliese 2016: 116). Little noticed, Abe toned down his revisionist colors at roughly around the same time of Japan’s deepening of the US–Japan alliance through the new 2015 alliance guidelines. In all likelihood, the Obama administration exacted promises from Abe with regard to Tokyo’s public display of strident historical revisionism. In fact, both Japan and the United States displayed major public gestures of historical reconciliation at Hiroshima and Pearl Harbor. According to a political reporter from the progressive *Asahi Shinbun*, “the gap between the pragmatic actions of Abe and the ideology of the Nippon Kaigi has been widening” (Sonoda 2016: 51).

Conclusions

The tides of economic globalization have lifted hundreds of millions of people out of poverty, torn down barriers among states, and helped strengthen a rules-based international order. These tides have also stranded many members of the middle and lower classes in advanced economies with a shrinking welfare state, thus feeding into an anti-globalization movement charged with popular resentment. The 2016 votes for Britain to leave the European Union and for trade-sceptic Donald Trump as US President are cases in point. At the same time, absent another major economic crisis, trade and financial activity in Asia is still likely to grow in the years to come, albeit at a slower rate. After all, China has benefited enormously from the above trends and it will perorate the merits of deeper economic and investment links. It is probably too early to worry about full-blown protectionism and beggar-thy-neighbor policies in East Asia. After all, from the US vantage point, a trade war with China would affect US partners and the very prosperity of US multinational enterprises. Since China is often the last point of assembly in the above-mentioned “Factory Asia,” the mercurial Trump administration could easily harm US interests.

That said, national security often trumps economics when the two clash. The Chinese economy has steadily moved up the value added chain, demonstrating an expanding capacity in advanced sectors such as high technology manufacturing. For instance, young Chinese phone and computer enterprises are now able to compete against and indeed take the lead over Taiwan's long-established competitors: China is hollowing out neighboring economies. Moreover, the size of the Chinese economy is already significant and destined to become bigger, implying that China's relationship with East Asian countries will be more and more asymmetric. Economic asymmetry grants the party-state apparatus substantial economic leverage in the conduct of diplomacy for specific security goals and China has already provided ample proof of economic statecraft against its neighbors, through both economic inducements and coercive retaliation (Blackwill and Harris 2016: 93–151). The cautionary tales of realism may well apply to the study of East Asia's economic integration.

Regional economic integration marches on, but the so-called liberal order is under considerable strain. With regard to the tides of democratization, the Xi Jinping administration has put to the test the diffuse misunderstanding that political evolution would naturally follow an economic one. In recent years, China's political regime has taken a turn for the worse: more autocracy rather than less (Ringen 2016). More worryingly, other states across the East Asian and global spectrum have registered political involution, including democracies such as Turkey, the Philippines, and Thailand. It is indicative of the new *Zeitgeist*, and of China's economic leverage, that European governments decided to proactively engage China by also being relatively muted on Xi's domestic political crackdown and his aggressive maritime outlook. For instance, the UK government welcomed Chinese investments and the promise of trading the *renminbi* in its financial markets under the rubric of a "Golden Era" in UK–China relations, but it did so while avoiding explicit criticism of the curtailment of political rights in Hong Kong, such as the freedom of expression accorded to local publishing houses, which went against Chinese pledges in the 1984 Sino-British memorandum. Moreover, in 2015 the UK was the first major US ally to become a founding member of the AIIB, inviting public US criticism.

As posited throughout this chapter, these are very testing times for the so-called liberal order because of the major structural shift in its realist underpinnings: US decline relative to China's re-emergence to regional primacy and an unstable multipolar order. These shifts have brought in Sino-American competition, but Obama's United States was more hands off than many observers acknowledged, as evident from subtle US military disengagement, fears of abandonment among Asian allies, and Washington's increased reliance on third parties such as Japan for the preservation of the regional commons. One such case was Obama's exhortation for Japan to pursue collective self-defense to add its might to the deterrence mix in the South China Sea (Pugliese 2016).

Washington's increased reliance on proxies might seemingly backfire in the face of a more assertive Japan. This chapter has provided ample evidence of growing US concerns over Japanese actions that might endanger US–Japan–China

relations, dragging the US into an unnecessary confrontation. Yet, this chapter makes a counterintuitive point: a US–China–Japan conflict at the invitation of Japan is unlikely even in the face of US relative decline and its growing reliance on Japan to maintain a favorable balance. Evidence presented here has demonstrated that the US has been largely successful in softening Japanese stances, with the partial exception of Abe’s 2013 Yasukuni visit. Given continued and, in fact, growing US leverage over Japan, the future likelihood of a more inward-looking Japan and an ascending China, Tokyo might well pursue a more restrained approach to China. In this scenario, conflict involving these proud Great Powers would probably result instead, as a result of mounting Chinese aggressiveness or, in fact, at the invitation of the United States rather than Japan. After all, even under a Trump presidency, the US will hardly retreat from the Asia-Pacific: a degree of US–China competition is likely to stay for the foreseeable future.

Notes

- 1 This work was supported by the North East Asian History Foundation Grant, and the *Journal of Northeast Asian History*, vol. 14, no. 1 (scheduled to be published in June 2017) is the original place of publication of this chapter.
- 2 The three liberal IR theories have different appreciations of the origins of inter-state cooperation: commercial pacifists focus on greater economic interdependence; liberal institutionalists stress international norms as well as routinized participation and the relinquishment of sovereignty to international organizations such as the European Union; and democratic peace theorists believe that liberal democracies do not wage war against fellow democracies.
- 3 There are two types of balancing: internal and external. Internal balancing rests on the augmentation of domestic material, especially military, capabilities; external balancing builds on alliances, strategic partnerships, and ententes with third parties. Structural realist theorists have contrasting views over the aims and extent of balancing behavior: defensive realists posit that states are mostly concerned with maximizing their security while “offensive” realists argue that states are incessantly driven by power-maximization, a very expensive insurance policy to guarantee state security that ultimately leads to high recurrence of conflict in international politics.

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8 Turkey as a ‘rising power’

Rethinking US–Turkey relations

Digdem Soyaltin and Didem Buhari Gulmez

Introduction

Turkey is a candidate member of the European Union and a prominent member of international organizations like North Atlantic Treaty Organization (NATO) and the United Nations (UN). In this vein, for long years the West used to be the main reference point for Turkish foreign policy. Yet, Turkish foreign policy has shifted away from an essentially Western-oriented vocation under the leadership of the Justice and Development Party (Adalet ve Kalkınma Partisi, AKP) government. Labeled as an emerging regional power Turkey has adopted a more active, self-assertive, and multi-dimensional foreign policy in the last decade. The new understanding in foreign policy strengthened Turkey’s role as a regional power, especially in the Middle East, South Caucasus, and Balkans, and enhanced the country’s economic growth. Recently, Turkey has been ranked as the seventeenth global economic power and is a member of the G-20 (Group of 20 major economies) seeking to build new alliances with BRICS (five major emerging nations—Brazil, Russia, India, China, and South Africa). This transformation has important implications for Washington, among other international powers. This chapter examines the changing dynamics underlying Turkish–American relations as Washington continues to search for new strategies to accommodate the aspirations of emerging regional powers like Turkey and better adjust itself to a changing global order.

As a middle power caught between European revisionist powers and Soviet expansionism, Turkey adopted a survival strategy based on a pragmatic and pro-status quo foreign policy playing one power against another. During the Cold War bipolar system, the rise of Soviet claims over Turkish straits led Turkey to join the American camp in return for security guarantees and economic and military aid. However, an openly pro-American stance limited Turkey’s influence in her neighborhood, especially in the Middle East. Turkey’s ambition to represent the “free world” in the Islamic world as a pro-Western secular country, which might have served the US interests in the Middle East, proved far-fetched and costly. The détente period allowed Turkey to search for new allies in the East and limited US influence on her foreign policy. The 1980 coup in Turkey meant a return to a pro-American foreign policy and Israeli–Turkish rapprochement. With the fall of the bipolar world order, Turkey attempted to reach out to Turkic people

in the former Soviet territories based on common language, religion, and culture. However, Turkey's ambitious rhetoric about the country's rising significance in a global context was not matched to its economic, social, and political capabilities in the 1990s. Economic crises, political instability and the rise of pro-Kurdish terrorism as well as several foreign policy crises undermined Turkey's influence in her region. The mid-2000s saw the rise of Turkey as a proactive player in world politics. Yet, the thesis of "rising power" in the case of Turkey proved problematic, especially after the Arab uprisings and the Syrian conflict.

There are serious bones of contention between Turkey and the US—such as the Armenian, Cyprus and Kurdish questions—although both Turkey and the US governments view their alliance as indispensable for their national and regional security. Without the US's security guarantees, a middle power like Turkey could not have survived World War II (WWII) or Soviet territorial claims. For her part, the US has benefited from Turkey's place in the Middle East and former Ottoman lands as a pro-Western and secular country with a Muslim population.

This chapter examines Turkish-American relations since the twentieth century together with the changing power structures in the international system. The analysis discusses the common tendencies in the analysis of Turkish–American relations and demonstrates a significant paradox: Turkey's rising influence in her neighborhood, which has been facilitated by the changes in the international system (e.g. *détente*, the end of the Cold War, September 11), renders Turkey both a valuable ally and a challenge to Washington.

There are three pitfalls in the study of Turkish–US relations: (1) reductionism that relegates Turkey to a passive role; (2) actor-centrism that seeks to explain US–Turkey relations with the behavior of particular governments and leaders; and (3) 'zero-sum game' thinking that assumes an antagonistic relationship between Turkey's rising power and US power positioning. The main aim of this chapter is to reveal the complexity of Turkish–US relations by focusing on the past and present of Turkish–US relations from a different perspective that takes into account the changing dynamics in the international arena and the shifting power positioning of the US and Turkey in an uncertain and dynamic international system.

Turkish–US relations during the Cold War era: bilateral alliance in a multilateral context

Due to her geographic location, history and culture, Turkey is generally seen as a "pivotal state" in the Middle East and the Balkans (Larrabee and Lesser 2003). The conception of Turkey's role in the world has often changed, for instance from a "strategic barrier" against Russian revolutionism and/or radical Islamism to a "bridge" between Western and Islamic civilizations and/or a "role-model" to the Arab world (Hale 2000). Turkish foreign policy is traditionally defined as pro-status quo, pro-Western, and multilateralist (Oran 2002: 46–53). Yet, it is also associated with a chronic fear of being dismembered by foreign powers—the so-called "Sèvres syndrome" (Robins 2003). In this respect, Turkish

foreign policy is pragmatic and realistic, which implies that Turkey's national interests prevail over her pro-Westernism and multilateralism (Oran 2002: 49). Accordingly, Turkey's relations with the US need to be considered in the context of her national role conceptions and threat perceptions in a global context.

After the foundation of the Turkish Republic out of the ashes of the Ottoman Empire, the US administration signed a "Friendship and Commerce Treaty" with her on August 6, 1923 (Gordon 1928: 720). As the Armenian lobbies persuaded the American Congress not to ratify the treaty, official Turkey-US relations were launched in 1927 (Gordon 1928: 721; Trask 1970: 40). Both countries had a common past experience with European imperialism and Wilson's principles had inspired Turks to claim independence. Turkey received a significant amount of economic and military aid from the US both during and after the Second World War. Threatened by both the Soviets claiming Turkish straits and Hitler's Germany, Turkey benefited from US and UK support to protect herself while remaining out of the war. However, Turkey's "neutrality" was interpreted as pro-German by Americans who protested both the non-aggression pact and the chromite trade between Hitler's Germany and Turkey (İnanç 2006). Nevertheless, following the Pearl Harbor attack, Roosevelt acknowledged Turkey's strategic importance in December 1941 and later Truman convinced the American Congress to continue economic and military aid to Turkey. In his speech of March 12, 1947, Truman stated that the UK was no longer able to financially help Greece and Turkey and it was the responsibility of the US to help these countries improve their defense and economies against the Soviet threat (Howard 1976: 303).

The common Soviet enemy brought Turkey and the US closer. The USS *Missouri's* visit to Istanbul in April 1946 was interpreted as a strong signal of American support for Turkey against Soviet claims to share the right to govern the Turkish straits (Erhan 2002a: 524). The US supported Turkey's full sovereignty over the straits (Howard 1976: 303). Over time, both due to the continuing Soviet threats and the US conditionality governing economic and military aid, Turkey's dependence on the US increased significantly, which had important implications for Turkey's foreign policy (Aydın 2000: 111). For instance, when Israel declared independence, Turkey was among the first countries to recognize Israel and help her Jewish community to settle there.

Turkey viewed NATO as an important multilateral security guarantee against the Soviet threat. However, neither the UK nor the US was interested in expanding membership (D. J. K. 1952), while for her part, Turkey was reluctant to be party to a separate Mediterranean or Middle Eastern security organization (Hale 2000). After the Soviets developed the nuclear bomb, the US started to consider the possibility of owning a military base in Turkey against the Soviet threat and Turkey used this opportunity to persuade the US to support Turkish membership of (Erhan 2002a). Turkey's good performance in the Korean war of 1950 also contributed to the US decision to back Turkey's membership of NATO (*ibid.*). In February 1952 Turkey and Greece officially became NATO members and formed the South European flank of the collective defense organization.

The 1950s under the Menderes administration were the “golden years” of Turkish–American relations. Menderes signed many bilateral agreements with the US such as the Common Security Agreement, the NATO Statute of Forces Agreement, the Military Base Agreement and the Tax Exemption Agreement (Güney 2002: 472). The clauses of many of these agreements were not made public and some of the agreements were not put to the Turkish Parliament for ratification (Erhan 2002b: 555). The İncirlik base in southern Turkey was established in 1954 and the Menderes administration allowed the US to use the base for operations that were not related to NATO missions. With the Security Cooperation Agreement signed in 1959, the US assumed full responsibility for Turkey’s defense in case of any “direct and indirect attacks against Turkey” (Erhan 2002b: 557). The Menderes administration took an active part in the US-led containment policy against the spread of communism in the Middle East and the Balkans through the Baghdad Pact and the Balkan Pact (Aydın 2000: 112–14). However, both pacts failed and Turkish foreign policy was criticized for being both ineffective and too pro-Western (Aydın 2000: 114). Moreover, the 1959 Security cooperation agreement with the US was seen in the domestic arena as a serious concession that might allow the US to intervene in Turkey’s internal affairs (Erhan 2002b).

Although the 1960 military coup was not anti-American, several problems that occurred in the 1960s seriously challenged Turkish–American relations. The US decision to lift the nuclear weapons from Turkey during the Cuban missile crisis of 1962 without consulting the Turkish government increased the suspicions that the US might enter into a secret agreement with the Soviets at the expense of Turkey’s interests (Criss 2002: 474–5). Two years later, the Turkish government, which was considering an intervention in Cyprus to end intercommunal violence between Greek and Turkish Cypriots, received the so-called “Johnson letter” (June 5, 1964) stating that NATO might not be ready to defend Turkey against a possible Soviet attack provoked by an intervention in Cyprus (Criss 2002: 475). Turkey’s trust in the NATO security guarantees declined and anti-Americanism increased exponentially in the country. Facing a rise in attacks on American bases and soldiers in Turkey, the Demirel administration asked for a revision of the bilateral treaties into a single treaty. According to the new “umbrella treaty,” the US cannot use Turkish military bases for an attack against a third country without Turkey’s approval; Turkey will monitor these bases; Turkey can restrict the usage of the bases in line with Turkish national security; the land on which the bases are established belongs to Turkey; and the US cannot add or remove any equipment from the bases without informing Turkey (Erhan 2002b: 698). However, the 1970s marked the continuation of tensions between Turkey and the US due to the opium and Cyprus questions in particular. Blaming Turkey for the rise in drug trafficking in the US, the Nixon administration put pressure on Turkey to stop the production of opium (Zentner 1973). In addition, Turkey’s 1974 intervention in Cyprus led the American Congress to impose an arms embargo against Turkey from February 1975 to September 1978. In return, Turkey suspended her (umbrella) cooperation agreement with the US and closed down the military bases (Howard 1976: 308).

A period of *détente* between the Soviet Union and the US allowed Turkey to follow a more autonomous foreign policy, if not “Ostpolitik” (Oran 2002: 674) in terms of diversifying her economic and political relations. Turkey turned to the Middle East, Africa and Russia for economic and military assistance. She rejected several US policy initiatives. For instance, she did not allow the US to use Turkish bases for U-2 flights, she vetoed the return of Greece to NATO, and she opposed allowing a Rapid Deployment Joint Task Force of 200,000 soldiers to use Turkish bases for operations in the Gulf (Erhan 2002b). She also refused to implement the US sanctions against Iran during the hostage rescue crisis and disallowed the USA to use the İncirlik base for a hostage rescue operation in April 1980.

The September 1980 coup in Turkey was a turning point in Turkish foreign policy. The Soviet invasion of Afghanistan and the Iranian Islamic revolution had increased Turkey’s strategic importance for the fight against the spread of communism and radical Islam. Turkey started to pursue a pro-American policy again and a new Security and Economic Cooperation Agreement was signed in 1980. Although the junta was generally compliant with US policies, there were still important sources of disagreement between Turkey and the US. For example, Turkey refused to deploy more nuclear weapons on her territories and resented the US for allowing Greece to remilitarize Limnos Island near Turkey. Moreover, in addition to the Armenian genocide issue and the Cyprus question, the emergence of the Kurdish separatist violence and the rising concerns about Turkey’s human rights record meant that the US Congress continued to oppose US–Turkey rapprochement (Erhan 2002b).

From “strategic” to “model” partnership between Turkey and the US

With the end of the Cold War, the common bond between Turkey and the US disappeared since the aim of containing the Soviet Union was no longer applicable (Sayari 2004: 91). Losing its utility as a “buffer-zone” or a “bulwark against the Soviet expansion,” Turkey started to seek its proper place in the post-Cold War environment (Robins 2003: 13). The disappearance of the Soviet threat also led to profound soul-searching for NATO which extended its reach outside of NATO areas in order to deal with ethnic tensions, cross-border issues, proliferation of weapons of mass destruction, and other non-traditional security threats. The changes that were taking place in the Balkans and the Caspian region as well as the developments in the Middle East that emerged after the end of the Cold War forced Ankara and Washington to adjust their relationship to the realities of the post-Cold War world (Altunışık 2013: 161).

The Iraqi invasion of Kuwait in 1990 had been particularly crucial for the transformation of the Turkey–US alliance. Following the United Nations Security Council (UNSC) Resolution 660 swiftly condemning the invasion of Kuwait, Turkey made a radical departure from her traditional policy of non-involvement in Middle East affairs and provided valuable support to the US-led

coalition in the 1990–1 Gulf War (Sayari 2004: 95). Accordingly, Turkey shut down the Kirkuk–Yumurtalik oil pipeline that had been transporting Iraqi oil to the Turkish Mediterranean port of Ceyhan despite the fact that Turkey had been supplying 40 per cent of her crude oil through this pipeline. Moreover, Turkey amassed troops on the Iraqi border and allowed the coalition forces to use İncirlik air base located in southern Turkey (Güney 2005: 345). However, the level of engagement in the Gulf War sparked a harsh opposition from several high-ranking military officers and leaders of opposition parties (Hale 2000: 220).

In addition to the changes in the international system, the then President Turgut Özal's leadership and his worldview also played a prominent role in changing Turkish foreign policy. With the victory of Özal's ANAP in the 1983 elections, Turkey entered into a new era shaped by Özal's revolutionary ideas (Laçiner 2009: 156). As a strong supporter of liberal democracy and market economy, Özal wanted to have Turkey aligned with the US and more generally with the West in economic, political, and strategic spheres. Therefore, involvement in the Gulf War was perceived as a way to side with the international community, specifically with the US, and to gain a voice in reshaping the political configuration of the Middle East.

Given her own Kurdish problem at home, Turkey was particularly concerned with the developments in northern Iraq, which had a sizable Kurdish population that might seek to promote separatist politics in southeastern Turkey and eventually establish a "Kurdistan" encompassing parts of Iraq, Syria, Iran, and Turkey (Aykan 1996: 344–5). As the Iran–Iraq war in mid-1980 clearly depicted, Turkey suffered heavily from the emergence of a political vacuum in northern Iraq that was filled by the PKK (the Kurdistan Workers' Party, also known as Kongra-Gel) (see Olson 1996).

By the end of February 1991, the liberation of Kuwait had proved successful. However, right after the Gulf War, Turkey faced a large and sudden influx of Iraqi Kurdish refugees escaping from Saddam Hussein. Turkey's initial reluctance to open her border to a large number of Iraqi Kurds was related to the possibility of PKK infiltration into Turkey disguised as refugees (Aydın 1998: 50–2). As a response to an appeal of the Turkish National Security Council to the UNSC for assistance, the US instituted Operation Provide Comfort (OPC) under UNSC Resolution 688 to protect northern Iraqi Kurds from Saddam Hussein. The OPC established a no-fly zone north of 36th parallel in Iraq and provided "safe havens" for Kurdish refugees. However, the deployment of OPC was perceived by many as a way for the US to establish a Kurdish state in northern Iraq through which it hoped to strengthen its ability to control the oil-rich region of the Persian Gulf (Aydın and Erhan 2003: 159).

In July 1991, Özal's decision to succeed the OPC with Operation Poised Hammer was met with harsh reactions from the supporters of Turkey's traditional "balanced" regional policy. Coupled with Turkey's economic losses due to the UN embargo in Iraq, Özal's policies in the post-Gulf War environment became hard to sustain. However, it should be noted that Özal's enthusiastic support for the US mission in the Gulf War maintained Turkey's strategic importance in the

eyes of the West and resulted in the declaration of an “enhanced partnership” between Turkey and the US (Hale 2000: 222). As mentioned more specifically by President George H. W. Bush in his visit to Turkey in 1991, Turkey’s importance had developed beyond being purely the “bulwark of NATO’s southern flank” (Aliriza and Aras 2012: 5). The US support for the establishment of a Customs Union between Turkey and the EU was seen as a sign of this “enhanced partnership” (Sayari 2004: 102).

The increasing intensity of PKK attacks, the civil war between two Iraqi factions led by Barzani and Talibani, and a series of weak coalition governments marked the politics in Turkey throughout the 1990s. Washington’s efforts to resolve the conflict between two warring Kurdish leaders and a commitment to Iraq’s territorial integrity improved the Turkish public’s perception of the US. More importantly, US help in detaining Abdullah Öcalan, the leader of the PKK, largely eliminated Turkey’s suspicions about US intentions for the creation of an independent Kurdish state in northern Iraq (Gunter 2000; Eligür 2006). The improving image of the US in the eyes of the Turkish public reinforced Ankara’s decision to expand her bilateral relations with Washington. Although Turkey–US relations passed through challenging times in the first half of the 1990s,¹ the US push for Turkey’s EU candidacy resulted in a new phase in Turkish–American relations: *strategic partnership*. The recognition of Turkey as an official candidate of the EU in 1999 with the US’s full support further strengthened the strategic partnership between the two allies.

Another key element in the Turkey–US alliance in the late 1990s was the development of strategic relations between Turkey and Israel (Altunışık 2013: 162–3). In 1996 two agreements were signed in order to develop military cooperation between the two countries. The accord between the US’s two close allies in the region was also welcomed by the Clinton administration. In addition, President Clinton’s visit to Turkey three days after a powerful earthquake hit Turkey’s Marmara region in 1999, drastically improved the image of the US in Turkey in the post-Gulf War period (Kibaroglu 2004).

The 2000s started with developments that had a tremendous impact on Turkey–US relations. In 2001, a major economic crisis erupted in Turkey with devastating impacts on the Turkish economy and employment. The Turkish government immediately asked the IMF and US for help in stabilizing the economy. The Bush administration, taking the office in Washington, supported Turkey during its negotiations with the World Bank and the IMF, and, as a result, Turkey managed to receive \$19 billion credit from the IMF (*Hurriyet Daily News* 2001). More importantly, the US witnessed terrorist attacks on its symbols of power, the World Trade Center and the Pentagon, on September 11, 2001. The 9/11 attacks resulted in a drastic change in US foreign policy, which had severe implications for Turkey and her wider neighborhood in the Middle East.

In response to the September 11 attacks, the Bush administration declared a Global War on Terrorism (GWOT) in which the “axis of evil” states—Iran, Iraq, and North Korea—and Al Qaeda were denounced as the enemies of the US while Syria, Libya, and Cuba were labeled as “rogue states.” In line with this new

policy, Washington decided to catch Al Qaeda leaders and destroy their camps in Afghanistan and pursued a “with us or against us” approach (Alırza and Aras 2012: 6). In its long-term policy, the Bush administration introduced the Greater Middle East Initiative within the context of the “war on terrorism” in which democratization was presented as a solution for radicalism and terrorism in the region (Altunışık 2013: 164).

As a country that had suffered enormously from the menace of terrorism over the years, Turkey supported the US fight against international terrorism unconditionally. Accordingly, Turkey opened its airspace for flights in support of Operation Enduring Freedom and allowed the use of İncirlik air base in this framework. Turkey’s strong support for the US anti-terror policy and the fierce efforts of political elites to keep international terrorism on the agenda of the international community pressured European countries to identify the PKK as a terrorist organization (Söylemez 2001). However, the unilateralist policies of the Bush administration that expanded its agenda from Afghanistan to Iraq boosted Turkey’s deep unease about the Kurdish separatism in the region and invigorated the devastating memories of the Gulf War (Güney 2008: 484).

As Washington considered the promotion of stability in the Greater Middle East as one of its priorities, Turkey became a more important partner for American foreign policy in the aftermath of 9/11 (Taşpınar 2005: 9). Moreover, claiming to represent a unique identity as a Muslim nation reconciling democracy with secularism, Turkey, under the ruling of the AKP seemed to fit the US engagement in the region. Presenting itself as a conservative democratic party with a pro-Western agenda, the AKP sought to differentiate itself from its anti-Western Islamic predecessors such as Erbakan (Dağı 2005). Contrary to Kemalist secularist elites who were not comfortable with presenting Turkey as a “moderate Islamic” country, the AKP government promoted the country’s potential to become a pro-Western “model” for the Islamic world (Altunışık 2005).

However, Turkey’s close alliance with the Western world might also undermine her influence in the Islamic world. So, when the Turkish Grand National Assembly (TGNA) rejected Bush’s request for US troops to directly operate from Turkish bases and ports preparing to attack Iraq despite the lobbying efforts of the incumbent AKP government to pass the resolution (Rubin 2005: 71), this rejection had paradoxical effects on Turkish foreign policy. While it improved Turkey’s image in the Middle East, the military action towards Iraq was crucial for the US to structure a new regional and global order after 9/11. In this regard, the Iraqi War of 2003 had been a defining moment for Turkey–US relations and heavily impacted the nature of the alliance between two countries (Robins 2003: 7–10). In July 2003, another incident took place that had a huge impact on the already strained bilateral relations when the US troops arrested some members of the Turkish Special Forces in Suleymaniya in northern Iraq and placed hoods on their heads. The Chief of Turkey’s General Staff, Hilmi Özkök defined this incident as the biggest crisis between Turkey and the US (Sabah 2003). As pictures of Turkish troops appeared on the Turkish media,

anti-Americanism significantly increased in the country (Sayari 2013: 132). A survey conducted by the Pew Global Attitudes Project in June 2007 indicated a sharp decline of the Turkish positive perception of the US from 52 percent in 2000 to 12 percent in 2006.

Conservative circles in the US claimed that the AKP's Islamic roots and its active bilateral engagement with the predominantly Muslim countries of the Middle East cast a shadow on the country's ability to contribute to the war on terror in the region. With the election of Barack Obama in 2009, however, the US seemed to be more willing to promote its relations with the Muslim world. In his address to the TGNA in April 2009, Obama stated that the US was not at war with the Islamic world and labeled Turkey–US relations as a “model partnership” (Altunışık 2013: 166). However, it has become vague whether the concept of the model partnership serves the shared American and Turkish interests in places of importance to both countries, especially in the Middle East, as the AKP government has significantly increased its active involvement in the regional politics (Yılmaz 2011). This regional orientation was bolstered by the appointment of Ahmet Davutoğlu first as a foreign policy advisor in 2002 and then as the Foreign Minister in 2009 (Kardaş 2013: 653). Instead of shifting Turkey's loyalty away from the West, Davutoğlu sought to reconcile Turkey's Western orientation with her rising influence in the Islamic world due to cultural and religious affinity (Aras 2009: 133).

Turkey's new foreign policy and its implications for US–Turkey relations

In the first quarter of the twenty-first century, the global landscape is being reshaped with the emergence of a “multiplex” world comprising multiple actors coupled with the transformation of “American-led liberal hegemonic order” (see Acharya 2014; Kupchan 2012; Ikenberry 2010). Within this new world order, rising powers beyond the West have entered the international stage as key players in the global economy and politics. Summed up in the simple acronym BRICS—Brazil, Russia, India, China, and South Africa—have become increasingly important players on the world stage in this new era with significant possibilities for cooperation and conflict (Stuenkel 2015). However, a group of analysts argue that TIMBI (Turkey, Indonesia, Mexico, Brazil, and India) or MINT (Mexico, Indonesia, Nigeria, and Turkey) would be the next set of centers of gravity in the new international system (see Kanat 2014). In this context, Turkey seems to acquire a new position as an emerging regional power as well as an emerging economy (Erickson 2004; Müftüler-Baç 2014; Öniş and Kutlay 2017; Parlar Dal 2016). In several studies, Turkey is also viewed as a pivotal state (Chase, Hill and Kennedy 1999) or a “swing state” (Kliman and Fotanine 2012) whose importance might have systemic implications for the international system.

The recent change in the global world order has been accompanied by Turkey's new foreign policy activism, which, among other strategies, involved a deepening engagement with her neighborhood, being a vocal advocate of global

issues such as underdevelopment and the humanitarian suffering in Africa, and questioning the key components of the world order such as the permanent membership in the UNSC structure (Kardaş 2013: 637–53). Ankara's increasing economic involvement in the Balkans, the Turkish-speaking nations of Central Asia, and the Caspian region is coupled with her growing influence as a regional power promoting peaceful resolution of the Middle East conflicts. While Turkey increased its trade with its immediate neighborhood from US\$3.7 billion in 1991 to US\$64.6 billion in 2010 (Kirişçi 2011: 320), she acted as a broker between Israel and Hamas, between Israel and Syria, and between Israel and Iran. These years have also been a time of economic boom for Turkey. Between 2002 and 2007, the country's economy grew at an annual rate of 7.2 percent and the country became the seventeenth largest economy in the world with a gross domestic product (GDP) of \$800 billion.

Turkey's economic dynamism was further strengthened by the adoption of comprehensive democratic reforms as Turkey's membership negotiations with the EU officially started in 2005. In the last two decades AKP governments introduced comprehensive democratization packages that covered a wide range of areas, including improvements in fundamental freedoms and human rights, civil–military relations, gender equality, and minority rights. Partially accelerated by the EU candidacy process after 1999 (Müftüler-Baç 2005), the democratization process in the country enhanced Turkey's ability to serve herself as a role model for her immediate and extended neighborhood. Combined with the economic and democratic reforms, the AKP government's proactive foreign policy has contributed to Turkey's image as a “rising power” regionally and globally (Öniş and Kutlay 2017: 7–11).

In his famous book called *Strategic Depth*, the Turkish foreign minister of the time Ahmet Davutoğlu conceptualized Turkey not as an ordinary regional power, but as a central country which has to pursue proactive policies both in its surrounding regions and in the global arena (Davutoğlu 2001). Turkey's success in taking a seat as a non-permanent member in the UNSC for 2009–10 was presented by the Turkish government as a reflection of the changing balance of power in world politics (*Hurriyet Daily News* 2008). It is in this context that Turkey claims to have an increased weight due to her proactive and multi-dimensional foreign policy. Recent attempts by Ankara aiming at improving relations particularly with the non-EU neighbors and strengthening its role as a regional power in the Middle East signal broader changes in Turkish foreign policy-making which are largely supported by the public. A recent survey shows that instead of EU countries, an increasing number of people demand closer relations with Muslim countries.²

Turkey found a good opportunity to test her new foreign policy aspirations during the Arab Spring and presented the “Turkish model” for the Arab states to emulate, with her fast-growing economy and successful secular and Islamic government. This has paid off, as Turkey boosted her economic relations with the Arab Middle East and used her economic interdependence to foster its soft power in the region (Ennis and Momani 2013: 1129–30). Yet, Turkey's activities to become a “regional powerhouse” largely failed as the democratic momentum

of the Arab Spring stumbled while the AKP-friendly Mohamed Morsi was overthrown by the military regime in Egypt. Moreover, Turkey's decade old friendly relations with Syria worsened with the outbreak of the anti-government uprising (Kuru 2015). Turkey openly backed the removal of Assad and provided shelter to the world's largest community of Syrians (over 3.1 million) displaced by the ongoing conflict in their country without greater support and engagement from the international community and especially the EU (Kirişçi and Ferris 2015: 14).

In accordance with her aspirations of being a center-state in her immediate and extended neighborhood, the AKP government has also attempted to redefine the relations between the US and Turkey in a way that gives Turkey more room to maneuver and a significant role in regional economic, political, and security affairs. Therefore, Obama's definition of US–Turkey relations as a model partnership instead of an ordinary strategic alliance meets Turkey's expectations to carry out comprehensive changes in US–Turkey bilateral relations as a result of Turkey's new foreign policy activism (Aslan 2012: 174).

The redefinition of bilateral relations, however, provided Turkey with a relatively greater opportunity for an assertive role in foreign policy. As a result, on a range of issues, especially in the Middle East, the AKP government and the Obama administration have been at odds in the recent years. In 2010, Ankara signed a trilateral Tehran Research Reactor agreement with Brazil and Iran and voted against the Western-imposed sanctions on the Iranian regime at the UNSC. This attempt not only increased the cost for the US diplomatic policy but also raised questions in US policy-making circles about Turkey's commitment to the Western alliance (Kardaş 2013: 648). In addition to the Arab uprisings, the recent setbacks in Turkey's democratization process interrupted Ankara's relations with her Western allies and damaged the country's potential to gain a key role in regional and global governance structures (Öniş and Kutlay 2017: 13).

Furthermore, the AKP government provided political support to Hamas to the detriment of the Palestinian Authority. Ties with Israel were further strained after Israel refused to apologize for Turkish victims of the Gaza flotilla incident. The deterioration of Turkey's relationship with Israel also generated problems since the US wanted to coordinate her policies in the Middle East with two of her regional allies (Altunışık 2013: 167–8). This alliance has become of more consequence when the US assembled an international coalition to counter the Islamic State organization in both Iraq and Syria (ISIS), increasing its area of influence in the Middle East.

Deeply committed to the removal of the Assad regime, Turkey showed an initial reluctance to deal with ISIS and the jihadist threat (Öniş and Kutlay 2017: 13). President Barack Obama harshly criticized Turkey for lacking resolve in the fight against ISIS and for adopting an open-door policy that allowed jihadists from all over the world to transit Turkey with ease on the way to Syria.³ In late July 2015, Turkish officials allowed the US and other members of the US-led coalition against the ISIS to use İncirlik air base for anti-ISIS airstrikes in Syria and Iraq. Before this decision was taken, Turkey and other regional states took more time than the US and other international actors expected in curtailing the activities

of the Sunni jihadists (Barkey 2015) while Russia moved quickly to be allied with the Shia axis on the defining issue of Middle East politics (Rabinovich 2016). This largely reflects the divergences in strategic priorities they may have to oust the Assad regime, but it also demonstrates the tensions between Ankara and Washington that stem from the difference of treatment of the People's Defence Units (YPG), the military branch of the Syrian Kurdish Democratic Union Party (PYD) (Zanotti 2015: 19–21). While Turkey lists these two groups as terrorist organizations because of their links to the outlawed PKK, the US and Russia consider them as useful allies in the fight against ISIS.

Many observers claim that Turkey prioritizes the containment of the Syrian Kurdish Democrats' aims to create an autonomous region bordering Turkish territory instead of countering Islamist extremism at and within its borders (Zanotti 2015: 20). With the deterioration of the "peace process" with the PKK at home after the ceasefire collapsed in July 2015, the PYD gains in northern Syria have become more worrying for the Turkish government. This has become more evident when Turkey downed a Russian jet with the claim that it had crossed into Turkish airspace. Yet, Turkey's main concern was mostly the Syrian army moving towards the Turkish border with wide-range air support from Russian military.⁴

As Turkey, a NATO member and a key partner in the US-led anti-ISIS coalition, goes for a shelling campaign against the US-backed Syrian Kurdish fighter positions in Syria, it becomes difficult for the US to prevent the escalation of tensions on the Syria–Turkey border. Yet, very recently Turkey has started to follow a more pragmatic diplomacy. The operations of Islamic extremist organizations are severely restricted inside Turkey. Moreover, Turkish authorities have started to re-establish diplomatic relations with Israel and Russia. Very recently, Israeli and Turkish officials reached a preliminary agreement in their efforts to normalize Turkish–Israeli bilateral relations. A similar situation may be observed between Turkey and Egypt, as both governments seem willing to restore their relations. Several observers argue that Ankara reconsiders her policies toward both countries following the pressure of the ongoing turmoil in the Middle East associated with the Islamic State threat (Herzog and Cagaptay 2016). These initiatives may also be seen as instances of change in Turkish foreign policy signaling at least to some extent the end of the "neo-Ottomanism" ideology in the post-Davutoğlu era.

The main dynamics of relations with the US is very much dependent on the new foreign policy diplomacy of Turkey. However, the failed coup in June 2016 in Turkey allegedly planned by Fethullah Gulen, a Turkish cleric based in the US, paved the way for a significant rise in anti-Americanism in Turkey. While the decision of Erdoğan to meet with Putin in August 2016 raised suspicions about the future of Turkish–American relations, the visit of Chinese Vice Foreign Minister Zhang Ming to Turkey after the coup attempt in mid-July⁵ heated the discussion on Turkey's new foreign policy priorities.

Time will tell whether Turkey–Russia relations will deteriorate again over Syria or Turkey–China relations will blossom if Turkey distances itself from

Western states. However, given the mounting tension between Turkey and the EU on the readmission of Syrian refugees and rising anti-Americanism because of the discussions about extraditing Fethullah Gulen, it is more likely for Ankara to engage in its own neighborhood more deeply and to extend her foreign policy activism towards Middle East, Southeast Asia, and East Africa in line with the New Silk Road initiative⁶ of China.⁷

Conclusion

Providing an overview of Turkish–American relations from the 1920s to the post-Cold War era, this chapter suggests that the bilateral relations reflect a paradox. When Turkey pursues an openly pro-American foreign policy, her influence in her neighborhood decreases, as seen in the 1950s. On the flip side, a completely autonomous and multifaceted foreign policy leads to fears about a shift of axis in Turkish foreign policy towards non-Western alliances. Larrabee and Lesser (2003: 129) depict Turkey in the post-Cold war era as “an increasingly capable and independent actor” that is “a more significant and possibly more difficult regional ally.”

Contrary to the prevailing assumption, Turkey’s new foreign policy activism does not solely rely on the rise of the AKP government in 2002. Given the continuity in Turkey’s pragmatism, the changing power distribution in the international system is reflected upon Turkey’s relations with the US. This study seeks to correct three misleading tendencies in analyzing Turkish–American relations. First, this study rejects power-centric thinking that relegates Turkey to a passive reactionary status. Turkish foreign policy reflects pragmatism and a historical aim to influence her neighborhood based on the Ottoman legacy, culture, and socio-economic interdependence. Moreover, reductionist accounts depicting Turkish–American relations as largely dependent on domestic political leadership and ideology overlook the importance of international systemic factors. This study demonstrates that the change of domestic government is not the only determinant behind the changes in Turkish–American relations. The international system generally shapes the actors, how they see their role in the world, and their relations with other actors. Yet, it is crucial to note that the rise of Turkey is more in line with Nye’s “win–win” approach instead of Mearsheimer’s “zero-sum game”⁸ In this context, antagonistic binary thinking that understands the rise of Turkey as a consequence of the fall of the US overlooks the fact that Turkey as a “rising power” may also serve the US interests in the Middle East and the southeast Europe. Accordingly, the rise of Turkey as an influential regional actor does not necessarily mean an estrangement between the US and Turkey or a shift of Turkish loyalty to Russia or the Arab world. Rather than mere anti-Americanism, Turkey’s foreign policy activism is based on a tradition of pragmatism, which becomes influential under permissive systemic conditions such as the *détente* period, the fall of the bipolar world, and the post-September 11 order.

Notes

- 1 In 1995 a tiny islet (Kardak) in the Aegean Sea brought Turkey and Greece to the brink of war. The conflict between the two parties was solved by Clinton's intervention due to vital US interests in keeping the stability of the region. However, the formation of Erbakan's coalition government in 1996 raised Americans' scepticism concerning Erbakan's fiery rhetoric. Being known for his anti-Western, anti-American, and anti-Israeli statements Erbakan strategically aimed to make Turkey a leader in the Muslim world. With the February 28 process the Erbakan government was forced by the Turkish military to resign. In June 1997 Mesut Yılmaz became the Prime Minister and paid a visit to President Clinton to counterbalance Erbakan's drift toward Islamist nations.
- 2 Turkish Foreign Policy Perception Survey, Kadir Has University, Research Report, May 27, 2015.
- 3 Remarks by President Obama in Press Conference after G7 Summit, the White House Office of the Press Secretary, June 8, 2015. <https://www.whitehouse.gov/the-press-office/2015/06/08/remarks-president-obama-press-conference-after-g7-summit> (March 8, 2017).
- 4 Putin condemns Turkey after Russian warplane downed near Syria border, *Guardian*, November 24, 2015. <https://www.theguardian.com/world/2015/nov/24/turkey-shoots-down-jet-near-border-with-syria> (March 8, 2017).
- 5 After the failed coup: a new dawn for China–Turkey relations? August 10, 2016. <http://thediplomat.com/2016/08/after-the-failed-coup-a-new-dawn-for-china-turkey-relations> (March 8, 2017).
- 6 China has laid out a plan to revitalize the ancient Silk Road under the Belt and Road initiative. The main aim of the plan is to develop closer ties with countries along the ancient trade route such as Turkey. *New York Times*, December 26, 2015. http://www.nytimes.com/2015/12/26/business/china-plans-a-new-silk-road-but-trading-partners-are-wary.html?_r=1 (March 8, 2017).
- 7 Opening Lecture of Minister of Interior Süleyman Soylu, Istanbul Kemerburgaz University, September 21, 2016, Istanbul.
- 8 Callahan, Bill. "Mearsheimer vs. Nye on the Rise of China." *The Diplomat*, July 8, 2015. <http://thediplomat.com/2015/07/mearsheimer-vs-nye-on-the-rise-of-china/> (March 8, 2017).

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9 A narrative for cooperation with rising India

An analysis of a US think tank

Carina van de Wetering

Introduction

Since the mid-2000s, there has been a debate within the US about the global shift in power. The “decline” of the US and the “rise” of an “Other” have been articulated by politicians, journalists, scholars, and think-tank fellows (Joffe 2009).¹ As Charles Krauthammer (2009) observes, there is an “angst about America in decline.” He adds: “New theories, old slogans: Imperial overstretch. The Asian awakening. The post-American world. Inexorable forces beyond our control bringing the inevitable humbling of the world hegemon.” Indeed, in *The Post-American World*, Fareed Zakaria (2011: 1) argues that in the twenty-first century the US will not continue to dominate global affairs as other powers start to rise. India is one of these rising powers. However, there was not merely the fear of underachievement and conflict, but also a narrative for more cooperation. Under the Obama administration, growing US–India relations and India’s growing capacities were stressed. Since 2000 the US and India have achieved, for instance, a civilian nuclear deal in 2008, growing trade relations, growing defense cooperation, and increased strategic dialogues (Wetering 2016a). During his trip to India at the start of his presidency, President Barack Obama (2010a) said “India is not just a rising power, it has already risen. Its economy has risen at a breathtaking rate [. . .] we look forward to a greater role for India at the world stage.”

This chapter focuses on the debate over US “decline” and “emerging” India. Several authors have been interested in US–India relations since the Cold War (e.g. Cohen 2001; Hayes 2009, 2013; Pant 2011; Rubinoff 2006, 2008; Schaffer 2009; Wetering 2016a, 2016b). A few of them mention that India is continuously presented as “rising” (Chacko 2012: 1; Pant 2011: 14). According to Harsh V. Pant, the representation of rising India is “repeated *ad nauseam* in the Indian and often in global media, and India is already being asked to behave like one” (2011: 14). However, these authors do not often further explore how these constructions become salient and how they make possible changing policies and closer relations (see Wetering 2016a: 196).² Others discuss how the representation of India as a democracy allowed for increased cooperation due to its perceived non-threatening status (Hayes 2009, 2012, 2013; Selden and Strome 2016; Widmaier 2005).

For instance, Zachary Selden and Stuart Strome (2016: 5) analyze depictions of US–India relations by the Indian media which emphasized shared democratic values in order to support closer relations. However, they do not deeply investigate how policy-makers adopt these media representations, other than suggesting that “policymakers must adopt language that has resonance.” Also, Jarrod Hayes (2013: 1) draws on securitization and social identity theory in arguing that political leaders are not able to securitize democracies as threats through speech acts, because this construction is not acceptable to the populace. Different from securitization theory, he does not stress one single speech act by the political leadership, but rather a speech act process dependent on the social and historical context (Hayes 2013: 17–18). Nevertheless, according to Hayes, this process is based on a causal mechanism generating security constructions rather than a continuous and fluid iteration of security (2013: 41).

In analyzing the debate on US decline and rising India, this chapter shows that assumptions about US decline and emerging India are taken for granted by the commentators as they are continuously reiterated to make sense of the world. In fact, the understanding of a global shift in power has implications for global cooperation among the powers as “language profoundly shapes our view of the world” (Hajer 2006: 66). The manner in which certain phenomena are narrated will allow policy-makers to forego some solutions over others. If within this debate India is constructed as a “threatening rising power,” this will then lead to other policies (Wetering 2016b: 4–5). It gives rise to questions on how India is challenging the US and how US–India relations are conducive to conflict rather than cooperation. As part of these narratives of cooperation or conflict, the understanding of India also has other important ramifications: it questions India’s potential for cooperation with the US against rising China as an Asian Other. For example, Defense Secretary Leon Panetta (2012) mentions, “for this [US–India] relationship to truly provide security for this region and for the world,” the military forces should start “rebalancing” towards the Asia-Pacific area, and India should become a “linchpin” in the US strategy.

One scholar who analyzes narratives within debates is Maarten Hajer (1993: 43–4). Hajer (2006: 66–7) performs a discourse analysis on the “acid rain” discussion within British politics, in which he examines the “argumentative structure of discourse.” He is interested in the “ensemble of ideas, concepts, and categories through which meaning is given to social and physical phenomena, and which is produced and reproduced through an identifiable set of practices.” This is a somewhat narrow view of what a discourse analysis is, because it focuses on the different arguments. Unlike Hajer, Howarth and Stavrakakis (2000: 3) argue that all objects and actions are meaningful. In other words, the reference to the US as a “superpower” or India as “rising power” are also socially constructed and can change as a result of transforming discourses. As Jennifer Milliken writes (1999: 229), discourses are “structures of signification which construct social realities.” These structures of signification are constructed by people to convey the meaning of things. Nevertheless, Maarten Hajer’s work is helpful in showing how objects and practices can be welded together to form a narrative or “story line” with a

beginning, a middle, and an end as reflected in the declinist debate. The meanings do not stand alone (Hajer 1993: 45; Hajer 2006: 67).

In particular, think tanks have an interesting role in the creation of narratives surrounding the declinist debate, because there is a revolving door between think-tank fellows, scholars, and government officials in Washington (Abelson 2009: 3).³ Of the 6,846 think tanks globally, there were 1,835 US think tanks of which approximately 400 were located in Washington (McGann 2016: 8, 30). Within US politics, think tanks are thus highly visible. Think tanks “are generally nonprofit, nonpartisan organizations engaged in the study of public policy” (Abelson 2009: 9). Even though Diane Stone (2007: 259) argues that the term “think tank” has become “ubiquitous—overworked and underspecified—in the political lexicon,” she also finds that most of them will undertake some sort of policy research. Think tanks provide specific policy understandings and solutions as they both construct narratives and also reproduce texts written by politicians, universities, and journalists. Think-tank research done by Hartwig Pautz shows that think tanks are part of a discourse coalition. Based on Hajer’s work, in fact, Pautz (2011: 428) defines discourse coalition as “basically a group of actors who share a social construct,” such as “acid rain,” and articulate this as a threat or policy problem (Hajer 1993: 45). In other words, the coalition is an “ensemble of a set of story lines, the actors that utter these story lines, and the practices that conform to these story lines, all organized around a discourse” (Hajer 1993: 47). Stone also stresses that think tanks can advocate ideas and have an impact in the long-term by changing shared understandings and identities, and constructing narratives (Stone 2004: 14).

In order to analyze the meanings attached to the US and India together with the narratives within the declinist debate, texts produced by the Brookings Institution (2001–16) are examined. The Brookings Institution is a very prominent think tank—in a global survey of several hundred scholars and think-tank fellows the Brookings Institution was ranked number one for the last several years (McGann 2016: 49). Also, it is one of the few think tanks that has a large expertise on South Asia.⁴ As part of the discourse coalition, other texts, such as scholarly works and documents from the Bush (2001–8) and Obama administrations (2009–16) are also examined. The latter administrations are selected, because they became increasingly interested in India as an emerging power.⁵ What follows is a discussion in two parts: the role of think tanks and their (re) production of texts are further explored. Second, a discourse analysis is performed on briefings/reports at the Brookings Institution to explore US and India’s representations and narratives.⁶ The documents which have been selected either clearly focus on India (rather than India as one country out of many) or the declinist debate. The final section on discourse analysis will focus particularly on the narrative of cooperation or conflict among a declinist US and rising India.

Think tanks and intertextuality

One of the more common questions with regard to think tanks is their influence on the policy process (Stone 2002: 10). A positivist manner of analyzing

think tanks is to assess the think tank's influence or causal impact on US policy-making; for instance, Andrew Rich (2001: 83) discusses whether ideologically based or so-called neutral think tanks are more visible during congressional hearings. Stone (2006: 149) refers to this as both a "positivist" and a "pluralist" approach. Pluralism stands for a political setting in which think tanks can openly compete against other organizations (Medvetz 2012: 8). It assumes an open and free society in which policy ideas can freely compete with each other similar to a marketplace in which the most valuable idea wins. An "elitist positivist" approach is most critical of this assumption by focusing on the lack of competition due to the existence of an "interlocking of directorates of the corporate, military and administrative power elites" (Pautz 2011: 424). Even though this type of research is interested in the economic status of the participants, there is less discussion about how they translate this into political impact (Medvetz 2012: 9).⁷ In fact, according to Donald Abelson (2009: 6), it has been notoriously difficult in general to assess the impact of think tanks. One of the elements that makes it difficult to evaluate is the different perceptions of what influence exactly is and how it can best be measured. Brookings is highly visible through all its activities and these activities can be measured, but does it have an impact? Often there is no direct effect or "billiard ball" model of causality (Abelson 2009: 10). It is hard to trace and tie a certain policy to a particular person or organization. For every bad policy, there are a lot of failed initiatives (Abelson 2009: 6). Also, think tanks will exaggerate their own impact because they need to convince others that they are influential (Stone 2002: 10).

A post-positivist manner of analyzing think tanks offers different insights as opposed to conventional political approaches.⁸ When causal impacts are analyzed by positivist researchers, it is assumed that think tanks bridge the research and the policy world. Think tanks also emphasize this link to legitimate their own position (Stone 2007: 2, 4). However, post-positivists who conduct research into think tanks, including poststructuralists, (critical) constructivists, Bourdieusians and neo-Gramscianists, argue that the boundaries between the experts and the state are not very clear (Stone 2007; Pautz 2011: 26).⁹ As Stone (2007: 276) concurs, "[K]nowledge and policy is a mutually constituted nexus and [. . .] think tanks are not simple informants in transmitting research to policy." The knowledges within this nexus produce policy narratives as the think tanks texts help to provide "the conceptual language, the ruling paradigms, the empirical examples that then become the accepted assumption for those making policy" (Stone 2007: 276). These policy messages are repeated through different outlets so that they will get heard. Also, neo-Gramscianists argue that think-tank experts are "organic intellectuals" similar to, for instance, civil servants and legal experts, which are social agents who help to safeguard hegemonic control by establishing a consensus on policy issues (Pautz 2011: 426).¹⁰ However, neo-Gramscianists tend to privilege material conditions, while this chapter argues that the distinction between the ideational and material should be collapsed with an emphasis on the discursive and meanings (De Goede 2006: 5; Jessop and Sum 2006: 157, 161, 165–6).¹¹ In combining a neo-Gramscian analysis, Hajer's narrative analysis,

and discourse coalitions, Pautz (2011: 429) is still able to say more about discourses. As Pautz (2011: 429) mentions, Hajer's work "lends itself to an analysis of think-tank activity because the construction of discourses is an argumentative struggle at whose end one discourse dominates the structure of the debate and is institutionalized in (state) practice, i.e. has become hegemonic." Indeed, policy-making is a continuous discursive struggle over meanings, boundaries, definitions, and criteria of problems (Fischer 2003: 60) Within this struggle, think tanks can help to provide a storyline (Hajer 1993: 45).

A discourse coalition can also share concepts, meanings, and issues. Often think tanks provide a narrative for policy-makers by "[r]ecycling ideas, synthesising ideas, re-interpreting scholarly work into a more accessible format" (Stone 2007: 272). During a Brookings think-tank event, Bruce Jones (2011) referred to academics and politicians in arguing that "there's this kind of debate going back and forth in academic circles and policy circles about whether we're in decline or whether we're number one." The different discourses are mutually constitutive: the discourses in which meanings and representations by politicians, think-tank fellows, academics, and the media are produced, correspond with each other and look similar. These overlapping discourses can be understood as an "intertext."¹² Julia Kristeva (in Hansen 2011: 54) coined the term "intertextuality" which holds that all text refer to texts that came before through direct quotations, indirect statements such as concepts, or the text's location within the body of texts. Texts do not have to be familiar or need to allude to each other in order for the reader to grasp these texts intertextually. Intertextuality is based on a cultural resource bank of various meanings and representations (Hall 1997: 2). Texts are never read in isolation. According to Elspeth Van Veen (2009: 364), "[T]he interrelated representations produced by these texts interact to constitute a frame of meaning which, if repeated often enough, can come to be identified as 'common sense.'" The think tank reports intertextually draw on the same representations and meanings similar to other discourses to make the world more intelligible.

Think tanks such as the Brookings Institution thus participate in the policy-making process through their writings and statements. Their texts are (re) productive of meanings and narratives within the declinist debate which are articulated as common sense. Also, these meanings, such as the US as a declining power and India as a rising power, are mutually constitutive with other discourses through a discourse coalition, as will be further explored in the next section.

Narratives at Brookings: the US as a minority player

One of the narratives that emerged within the Brookings texts referred to the question whether the US was experiencing a steep decline. The US was represented as an important and competitive actor, but not as the number one. Following projections by Goldman Sachs about China, Brookings fellow Leonardo Martinez-Diaz (2007) wrote that "the rise of India and China could weaken America's global influence." In fact, as part of the discourse coalition,

President Bush (2006) also already said: “In a dynamic world economy, we are seeing new competitors like China and India, and this creates uncertainty, which makes it easier to feed people’s fears.”

There was an increase in utterances with the 2008 banking crash. The question of US decline was raised during a 2011 Brookings event called “Shifting Balance of Power: Has the US Become the Largest Minority Shareholder in the Global Order?” According to Bruce Jones (2011: 6), a senior fellow at Brookings, “[T]he debate says either Fareed Zakaria, yes, we’re in decline or, no, we’re still number one.” Intertextual references were made to Fareed Zakaria’s book *The Post-American World*, although, in fact, Zakaria (2011: 1) mainly discusses that the rest are rising while the US is in relative decline. A middle ground was proposed within the Brookings texts: the US was still described as the “largest minority shareholder in a corporation” since it was seen as “by far and away the largest and most influential actor within that stage” (Jones 2011: 7). The US was represented as part of a firm or, in other words, a globalized economy as it competes with other powers by being exposed to and integrated into the global economy. Sharing this representation of the US with the rest of the discourse coalition, President Obama (2010b) also said:

Now, in the last century, America was that place where innovation happened and jobs and industry always took root. The business of America was business. Our economic leadership in the world went unmatched. Now it’s up to us to make sure that we maintain that leadership in this century.

Indeed, Zakaria (2011: 243–4) also argues that “Americans firmly believe in the virtues of competition” and “individuals, groups and corporations perform better when they are in a competitive environment.” Nevertheless, according to Zakaria, this had been lost by US foreign policy-makers due to laziness and arrogance ever since the Soviet Union collapsed.

The US was thus produced as the *primus inter pares* rather than the number one. The first among equals was the next best thing to being number one. As senior fellow Richard Bush III (2011) argued:

In terms of gross domestic product, China will become number one in this decade or the next and the United States will become number two. Yet rankings do not automatically confer power and influence. More important is how a major country chooses to use its power, for good or ill.

The US administrations referred to similar representations. Earlier, President Obama (2010c) stressed as part of the discourse coalition that “I don’t want to cede our future to China and India and European countries. I’m not willing to settle for second place, not for the United States of America.” Also, the language of number one was invoked within the media. Under the headline of “We’re no. 11!” Michael Hirsh (2010) went on to ask in *Newsweek* whether “the United States [has] lost its oomph as a superpower?”, because it was not in the top

10 of 100 best countries to live in. Also, Thomas Friedman (2010) in “We’re No. 1(1)!” argued that declining school performances were a problem of values where nobody takes responsibility by blaming each other.

The narrative maintained that the US was one of the minorities within an increasingly multipolar world. As Jones argued at another Brookings event, “The simple fact is that there are new factors in the world, there are new actors or new economic relations and we have to adjust our policy to deal with those” (Brookings Institution 2012: 6). Colin Bradford, senior fellow at the Brookings Institution, said that there will be “shifting coalitions of consensus depending on what the issue is” (Brookings Institution 2011: 19). The US would have to cooperate with the “Other”; in other words, world politics could be constructed as a space which none of the countries could dominate. The US may be in need of a few allies, even though the US would not be ignored as it had more “capability than anybody else to get things done” (Brookings Institution 2011: 8). This reflected again Fareed Zakaria’s writings since he (2011: 257) argues that the rivalries between the emerging powers “do give the United States an opportunity to play a large and constructive role at the center of the global order.” Instead of encapsulating the dominating hegemon, the US should transform into a pragmatic, honest “global broker” which creates coalitions and builds legitimacy. The US is able to play this role. Bradford argued: “This fluid, chaotic, plurality, multipolar context is one in which the US still have manoeuvring room precisely for the reasons that we’re still a leader in so many domains and we just need to play the game” (Brookings Institution 2011: 19). The US was thus represented as a “leader” with an edge over the “Other” in a confusing global setting.

However, the US was soon also constructed as much stronger than earlier emphasized. Reflecting over the discourse coalition, President Obama (2011) said:

It’s become fashionable in some quarters to question whether the rise of these nations will accompany the decline of American and European influence around the world. Perhaps, the argument goes, these nations represent the future, and the time for our leadership is passed. That argument is wrong. The time for our leadership is now.

Accordingly, Jones argued that within the general debate “the rhetoric of decline runs far ahead of the reality of decline” (Brookings Institution 2012: 6). In fact, Brookings provided one new narrative. President Barack Obama started referring to Brookings fellow Robert Kagan. Already a well-known pundit, Robert Kagan (2012a) had joined the Brookings Institution, distributing his new book *The World America Made*, which discusses how America’s military power and its GDP remains large and China will not soon overtake it, although eventually the US will decline like the Roman empire. Based on Kagan’s article “Not Fade Away: Against the Myth of American Decline” (2012b), President Obama (2012) stated in his State of the Union address, “Anyone who tells you that America is in decline or that our influence has waned, doesn’t know what they’re talking about.” Also, in 2014, following a Brookings event “Still Ours to Lead:

America, Rising Powers, and the Tension between Rivalry and Restraint”, Bruce Jones outlined his book by saying that there is some truth to the “dominant narratives” on US decline, the rising others, the challenges which it could bring, but they are “badly exaggerated” (in Dews 2014).

India as a rising power

While the narrative asserted that the US showed some signs of decline, it took a longer time for India to be constructed as a rising power among the Brookings fellows. The Bush administration started to attach the meaning of “rising power” to India. Condoleezza Rice (2000), the National Security Adviser to be, insisted that the US “should pay closer attention to India’s role in the regional balance” and that “India is not a great power yet, but it has the potential to emerge as one.” Accordingly, in April 2001, Singh visited Washington where he met Rice after which Bush invited him for a stroll in the Rose Garden. Following this meeting, in May 2001 the Indians were informed in advance of Bush’s speech on the Missile Defense Treaty (Tellis 2006: 128). Ambassador to China Robert Blackwill (2001) thus said on September 6 that “President Bush has a global approach to US–India relations, consistent with the rise of India as a world power.”

In the early 2000s a few Brookings texts also slowly started to constitute India’s subject-position as a “rising” or “emerging power” as part of the discourse coalition. Main senior fellow at Brookings, Stephen Cohen, represented India, for instance, as an emerging power from the summer of 2000 onwards in his book *India: Emerging Power* (Cohen 2000; Cohen 2001). In fact, Cohen (Cohen and Park 1978; Cohen 2008) explained before the Subcommittee on the Middle East and South Asia that in 1978 he wrote a book called *India: Emergent Power?* but that the question mark has since vanished in his new book *India: Emerging Power*. This “emerging power” representation also became more salient as India’s rise started to be rearticulated in other discourses in the late 2000s. In the academic discourse, Barry Buzan (2004: 71, 73) was somewhat more sceptic about India’s rise in 2004, arguing that “[m]odern India has so far failed to transcend its region” and despite its nuclear test in 1998 “it is not talked about or treated as a potential superpower.” However, it soon became common sense within the discourse coalition. A few years later, Buzan (2011: 1) wrote that “India’s claim for great power status is now plausible” since the global system will become more multipolar as there will be more coalitions.

India also continued to be reproduced as a “rising power” by Brookings fellows, including Teresita Schaffer (2011), Bruce Riedel and Karl Inderfurth (2007), and Arvind Panagariya (2010), discussing the “long-awaited rise of India” and representing India as one of the “rising global powers,” and a “rising democratic power.” The overseas center Brookings India was thus established because of “India’s growing importance on the world stage as the world’s largest democracy and a rising power with one of the fastest growing economies” (Brookings Institution 2013a). Books were also published by the Brookings Institution that were highlighting the same narrative, such as senior fellow Ted Piccone’s *Five Rising Democracies*

(2016), and Teresita Schaffer and Howard Schaffer's *India at the Global High Table* (2016). In the meantime, these meanings continued to be attached to India's subject-position by the Bush administration after the early 2000s. When the Bush administration proposed a civilian nuclear deal in 2005, allowing the transfer of nuclear material to India, a non-signatory to the non-proliferation treaty (NPT), the Bush administration constructed India as a "rising global power and partner" as the US "anticipates that India will play an increasingly important leadership role in Asia in the 21st century" (Department of State 2006). As senior Brookings fellow Bruce Riedel and retired reporter Bernard Gwertzman (2008) argued, "[T]he Bush team recognized that India was going to be one of the key powers of the twenty-first century, an emerging potential power, certainly a regional power, but perhaps a global power as well." The Obama administration followed suit when President Obama announced that India had already risen. India's larger role was stressed by constructing it as "indispensable to the future that we seek, a future of security and prosperity for all nations" (Obama 2010d).

Even though India was produced as a rising power, this did not necessarily refer to its economic greatness. The Brookings Institution was slower to articulate India as an economic power. In the mid-2000s the Bush administration (2006) already said about new competitors: "The American economy is preeminent, but we cannot afford to be complacent." India was paired with rising economic power China. Within the media, the notion of "Chindia" emerged as Bloomberg's *BusinessWeek* portrayed the rise of both India and China and their radically different economic models (Engardio 2007). Within the think tank discourse, however, the storyline of India and China having both strong economies was not yet commonsensical. In 2006 Barry Bosworth, a senior fellow, and Susan Collins, a non-resident senior (2006: 1), wrote: "Recent years have witnessed a growing optimism about the potential for Indian economic growth. In part, this is fuelled by the example of strong sustained growth in China, raising the obvious question of why India cannot do as well." There was more attention for India's poverty in Brookings texts. Although India was "at the beginning of a pretty remarkable growth takeoff", one speaker, Charles Kramer of the IMF, at Brookings referred to long-term structural problems such as in Bangalore, where "water is only available 2½ hours a day", while Bangalore was "the IT hub of India" (Brookings Institution 2007: 4). Bangalore is indeed often seen as an example of India's economic growth. This reflects Thomas Friedman's *The World Is Flat* (2005: 4) which refers to Bangalore as "India's Silicon Valley" where large American companies are building new departments and are outsourcing their work to highly skilled Indian workers. India is quite often depicted as a country full of contradictions within discourses. Stephen Cohen (2002: 5) writes how American policy-makers have a tendency to view India "in terms of a blur of favourable and unfavourable stereotypes" through the "visions of past Indian greatness and the acute reality of a still-poor people." Indeed, Kramer also said that "still over 800 million [are] living on under \$2 a day in India" (Brookings Institution 2007: 4).

However, after 2008 it was more commonsensical to compare India's economy with China's in the Brookings texts. India was represented as a stronger

economy now that the US economy was “down the tubes” (Brookings Institution 2008: 7). As one Brookings event summary stated: “India’s recent robust economic growth has propelled it to one of the world’s major emerging economic powers” (Brookings Institution 2008). Think-tank specialist Eswar Prasad agreed that India’s economy was on the rise. He wrote:

India does seem to be doing quite well in a variety of dimensions. The financial system has actually made a significant amount of progress in the last couple of decades, although at a rather slow pace. But if you compare India with China, for instance, the financial system seems to be working quite well. (Brookings Institution 2008: 7)

A comparison between China and India was now rendered intelligible. In fact, even though India’s economy displayed less optimistic figures through a decline in GDP growth, an economic race between China and India sometimes continues to be drawn in the Brookings texts and the media discourse (Madan 2012). During a Brookings event in November 2013, it was announced (that “China and India, the world’s two largest emerging markets, each have stunned the world with dramatic economic growth in the last decade” (Brookings Institution 2013b).

Cooperation or conflict?

The narrative thus discursively produced the US as the “most influential actor” and India as a “rising power” within the Brookings texts. However, this did not lead to a narrative of conflict. Indeed, foreign policy-makers appeared to embrace India’s rise as other meanings were also attached to India. India was represented as a partner by the Bush administration after “[e]nthusiastic rhetoric concerning the “natural alliance” between the two countries—building upon Prime Minister A. B. Vajpayee’s use of the term—gave way gradually to more sober and grounded talk of a mutually beneficial “partnership” (Cohen and Jaishankar 2009). Vajpayee had coined the term “natural allies” during President Bill Clinton’s presidency after which Clinton (2000) referred to it at the Indian Parliament in 2000 to demonstrate that both countries were founded in liberty and diversity. Also, one of the agreements established by the Bush administration was called the Next Steps in Strategic Partnership (NSSP) of 2004 through which cooperation was extended to three specific areas: civilian nuclear activities, civilian space programs, and high-technology trade.

Within the think-tank texts, the language of partnership between the US and India also emerged after the Soviet Union and India were initially articulated as partners in 2000 (Cohen 2000). Cohen and Xavier (2011) asserted that “the United States is surely posited to become one of India’s main strategic partners.” The US was not merely presented as an important partner for India; India would also be beneficial to the US’s global role in the twenty-first century. As Riedel and Inderfurth (2007) argued: “India will be one of America’s key partners in this young century, and the overwhelming, bipartisan congressional support for

US–India civilian nuclear legislation that President Bush signed last December reflects this consensus among American foreign policy strategists.” The civilian nuclear deal had turned India from being a non-signatory to the NPT to being a nuclear partner of the US.

Clearly, India was not presented as a threatening liability within the discourse(s). It was presented as a partner because it was articulated as a democratically stable country. Cohen (2005a) presented India as a democracy with “many flaws” because of corruption, human rights abuse, and separatists and violent groups. But, even though India’s democracy was regarded as flawed, “the system moves forward, slowly, and is largely internally oriented and self-regulating.” Cohen (2005b) pointed out: “People pay more attention to things that they fear and they worry about and nobody worries that much about India, you know? It’s the squeaky wheel that gets the grease [. . .] and India hasn’t squeaked very much except when it conducted the nuclear tests.” Indeed, India had not drawn major US attention in the last few decades: this only reoccurred when India conducted its nuclear tests in 1998 which was followed by nuclear tests by Pakistan. President of the Brookings Institution Strobe Talbott (2008) remarked in his commentary: “[T]he positive phase in US–Indian relations that began a decade ago is, quite simply, not being debated. Virtually no policymaker, politician, or, for that matter, member of the foreign-policy elite or mainstream media questions the wisdom.” In other words, the relationship was on solid footing within the discourse coalition of the US media and politicians.

However, the Brookings Institution did not strongly emphasize global cooperation. India was one of the least competitive “minority shareholders.” India was not constructed as one of the lead players, even though India was seen to “matter a great deal” and Brazil, Russia, India and China (BRICs) were represented as “actors on the international stage that have resources and capabilities and diplomatic influence that is substantially greater than that they had five, 10, 15 years go [. . .] in a whole host of ways that constrains our influence, constrains our power” (Brookings Institution 2012: 51; Brookings Institution 2011: 6–7). India should become more assertive. As part of the discourse coalition, Undersecretary for Politics Affairs, William Burns (2010) stated, “India sometimes has a hard time realizing how far its influence and its interests have taken it beyond its immediate neighborhood [. . .] Some Americans worry that India is ambivalent about its own rise in the world, still torn between its G-7 and G-20 identities.” Referring to India, Brookings fellow Bradford also mentioned that the G-20 could “encourage some of the more passive powers to be more assertive” (Brookings Institution 2011: 17). To illustrate this point, Bradford discussed how leading Indian officials and thinkers were questioning whether a G-20 is realistic and whether it will become a G-2 of the US and China. Bradford argued (Brookings Institution 2011: 17):

[T]hey say, yes, were hanging back because we’re waiting to see how this is going to play out. My response to them is why don’t you play it out? Why don’t you put skin in the game? Why don’t you be more assertive, be more ambitious about pushing your own interests . . .

India was constructed as not ambitious enough and hanging back too much when important decisions needed to be taken in global politics, awaiting a *fait accompli* rather than acting and avoiding a self-fulfilling prophecy.

India was thus a slowly adjusting “free-rider” in world politics. Cohen (2009) writes that India was

still a free-rider to the extent that, without being a member of any American-organized alliance, it benefits from the stability provided by these alliances [. . .] India has an interest in a stable international order, but it has so far been only a bit player when it comes to global order issues.

India was presented as a country that had never been part of an American-organized alliance. During the Cold War, India was closer to the Soviet Union and India’s non-alignment policies questioned the US containment policies towards communist states (Kapur 2006: 31). The realist notion of a “free-rider” also represented the US as a country which created stable alliances, while the “Other” had benefited from the situation by trying not to get involved in global affairs. However, India had been very active in remaining independent as part of the Non-aligned Movement which represented many third world countries. According to Himadeep Muppidi (1999: 127), there was in India “a self-conscious intervention in, and a refusal to accept as legitimate, the attempts of the United States and the Soviet Union to define the nature of international reality of all other states.”

There were also other understandings of India. A narrative of US–India cooperation was emphasized vis-à-vis China within other parts of the discourse coalition. As Secretary of State Hillary Clinton said: “[W]e encourage India not just to look east [*sic*], but to engage East and act East as well” (Clinton 2011). President Obama also called upon India to become part of the strategy of “[R]ebalance to Asia and the Pacific” by strengthening alliances with countries surrounding China, including Japan, South Korea, Australia, and the Philippines (Obama 2015: 24). Since 2014 Prime Minister Narendra Modi started indeed to articulate an Act East policy to set up closer security relations with these countries. However, Tanvi Madan (2015) wrote in a Brookings commentary that there were “reliability concerns” about India in terms of its strategic autonomy and its capacities. India would not always follow in the US’s footsteps. Stephen Cohen and Constantino Xavier (2011) wrote in the magazine the *National Interest* that India was committed to its strategic autonomy. When it comes to the US–India relationship, they argued: “New Delhi wants to take it slowly because it is wary of becoming another Japan, a client state.” Hence, India was represented as a country which does not like intrusions. The US should be aware of these independent tendencies within Indian foreign policies as reflected by Cold War politics. Cohen and Xavier (2011) argued: [I]nstead of lamenting, soul-searching or—on the opposite extreme—demonizing New Delhi for decisions that are unfavorable to American interests, Washington needs to give the relationship time to mature.” In other words, the US was understood to be a

hegemonic power which would have difficulties accepting another country that opposes Americans' viewpoints. The US needed to be a flexible power with regard to India's decisions and should not remake every country in its own self-image. Accordingly, it needed to "recognize that India's profound concern with securing its strategic autonomy and self-reliance will continue to play a constraining role" (Cohen and Xavier 2011).

The Brookings texts thus remained somewhat cautious about cooperation. In 2006, it was mentioned that India was slowly realigning itself since "[c]hanges in Indian foreign policy resemble the slow turning of a giant ship," in that adjustments are slow, but India will pursue a new course (Cohen 2006). This reflects the idea that inertia is generated by democratic politics and bureaucratism in which many actors play a role and have something at stake. As Cohen (2006) argued, it is a long process since "[s]ome of the passengers still long for the old course, and others are afraid of change—but led by some in the government and the business community, and many in the media, India is slowly adjusting to its new international role."

Conclusion

As this chapter shows, there has been a recurrent narrative of US decline and India's rise within the discourse coalition of politicians, the media, scholars, and think-tank experts from 2001 until 2016. A few authors also signal that India is continuously presented as a rising power, but they do not explore how this narrative becomes common sense. This analysis shows that the Brookings texts are mutually constitutive with other discourses through the notion of intertextuality as the texts refer to other texts before them through meanings and representations. Think tanks are often repeating and sometimes constructing narratives within the discourse coalition. For instance, Robert Kagan provided conceptual language for the Obama administration in its discussion of US decline. It also highlights that even though the US is narrated as one of the largest minorities in a multipolar world, it is common sense to constitute India's rise as non-threatening. Overall, the Brookings Institution articulates a narrative of cooperation among the two countries, although India is not yet constructed as "assertive" enough in global affairs through its strategic autonomy. This is significant in that it can enable US policy-makers to choose one policy solution over the other. It makes possible the establishment of US–India strategic and economic dialogues, a nuclear agreement, and closer maritime relations in Asia, especially as it also helps to shape Indian policy-makers in their response. Instead of direct effects as the model of causality proposes, think tanks thus help to solidify these US policies through providing new language or repetition.

The analysis raises the question about the implications of the Trump presidency for the discourse coalition and the narrative of US–India cooperation. In one opinion piece in *The Washington Post*, Josh Rogin (2017) signals that the revolving door between politicians and think-tank experts is coming to an end as Trump's chief advisors see most "think tanks as part of a Washington culture

that has failed to implement good governance.” Clearly, this development would affect the established think tanks; however, Trump’s appointments would again lead to a new discourse coalition bringing together “business executives and former military leaders” (Rogin 2017). Since the different discourses, either among businesses, think tanks, or the media, display overlap through intertextuality and the cultural resource bank of various meanings, the representations are not unfamiliar and they become common sense through repetition.

With regard to the narrative of cooperation under the Bush Jr. and Obama administrations, various meanings were articulated such as rising India, the US as a minority player, and India as a democracy. Even though the narrative of cooperation draws on meanings of India as a non-threatening democracy and rising power, it is possible that one meaning will become more dominant than the other. A counter-narrative could emerge of India as a threatening rising power. The US could be seen as a minority player engrossed in domestic affairs, while India is presented as a challenger. It is, however, unlikely that the narrative of cooperation will be abandoned as China continues to be articulated as a concern and rising India remains an opportunity for American businesses. Not surprisingly, President Trump (2017) said about India that it was “a true friend and partner in addressing challenges around the world” after India was one of the first countries to be contacted by the President. This makes possible the continuation of US–India agreements which have already been put in place.

Notes

- 1 In this article, Josef Joffe refers to various people who commented on the US decline, such as historians Paul Kennedy and Niall Ferguson, but also former Deputy Secretary of the Treasury Roger Altman and Parag Khanna, fellow at the New America Foundation.
- 2 In addition, these particular authors are more interested in discussions in India, while the representation of India as a rising power is also narrated in other countries.
- 3 In the case of the Obama administration, many advisors and members of his administration are either from the centrist Brookings Institution and the progressive Center for American Progress (McGann 2010). For instance, James Steinberg, former director of Foreign Policy studies at Brookings, was the Deputy Secretary of State under Secretary of State Hillary Clinton, and South Asia expert Bruce Riedel chaired an interagency review of US policies toward Afghanistan and Pakistan.
- 4 At the end of the 1990s, a number of DC-based think tanks, such as the Brookings Institution, the Center for Strategic and International Studies, and the Henry L. Stimson Center, created South Asia programs. In fact, the Brookings established the Brookings India Initiative, which encompasses the India Project from 2012 onwards and Brookings India, a center for policy research in New Delhi in 2013.
- 5 The Clinton administration first displayed interest after which the Bush and Obama administrations further expanded US–India relations (Wetering 2016a).
- 6 These reports and briefings can be found on the Brookings website (www.brookings.edu). Some authors contributed many more articles than others, but all the documents that focus clearly on India and the declinist debate by resident or non-resident fellows are included.
- 7 Earlier studies were often interested in the role of elites. See, for instance, Donald T. Critchlow (1985). More recently, there is the argument that there are policy

- networks such as policy communities or advocacy coalitions with actors from inside and outside government. Think tanks are one of these actors. Policy entrepreneurs within think tanks try to “soften” the policy-makers to their ideas (Stone 2004: 11–13).
- 8 Postpositivism includes, for example, poststructuralists, (critical) constructivists, neo-gramscianists, postcolonialists, some feminists, and Frankfurt Schule critical theorists. See also Lapid (1989).
 - 9 Inspired by Pierre Bourdieu, Thomas Medvetz (2012: 14) also understands think tanks to be institutions with unclear boundaries due to resources from the field of politics, the media, academia and businesses; however, he focuses less on what this means for the circulation of knowledge.
 - 10 Arguably, Pautz should have discussed the relationship between Gramsci’s social classes and organic intellectuals more extensively in his reference to neo-Gramscianism. Gramsci is ambiguous about class belonging as hegemonic leadership requires that “ideas” are shared across classes, yet the social order of classes helps to form a hegemony (see Laclau and Mouffe 1985/2001: 65–71). Bob Jessup and Ngai-Ling Sum (2006: 160) try to bring it together by arguing that there is the emergence of a “class hegemony in political, intellectual, and moral leadership, albeit with a decisive economic nucleus, with the role of coercion confined to a last resort.”
 - 11 In other words, the focus is on social constructions with the collapse of the material/ideational. This is not to say that material conditions do not exist, but the chapter discusses their representation. Notwithstanding this distinction, according to Jessup and Sum, Gramsci and Foucault have somewhat similar ideas as researchers either Gramscianize Foucault or Foucauldize Gramsci (2006: 163–5).
 - 12 See also the discussion by Christina Rowley (2010: 310) for the mutual constitution of popular culture with other discourses.

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10 Conflicted identities

Implications of South Africa's rise on US security policy in Africa

Obert Hodzi

Introduction: the inconsonant roots of South Africa's norm-based identity

South Africa's identity formation is rooted in an inconsonant jumble of Western liberal order norms and the African concept of *Ubuntu*. The Western liberal order component was enunciated in Nelson Mandela's vision for a new identity for South Africa, which also spelt out the regional and international roles it aspired to play in global affairs. Set on redefining South Africa's self-image, Nelson Mandela declared South Africa's future global engagement to be based on Western liberal order norms and values of democracy, human rights, justice and respect for international law, economic interdependence and non-violent mechanisms in resolving conflicts. Part of the inspiration for this new South Africa was an overwhelming national determination to erase its 'apartheid identity', and replace it with a 'norm-based identity' of a South Africa fully engaged in world affairs. Justifying the beliefs, Mandela wrote: 'These convictions stand in stark contrast to how, for nearly five decades, apartheid South Africa disastrously conducted its international relations' (Mandela 1993: 86). He therefore, as did Thabo Mbeki and Jacob Zuma after him, reoriented South Africa from isolationism to full engagement in order to transform it into a 'responsible global citizen' driven by a different set of norms and values.

To forge its own peculiar African consciousness, shape its foreign policy, and define who it is and how it relates with other states in Africa, South Africa embraced the concept of *Ubuntu*. *Ubuntu*, as explained by Khoza, embodies a 'belief system where the collective supersedes the individual' (Khoza 2006: xxi). It also 'represents notions of universal human interdependence, solidarity and communalism which can be traced to small-scale communities in pre-colonial Africa, and which underlie virtually every indigenous African culture' (Roederer and Moellendorf 2004: 441). But because in Africa, and within South Africa itself, the 'exact meaning and scope . . . [of *Ubuntu* is still] a matter of considerable debate' (Fombad 2016: 39) it has had little or no significant universal acceptance and applicability in international relations. Nonetheless the Western liberal order norms and *Ubuntu* theoretically made South Africa appealing for different reasons to both Africa and the West, and gave it a 'norm-based identity', implying that Pretoria's foreign policy is composed of norm-based behaviour.

Underlying that norm-based identity is how South Africa defines *Self* from its relation with the *Other*. In defining *Self* from the *Other* there is an implication that antagonisms can be dominant sources of meaning and identity because 'every search for identity includes differentiating oneself from what one is not' (Benhabib 1996: 3). However, as put by Ole Wæver, 'the meaning of "us" will usually involve other distinctions . . . In addition to Others (cast as radically different and potentially threatening enemies) there are, for instance, friends, relatives . . . [that] enter each other's identity construction as something different from both self and other, as close and yet different' (Wæver 2002: 24). Part of the process in South Africa's redefinition was distinguishing between states that constituted the *antagonistic Other*, that is states that 'were radically different and potentially threatening' to the new South Africa from states that were the *non-antagonistic Other*, that is states that were not threatening to South Africa but were sufficiently different to challenge its position, national interests and foreign policy objectives.

While the United States constituted the antagonistic *Other* for most African countries, it was not for South Africa. South Africa's apartheid legacy made it the United States' strategic security partner and a bulwark of US economic interests in sub-Saharan Africa. The presence of transnational US businesses and capital in South Africa made it indispensable even though Washington had maintained 'constructive engagement' with the apartheid regime until the late 1980s. Thus at independence South Africa considered the US its non-antagonistic *Other*. Africa also constituted Pretoria's non-antagonistic *Other* because, apart from being located on the continent, South Africa found little in common with the other African countries. Writing in 1993, Mandela argued that South Africans could not escape their African destiny, hence they had to devote more attention to the continent, lest they 'too could fall victim to the forces that have brought ruin to its various parts' (Mandela 1993: 89). The statement seemed to prove that South Africa considered being on the African continent as something to be endured and tolerated, and that the only reason Pretoria would pay attention to the continent was to avoid the ruin that had befallen Africa as the *Other*. For that reason, even to Africa, South Africa became the *Other*, albeit not in the antagonistic sense that the United States and other European powers were to Africa.

Regardless of the convolution of the Self–Other nexus in South Africa's identity, the potential for contradictory foreign policy behaviour, and regional and international responsibilities emanating from the incompatibility of Western liberal order norms and the African concept of *Ubuntu*, the two sets of norms formed the basis of South Africa's norm-based identity. They also formed the essential constitutive rules leading other states to recognise and identify South Africa based on its norms via the performance of regional and global roles (Catalinac 2007: 77). Yet, as the norms were translated into foreign policy, underlying antagonisms 'manifested in a range of policy areas and issues' (Ehin and Berg 2009: 9). This meant acute pressure on South Africa to perform particular regional and international roles, and behave according to the norms that it identified with. Because the norms appeal differently to Africa and the West, there are multiple and

contradicting expectations of South Africa from different countries depending on whether they are in Africa, where solidarity, harmony, collective rights and challenging the current global governance order are emphasised, or they are in the West where human rights, justice and intervention to protect citizens are preferred. The corollary effect is that South Africa faces significant challenges in balancing its norm-based identity 'against global realities in a rapidly changing world' (DIRCO 2011: 11).

Based on the discussion above of South African *Self*-identity conceptualisation in relation to both the *antagonistic* and *non-antagonistic Other*, this chapter discusses the complexities of South Africa's identity in relation to Africa and the United States, and its impact on South Africa's emerging regional hegemon status. The following section discusses South Africa's three major competing regional and international identities, namely the anti-imperialist, global system collaborator and emerging power identities. The main argument in the section is that these three identities are based on norms split between Africa and the West. The third section explores how these multiple identities have put South Africa into conflict with both Africa and the United States, particularly over security on the African continent, and how South Africa is attempting to realign its emerging power status with its relations with the United States on security in Africa. Finally, the chapter concludes with an argument that South Africa's conflicted identities will in the long term be a liability affecting its ability to determine and distinguish between its allies and foes, making it difficult for Pretoria to play the role of regional hegemony on the continent.

South Africa's competing regional and international identities

Due to the complexities of its norm-based identity, South Africa's diplomatic capital, from Nelson Mandela to Jacob Zuma, is spent convincing other African states that South Africa is truly African, and persuading the West that it is truly Western in its norms and values, and still more, coaxing emerging powers in the Global South that it is the legitimate representative of the African continent and is committed to the global order reform agenda. Not being wholly African or Western, South Africa's own sense of exceptionalism, partly an inheritance from the apartheid era in which 'for both ideological and pragmatic reasons the apartheid state identified itself with, and measured itself against, the "West", and in particular the United States, Europe and (to a lesser degree) Australasia' (Hughes 2001: 161), still contributes to the notion within and outside South Africa that it is not truly African. Gaffes by senior South African leaders such as when President Jacob Zuma told protesters in Johannesburg to stop thinking like Africans in Africa and a series of xenophobic attacks against black Africans in 2008 and 2015 further reinforce the perception that democratic South Africa still identifies itself with the West rather than Africa.

Despite the uneasy relations between South Africa and other African countries, ruling African National Congress (ANC) leaders, capitalising on their protracted anti-apartheid credentials, have described South Africa's foreign

policy as anti-imperialist. This self-proclaimed identity of Pretoria as a proponent of anti-imperialism and non-intervention in the internal affairs of African states was largely promoted by Thabo Mbeki. Over his nine-year presidency, the tenets of pan-Africanism, African renaissance and South-South solidarity became the bedrock of Pretoria's engagement with Africa. To further demonstrate South Africa's *Africanness*, Mbeki promoted the dictum: 'African Solutions for African Problems', arguing that African countries, in particular the African Union (AU), should be left alone to deal with problems in Africa without interference from the West. This anti-imperialist identity was important for South Africa in two ways. First, it demonstrated South Africa's commitment to making Africa the primary foci of its foreign policy by adopting norms and taking up regional and international roles that serve African interests. Secondly, the anti-imperialist identity was an important assurance to neighbouring countries such as Angola, Mozambique, Zimbabwe and Namibia that had previously been occupied or destabilised by the apartheid government.

Nonetheless, suspicions that South Africa represented Western interests in Africa found resonance in the sophistication and advanced nature of South Africa's economy and its close link to the 'contours of the global neo-liberal order' (Andreasson 2011: 1171), which superimposed the identification of South Africa with the West. Because it is the biggest and most advanced economy in Africa, South Africa is the only African country consistently invited to participate in the G-8 (G-7) and G-20 forums where it is widely regarded as the representative of Africa. In addition, due to the moral capital of Nelson Mandela and South Africa's identification with Western liberal norms of democracy, human rights, justice and the responsibility to protect, the United States and other European powers regard South Africa as their 'natural ally' in Africa. Accordingly, South Africa claimed that it supported multilateralism and projected itself as a *global system collaborator*, undertaking to cooperate with other states to support the current global order. Pretoria even acknowledged in the South African Foreign Policy White paper of 2011 that the United States is an important supporter 'of peacekeeping as well as post-conflict reconstruction and development efforts in Africa, through the UN and bilaterally. In this regard, South Africa will continue to urge them to align their support with the AU peace and security objectives' (DIRCO 2011: 33). Because it was increasingly seen as amenable to the West, the United States considered South Africa one of its two major strategic partners on the continent, along with Nigeria (Cook 2013: 3). As a result, there was significant collaboration between South Africa and the United States on the establishment of the New Partnership for Africa's Development (NEPAD) and peace and security in Africa, with the United States supporting South Africa's peacekeeping capabilities under the African Contingency Operations Assistance (ACOTA) program.

Despite the seemingly amenable relationship between the United States and South Africa regarding peace and security in Africa, the dormant conflict between South Africa's anti-imperialist (tailored for Africa) and the global system collaborator (designed for the United States and European powers) identities

was aroused by South Africa's designation as an *emerging power*. As an emerging power, South Africa began to redefine its foreign policy and relations with Africa and the United States vis-à-vis its new position and role in the international system. The emerging power status, therefore, did not just reaffirm the superiority of South Africa's economy over other African economies, it also significantly boosted its claim as the legitimate representative of Africa. In addition, the emerging power status reinvigorated South Africa's foreign policy objective to restructure the international system. When South Africa was invited to join the BRIC in 2011, it regarded the invitation as 'recognition of the country's contribution in shaping the socio-economic regeneration of Africa, as well as our active involvement in peace and reconstruction efforts on the Continent and the responsible role that South Africa has been playing in the international community' (The Presidency 2015: 153). Having joined BRICS, it also joined IBSA (India, Brazil, South Africa Dialogue Forum), a group set on reforming the current global order to make it fairer and more representative of the current realities of global power distribution.

With three major identities – namely anti-imperialist, global system collaborator and emerging power identities – that are based on norms split between Africa and the West, South Africa's multiple identities, as discussed below, put it into conflict with both Africa and the United States, particularly over security on the African continent. The United States, as the architect and main guarantor of the current Western liberal global order, is obviously opposed to any structural reforms of both the United Nations Security Council (UNSC) and other multi-lateral institutions. African countries opposed to Western intervention in their internal affairs are as wary of Pretoria's commitment to Western liberal order norms of the responsibility to protect as the United States is worried of South African anti-imperialist and pan-African objectives. Since South Africa's identities do not totally converge with those of Africa or the United States, there is a growing tension in Pretoria on how to handle security challenges in Africa in a way that does not prejudice its relations with both the United States and Africa. The implication of that tension is that without establishing the nexus between its foreign policy and identity, there is a general lack of clarity on its position in the world, from which flow presumptions about which states are its allies or enemies or those that share its values and norms and those that do not (Wallace 1991: 66).

Emerging power status and the realignment of relations with the US and Africa

South Africa's designation as an emerging power and incorporation into BRICS in 2011 drew the ire of other African powerhouses as well as the United States. By aligning with Brazil, India, China and Russia, countries that have been critical of the United States' unilateralism and dominance of global governance institutions, South Africa simultaneously made Africa and the United States its antagonistic *Other*. 'South Africa is not readily accepted as a leader by

its continental peers' (Schoeman 2015: 437). African countries such as Egypt, Ethiopia, Zimbabwe and Nigeria have consistently challenged South Africa's claim that it is Africa's legitimate representative. For instance, Guy Scott, a former vice-president of Zambia, scoffed at South Africa's admission into BRICS saying: 'They think in Brics that the "s" actually stands for South Africa whereas it stands for Africa. Nobody would want to go in for a partnership with Brazil, China, India and South Africa for Christ's sake' (Smith 2013). On the other hand, the United States is opposed to any structural reform of the United Nations Security Council or any of the Bretton Woods Institutions.

With its legitimacy as a representative of Africa in BRICS challenged, and the United States opposed to its global governance restructuring agenda, South Africa is compelled to choose whom to appease between the United States and Africa. Restructuring the international system has been Pretoria's long-standing foreign policy objective. As early as 1993, Nelson Mandela had stated that 'serious attention must be paid to a restructuring of the organisation. South Africa intends to play a vigorous role in the debate on this issue. The United Nations should not be dominated by a single power or group of powers' (Mandela 1993: 89). In 2011, South Africa reiterated that 'it will remain an active participant in the efforts to comprehensively reform the architecture of global governance, including the UN system and the Bretton Woods Institutions, to make them more effective, legitimate, and responsive to the needs of the developing world' (DIRCO 2011: 24). Together with India and Brazil, South Africa has accentuated the argument that the United Nations Security Council should be reformed and the global system of governance transformed from being power-based and dominated by the United States and a few other powers in the United Nations Security Council to being a rules-based system giving a voice and decision-making opportunities to countries in the Global South.

While the United States and South Africa's fellow BRICS members, Russia and China, have paid lip-service to the global governance system reform, African leaders such as Robert Mugabe have strongly demanded and lobbied for reform of the United Nations Security Council. Yet, even though there is general consensus on the need for comprehensive reform of 'the architectures of global governance, including the UN system and the Bretton Woods Institutions, to make them more effective, legitimate, and responsive to the needs of the developing world' (DIRCO 2011: 24), it is South Africa's open expression of interest in taking the UNSC permanent seat if it ever becomes available that alienates it from the rest of Africa. In 2011, DIRCO pointed out that 'Whilst pursuing equitable representation of Africa on the United Nations Security Council, South Africa seeks to become a permanent member itself' (DIRCO 2011: 25). However, to achieve its foreign policy objectives South Africa has, as will be shown below, given more concessions to Africa rather than the United States in exchange for Africa's diplomatic support in the event that a permanent UNSC seat is availed to the continent.

Faced with a sceptical Africa suspicious of its role, agenda and objectives, South Africa is desperate to prove its *Africanness* because it considers Africa to be its primary sphere of influence. Under the presidency of Thabo Mbeki,

it aggressively emphasised the ambiguous tenets of pan-Africanism and South–South solidarity as the basis of its regional and international engagement. Combined with its emphasis on sovereignty and non-interference in the internal affairs of other states, a common ground was found between South Africa and the rest of Africa. In addition, the successive push by the Thabo Mbeki administration of the African renaissance agenda and repulsion of US interference in Africa through the ‘African Solutions for African Problems’ mantra bolstered South Africa’s identity and image as an African country willing to identify with other African countries at the expense of its strategic partnership with the United States. As a result, South Africa played a pivotal role in the transformation of the Organisation of African Unity (OAU) into the African Union (AU) and the adoption of Article 4(h) in the Constitutive Act of the African Union. Article 4(h) gave the African Union the right ‘to intervene in a Member State pursuant to a decision of the Assembly in respect of grave circumstances, namely: war crimes, genocide and crimes against humanity’ (African Union 2001: 7). The fact that the Responsibility to Protect was adopted at a United Nations World Summit in Durban, South Africa four years after Article 4(h) came into effect reflected the strategic importance of South Africa to the United States as a responsible regional actor in Africa able to set a security agenda for the continent.

At face value, Article 4(h) appeared to reconcile Western liberal order norms of justice and the responsibility to protect with Mbeki’s pan-Africanist ‘African Solutions for African Problems’ agenda. However, by giving the African Union authority to decide whether to intervene in another African state, Article 4(h) pre-empted and delegitimised any future US attempts to intervene in African countries. Accordingly, Article 4(h) assisted South Africa to rhetorically support international responses to security problems in Africa while at the same time disempowering global powers such as the United States from taking any action in Africa. It therefore managed to make the United States the antagonistic *Other* while bridging the gap between South Africa’s Self and Africa as its non-antagonistic *Other*. In addition, it also gave South Africa more say in foreign intervention in Africa at both regional and international level. For instance, despite several condemnations of state-sponsored massacres in Sudan’s Darfur region, South Africa opposed US attempts to impose sanctions on Omar al-Bashir arguing that doing so would be tantamount to intervening in the internal affairs of an African country, which in terms of Article 4(h) is the domain of the African Union. As a result, the United States has expressed frustration over the incongruence between South Africa’s responsibility to protect and human rights rhetoric at the international level and its actual foreign policy behaviour regarding security in Africa at the regional level.

Impact of SA’s identity dilemma on US security interests in Africa

The overarching impact of South Africa’s identity dilemma on United States’ security interests in Africa is that the United States no longer has a reliable ‘strategic

partner' in South Africa due to its shifting allegiances. In 2008, a Congressional Research Service report for the US Congress described South Africa as one of its two African strategic partners, the second being Nigeria. To show the depth of US reliance on South Africa on setting the security agenda for Africa, President George W. Bush described Thabo Mbeki as his 'point man' (White House 2003), while US policy-makers regarded South Africa's democratisation process as the model for other African countries (Ploch 2008: 16). Furthermore, as one of Africa's largest beneficiaries of US assistance in Africa, the United States regards South Africa as an indispensable regional actor with extensive geo-economic and geopolitical influence in Africa. But, as South Africa seeks to carve its own sphere of influence in Africa, where it is also competing with China, Pretoria has shown greater propensity to pursue an independent foreign policy to achieve its own national interests. In the process, it has significantly alienated itself from the United States in order to 'dismiss the perception of those in Africa that it [Pretoria] operates, economically and politically, as little more than an embassy of Western views on the continent' (Herbst and Mills 2003: 48).

As part of its strategy to pursue an independent foreign policy in Africa, South Africa is opposed to a permanent stationing of US military in Africa. For instance, together with Nigeria, South Africa vehemently opposed the setting up of the United States African Command (AFRICOM) in Africa. AFRICOM is responsible for countering terrorism, strengthening the defence capabilities of African states and regional organisations and protecting US interests in Africa (AFRICOM 2016). South Africa refused to cooperate with AFRICOM and 'a team of senior U.S. military personnel visiting South Africa in March 2008 to discuss AFRICOM was unable to meet with any senior officials' (Lyman 2009: 299). Pretoria's public opposition to the relocation of AFRICOM in Africa is a reflection of its emerging power status and anti-imperialist identity. The US AFRICOM in Africa would in a classical realist logic diminish South Africa's influence on the continent. As a self-proclaimed representative of the African continent, South Africa considers Africa its sole sphere of influence. Nonetheless, interesting to note is that contrary to its public opposition to AFRICOM, South African troops have participated in US military training programmes raising concerns that South Africa might have been posturing in order to score diplomatic points in Africa as an anti-imperialist power. It also suggests that 'Pretoria has to engage in a difficult balancing act, keeping close enough to the US to have a voice, but independent enough to maintain its credentials in Africa and in the South' (Herbst and Mills 2003: 48). However, in openly and publicly opposing US military presence in Africa, South Africa is effectively delegitimising the US security presence and influence on the continent.

South Africa's combination of *Ubuntu* and Western liberal order norms has also proved to be problematic for the United States' engagement with Africa. With its main tenets being solidarity, communalism, interdependence and preference for the collective rather than the individual, the concept of *Ubuntu* is consistent with Pretoria's claims that it 'subscribes to the principles of sovereignty and noninterference in the internal affairs of other states' (DIRCO 2011: 20).

Having, however, identified itself as a 'responsible global citizen', South Africa is, for example, expected by the United States to take responsibility for protecting citizens in states that are either unwilling or unable in terms of the responsibility to protect. Yet in cases where South Africa has supported US military intervention in Africa, such as when it voted in favour of UN Security Council Resolution 1973 (2011) which authorised enforcement of a no-fly zone in Libya, South Africa was soon quick to distance itself from the NATO military intervention in Libya when it was criticised by other African leaders such as Robert Mugabe for naively giving in to the United States. Similarly, in 2006, Thabo Mbeki played an instrumental role in preventing Omar al-Bashir from taking on the rotational Chairmanship of the African Union. But in what seem to be a contradictory move, South Africa protested the imposition of sanctions against Sudan. The inability or rather unwillingness of South Africa to stand by its 'norm-based' decisions in the face of criticism by African countries has raised concerns in the United States that South Africa is willing to compromise on its international responsibilities for political and diplomatic expediency.

The same goes for South Africa's Rome Statute obligations that it has reneged on partly due to pressure from other African countries. As part of its obligations to the International Criminal Court (ICC), South Africa is expected by the United States to, for instance, apprehend suspects wanted by the ICC in accordance with its Rome Statute commitment. But, due to the obvious incompatibility between the Western liberal order norms of democracy, human rights and the responsibility to protect and its *Ubuntu* embodied pan-African ideals of 'African Renaissance' and 'African Solutions for Africa's Problems' that are opposed to Western interventionism and influence on African states, South Africa refused to arrest the President of Sudan, Omar al-Bashir, who is indicted by the ICC for genocide and war crimes, arguing that doing so was contrary to its own constitutional and African Union obligations. Although the United States implored South Africa to arrest Omar al-Bashir, the African Union and the majority of African countries instructed South Africa to give immunity to al-Bashir in honour of the African Union's directive that its Member States should not cooperate with the ICC. Caught in between the complexities of a West–Africa conflict of norms and ideas of justice and sovereignty, South Africa chose to side with the African Union and refused to arrest Omar al-Bashir.

Not only did South Africa refuse to detain Omar al-Bashir, in October 2016, it announced its formal withdrawal from the ICC. South Africa was one of the first countries to sign and ratify the Rome Statute, symbolising its commitment to international justice and human rights. Its robust judiciary and vibrant civil society and independent media were noted by the United States Congress in 2008 as what made South Africa a model of democracy and good governance in Africa. With its perceived moral and economic leverage over other African countries, South Africa was also considered by the United States as the bulwark of its security interests in Africa. Earlier, when Kenya lobbied other African countries to leave the ICC, South Africa refused to openly support Kenya or the African

Union's appeal for its members not to cooperate with the ICC. It was therefore a shock for the United States and the ICC when South Africa announced its withdrawal from the ICC, resulting in Burundi, Gambia and other countries expressing their withdrawal intentions. Although the United States is not a signatory to the Rome Statute, the ICC indirectly enabled the United States to hold African leaders to account without taking unilateral action against them. South Africa's withdrawal therefore reflects its ability to delegitimise global governance institutions perceived to be under the ambit of the United States, thereby diminishing US influence in Africa.

In pursuance of its independent foreign policy, South Africa has shown open disdain for US-preferred solutions to political and security problems in Africa. It has consistently 'taken a tough foreign-policy line towards some of its key Western partners, notably the UK and the US' (Herbst and Mills 2003: 41–2). An example is the protracted political crisis in Zimbabwe, where South Africa has accused the United States of meddling and seeking regime change. Thabo Mbeki also disclosed in a BBC interview that he had refused Tony Blair's request for military intervention in Zimbabwe. Pretoria has also voted against a UN resolution seeking to impose sanctions against the Mugabe regime. South Africa's refusal to coordinate its foreign policy with the United States and Britain on Zimbabwe is explained by Thabo Mbeki's emphasis on 'African Solutions for Africa's Problems' and the unwillingness of the South African administration to be perceived by other African countries as doing the bidding of the United States. Pretoria's insistence that the Zimbabwe crisis be resolved by the Southern African Development Community (SADC) is to a greater extent also motivated by the ANC's anti-imperialist sentiments, which are reflected in the South African Foreign Policy White Paper of 2011, in which Pretoria claimed that it 'has prioritised an Afro-centric foreign policy rooted in national liberation, the quest for African renewal, and efforts to negate the legacy of colonialism as well as neo-colonialism' (DIRCO 2011: 7). Accordingly, South Africa's position on Zimbabwe fits Pretoria's African renaissance agenda, and reflects its caution when dealing with security issues in Africa.

To distance itself from the imperialist tendencies of apartheid South Africa, as well as undermine the United States' ability to unilaterally intervene in African security issues, South Africa insists on multilateralism rather than unilateralism. Seeing institutions as being able to restrain US influence in Africa, South Africa has used its 'non-permanent membership as a strategic opportunity to advance the interests of Africa and the South. It will also champion the relationship between the United Nations and regional organizations, in particular the African Union' (DIRCO 2011: 25). Another reason is that it does not want to be seen as being domineering to other African countries for fear of arousing the ghosts of apartheid South Africa. Accordingly, in Africa, especially on security matters, South Africa prefers multilateralism as a mode of action rather than unilateralism in order to gain the acceptance of other African countries. Thus:

Pretoria has prioritised an African multilateralist diplomacy toward contentious African issues . . . the fledgling inter-African order that Mbeki, along with other leaders, helped forge in the African Union and the New Partnership for Africa's Development (NEPAD) has enabled Pretoria to reasonably navigate the minefields of African crises, Zimbabwe included.

(Kornegay 2007)

Accordingly, by advancing regional cooperation and pan-African integration, Pretoria is able to restrain US intervention in Africa, while at the same reassuring other African countries that South Africa will not use its economic and military preponderance in Africa to dominate Africa, but rather to transform the global governance architecture to benefit Africa under its leadership.

Conclusion

One of the major effects of a 'norm-based identity' founded on contradictory norms is that when a state's position in the international system changes, expectations for it to consistently behave according to its norm-based identity also increase. As discussed above, from 1994, South Africa's regional and international status dramatically shifted from being an isolated apartheid regime to being an emerging power 'worthy of attention in global decision-making' (The Presidency 2015: 153). But with a problematic norm-based identity founded on a contradictory Western liberal order and pan-African norms, and a constantly shifting *Self-Other* nexus, South Africa is faced with the perennial challenge of balancing its multiple identities to achieve its foreign policy objectives. Attempts to achieve the balance by dividing its foreign policy objectives and interests across three distinct regions, that is Africa, the West and the Global South, have instead increased the challenge resulting in foreign policy inconsistencies.

The combined effect of South Africa's emerging power status and the complexities of its contradictory multiple identities is uncertainty of which countries are its natural allies or enemies. As discussed above, the uncertainty is partly a result of Pretoria's failure to reconcile the expectation of Africa and the United States, which has resulted in conflicts in the regional and global roles that South Africa plays as it seeks to act according to what it perceives to be the expected behaviour.

Every emerging power needs a sphere of political, economic and diplomatic influence. With competition from the United States, China, India and Brazil over influence in Africa, the only competitive advantage that South Africa has is its 'Africanness' but that cannot be legitimately claimed if the rest of the African countries do not see South Africa as African enough. South Africa is therefore reorienting its national identity and foreign policy to accommodate international and regional realities within which it must operate. And that means choosing its strategic allies and friends, and sidelining those it considers not to be useful to its new global status. The United States is arguably in the short term not one of

the strategic partners that South Africa needs, therefore in distancing itself from the United States, it is delegitimising the US presence and influence in Africa. In addition, the election of Donald Trump and perceptions that Africa will not be a foreign policy priority for the Trump administration is in the short term an opportunity for Pretoria to stamp its authority as Africa's regional hegemon. But again, with its regional leadership disputed, South Africa will struggle to deal with the myriad conflicts on the African continent without the support of the United States or the West which funds most of the African Union's peace and security budget.

Since his election, Trump has through his statements and tweets threatened to bring seismic changes to US foreign policy and the exercise of its global power, while he seeks to redefine US relations with China, escalating US–China geopolitical conflicts. South Africa has in the recent past grown closer to China for diplomatic and economic reasons, building stronger ties with China rather than the United States. The most decisive test for South African regional leadership will be on how it handles what appears to be a brewing antagonistic relationship between China and the US president Donald Trump. In that respect, South Africa's conflicted identities will in the long term prove to be a liability, if it does not make clear who its allies and friends are. It therefore appears that South Africa will remain trapped in the operational complexities of its norm-based identity and the conundrums of the West–South conflict of ideas. Also, next in the foreseeable future is that South Africa, as it settles in its emerging power status, will not be a reliable strategic partner of the United States in Africa. Thus, as noted by Kenneth Waltz, 'the old and the new great powers will have to learn new roles and figure out how to enact them on a shifting stage. New roles are hard to learn, and actors easily trip when playing unfamiliar sets' (Waltz 1990: 222).

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11 China and Latin America

Rhys Jenkins

Introduction

Fifty years ago China's presence in Latin America was minimal. Only one country in the region, Cuba, had diplomatic relations with the People's Republic. Despite the existence of Chinese diasporas dating back to the late nineteenth century in several Latin American countries, economic links were insignificant. Some guerrilla groups in the region claimed to be Maoist but Chinese involvement in Latin American politics was minimal. Contrast this with the situation today where China has emerged as a significant external influence in the region. After Beijing replaced Taiwan as the representative of China in the United Nations in 1971 and the US recognized the PRC in 1979 an increasing number of Latin American countries established diplomatic relations. Since the start of the Millennium there has been a dramatic growth in trade relations between China and the region. More recently there has also been an increase in Chinese foreign direct investment (FDI) and bank loans to the region. China is now the largest trading partner for several Latin American countries including Brazil, Chile, and Peru and the largest foreign lender to Venezuela and Ecuador.

The growing presence of China in Latin America has been greeted with alarm in some circles in the US, particularly on the political right. It is seen as a challenge to US influence in the region and as undermining economic liberalization and political democratization. On the other hand, there are those who argue that China's interests in Latin America are primarily economic and that this contributed to the strong economic performance in the region during the first decade of the twenty-first century.

The first section of this chapter documents the growing economic, political, military, and cultural presence of China in Latin America. This is followed by an analysis of the main drivers of China's growing involvement in the region distinguishing between strategic political, strategic economic, and commercial motives. This leads to a discussion of the fears and concerns that have been expressed in the US over China's growing influence in the region and the extent to which China represents a challenge to US hegemony.

China's growing presence in Latin America: economic relations

Trade is central to Latin America's economic relations with China. In the late 1990s, total trade (imports plus exports) between China and Latin America was only around US\$5–8 billion a year. A dramatic growth in bilateral trade between China and the region has occurred since the turn of the century. Between 1999 and 2012 the total value of trade increased 33-fold to reach more than \$250 billion. Both imports and exports grew each year, apart from 2009 when they were affected by the global financial crisis. The growth of trade slowed in 2012, ceased in 2013 and 2014, and went into reverse in 2015 as both the Chinese and Latin American economies slowed down and global commodity prices fell sharply.

The growth of Chinese foreign direct investment (FDI) in Latin America lagged behind that of trade, only taking off towards the end of the first decade of the twenty-first century. According to the official Ministry of Commerce, People's Republic of China (MOFCOM) figures, the total stock of Chinese FDI in Latin America and the Caribbean (excluding tax havens in the Cayman and British Virgin Islands) at the end of 2015 was \$12.2 billion. This is certainly an underestimate of the real level of Chinese FDI in the region since MOFCOM only reports the initial destination of outward investment from China and not the countries where it finally ends up.

Other estimates of Chinese FDI in the region, based on media reports of new Chinese investments and acquisitions, come up with much higher figures. The Economic Commission for Latin America and the Caribbean (ECLAC) estimates that China invested over \$40 billion in the region between 2010 and 2013 (CEPAL 2015: Table II.4). Over a somewhat longer period the AEI/Heritage Foundation China Global Investment Tracker database reports over US\$80 billion of Chinese investment in the region between 2005 and 2015.¹ Estimates based on media reports may exaggerate the level of investment that actually takes place since some of the projects announced to the press are never implemented, so the real figure for Chinese FDI is likely to be somewhere between the official figure and these alternative estimates.

There has also been a growing involvement by Chinese firms in construction and engineering contracts in the region, particularly since the onset of the global financial crisis in 2008. These have included dams in Ecuador, Peru, and Argentina, railways in Argentina and Venezuela, and roads in Bolivia. Many more major projects have been proposed including a railway through Brazil and Peru to link the Atlantic and the Pacific and a canal in Nicaragua. Many of these infrastructure projects have been financed by Chinese loans. It has been estimated that between 2005 and 2016 the Exim Bank, the China Development Bank (CDB) and other Chinese state institutions lent a total of more than US\$140 billion to Latin America and the Caribbean.² As in the case of FDI, the

bulk of this lending has occurred relatively recently. Before 2007 Chinese lending to the region was minimal but since 2009 it has been substantial.

Chinese loans to Latin America were dominated by one country, Venezuela, which made up more than half the total loans identified by Inter-American Dialogue since 2005 and four countries (Venezuela, Brazil, Argentina and Ecuador) accounted for 95 percent of the total. Comparing the figures for Chinese lending with total official finance from other sources for the Latin American countries shows that China is a major source of funds for two countries, Venezuela and Ecuador. In 2015 Chinese loans accounted for around 60 percent of the total external debt of both countries (Trinkunas 2016: Table 3).

Political relations

Latin American countries (apart from Cuba) began to establish diplomatic relations with Beijing in the 1970s. Although all the main countries of the region now recognize Beijing, there are a dozen countries, mainly in Central America and the Caribbean, which continue to have diplomatic relations with Taiwan rather than the PRC. This makes it the most important region in the world in terms of Taiwan's external relations.

Growing economic relations between the major Latin American countries and China have been paralleled by closer political relations. China has published two White Papers on Latin America, the first in 2008 and a second towards the end of 2016. These set out a broad framework for its relations with the region. China established its first "strategic partnership" in the region with Brazil in 1993. This was followed by similar agreements with Venezuela (2001), Mexico (2003), Argentina (2004), Peru (2008), and Chile (2012). Chinese President Hu Jintao visited Latin America several times and this trend has been repeated by President Xi Jinping who has made three visits during his first four years in office. Most Latin American leaders have undertaken state visits to China often early on in their mandates.

China's relations with the countries of the region have remained primarily at a bilateral level but it has recently engaged in a number of regional initiatives. It was eventually allowed to join the Inter American Development Bank in 2008 after its application was initially blocked by the US. It has had observer status at the Organization of American States (OAS) since 2004 and has established dialogues with regional organizations such as MERCOSUR (Mercado Común del Sur) and the Andean Community. The first regional summit between China and the countries of the region (the China-CELAC Forum) was held in 2015. China sees CELAC, which does not include the US, as its preferred forum for multilateral cooperation with Latin America. It has created a number of regional funds to support projects in Latin America, including the China-LAC Industrial Cooperation Investment Fund and the China-Latin America Infrastructure Fund, both launched in 2015.

Military relations

Although there has been a growth in military links between China and some Latin American countries, this has been on nothing like the scale of economic activity. China recognizes that establishing military alliances or obtaining military bases in Latin America would be viewed with concern in the US (Ellis 2017). It has therefore confined its military engagement in the region to military exchanges, training, peacekeeping as part of the UN MINUSTAH UN Stabilization Mission in Haiti) peacekeeping force in Haiti and arms sales and technology transfer (Marcella 2012). China's 2016 Policy Paper on Latin America and the Caribbean devotes a very short paragraph to military exchanges and cooperation which emphasizes these aspects of military relations.

The most significant aspect of China's military engagement in the region has been the growth of arms sales that have been at least in part commercially motivated. In 2014 it was estimated that Chinese arms exports to Latin America came to \$130 million (Wilson 2015: 6) which represented a mere 0.1 percent of its total exports. Although China's arms sales to the region were almost equal to those of the US between 2012 and 2015, they accounted for less than 10 percent of total Latin American arms imports over the period, well behind Russia and the major Western European suppliers (Theohary 2016: Table 19).

China does not have the capability to challenge the US militarily in Latin America and there is no evidence that it is trying to do so. The military involvement of China in the region is dwarfed by the US presence in Latin America. It is also far less significant than the military presence of the US in China's own immediate neighborhood in East Asia and the Western Pacific.

Chinese “soft power”

China has sought to expand its “soft power” in Latin America as in other parts of the world, but up to now it has remained relatively limited, particularly compared to the US. Although China's Policy Paper devotes significant attention to “the Cultural and People-to-people Fields,” the extent to which these have been realized so far has been limited. In 2016 there were only 36 Confucius Institutes in existence in the whole of Latin America and educational exchanges remain limited (Piccone 2016: 7). In terms of media, the Chinese broadcaster, CCTV has only had a Latin American headquarters in São Paulo since 2010. This contrasts with the dominant position of CNN, Fox News, and other US channels in the region.

Overall public perceptions of China in Latin America are quite positive, although there is also some anti-Chinese feeling in the region (Armony and Velazquez, quoted in Piccone 2016). At least half of those surveyed in several Latin American countries (with the exception of Mexico) have a positive view of China. However, only in Argentina and Venezuela did a higher proportion of respondents take a favorable or very favorable view of China than of the USA (see Table 11.1).

Table 11.1 Proportion of those surveyed with a “favourable” or “very favourable” view of China and the US in 2015 (%)

	China	US
Argentina	53	43
Brazil	55	73
Chile	66	68
Mexico	47	66
Peru	60	70
Venezuela	58	51

Source: Pew Research Centre, *Global Indicators Database* (accessed 20 Jan 2017).

Drivers of China’s growing presence in Latin America

What factors have contributed to China’s growing involvement in Latin America since the beginning of the twenty-first century? Breslin (2013), analyzing China’s relations with the countries of the South, distinguishes between three main sets of Chinese objectives. First there are strategic diplomatic objectives of the Chinese government which include the isolation of Taiwan, obtaining diplomatic support in international fora and increasing China’s “soft power,” presenting it as an alternative to the West. Second there are strategic economic objectives which include the security of supplies of energy and mineral resources and reducing dependence on trade with the West. Finally, there are the commercial objectives of firms and entrepreneurs seeking new sources of profit and opportunities. This provides a useful framework within which to analyse the drivers of China’s relations with Latin America.

Strategic diplomatic objectives

There are those, particularly in the US, who see China’s expansion in Latin America as part of a broader geopolitical strategy. This view is especially prevalent among neo-conservatives who regard China’s growing involvement as a strategic threat to US interests in the region.³ Chinese scholars, in contrast, stress that China recognizes that Latin America is a US sphere of influence and has been very careful to avoid antagonizing the US by allying itself too closely with Latin American governments that are hostile towards the US. As Jiang Shixue (2008: 40) comments: “China is well aware of the fact that the United States considers Latin America its backyard, and China has no intention of challenging US hegemony in the region.” This is consistent with the view, attributed to Deng Xiaoping, that China should keep a low profile in international affairs.⁴ It corresponds closely to the official view of the Chinese government which emphasizes China’s “peaceful rise”⁵ and a “harmonious world” (Shambaugh 2013: 25).

Most non-Chinese commentators share the view that China's increasing relations with Latin America are not primarily politically motivated and that closer political relations with China are a consequence rather than a cause of China's growing economic involvement (Trinkunas 2016). The pattern of Chinese trade and investment in Latin America is consistent with China's emphasis on national sovereignty and non-interference in the internal affairs of other countries, which means that it is willing to do business with a range of different regimes. It has developed strong economic links with countries such as Chile and Peru which are more closely allied with the US as well as countries which have been more critical of US imperialism such as Venezuela and Ecuador.⁶ It has also been concerned to maintain relations with Latin American countries even when the government has changed from left to right of center as occurred in Argentina when President Macri replaced Christina Fernandez de Kirchner in 2016.

One area where political factors have clearly trumped economic objectives is in relation to Taiwan. Competition with Taiwan to obtain diplomatic recognition under its "One China Policy" was a consistent feature of Chinese foreign policy up to 2008 and has become so again with the election of a Democratic Progressive Party president in Taiwan in 2016. This competition has been particularly intense in Central America which has the largest concentration of countries of any size which still recognize Taiwan (Aguilera-Peralta 2010). In 2007 Costa Rica broke off relations with Taiwan and established them with the PRC. As a result, China bought US\$300 million of Costa Rican government bonds and provided US\$20 million in aid for reconstruction after major flood damage.⁷

Governments, including Paraguay, Nicaragua, and El Salvador, have expressed an interest in recognizing the PRC, but none has done so. It seems that in recent years, diplomatic relations are no longer a prerequisite for Latin American countries to have economic relations with China. This is most dramatically illustrated by the planned construction of the inter-oceanic canal by the Hong Kong Nicaragua Canal Development Investment Company (HKND) through Nicaragua, which still has diplomatic relations with Taiwan.

Strategic economic objectives

The most important strategic economic objective of the Chinese government in Latin America is to ensure a secure supply of resources, particularly oil and minerals. Latin America is also important to China in terms of its strategy for food security since it is a major supplier of soybeans which are used as animal feed. Oil, minerals, and agricultural products have accounted for 85 percent of China's imports from Latin America in recent years. Energy is the most important sector for Chinese FDI in Latin America accounting for more than half of the total announced between 2005 and 2015, followed by metals (which includes mining) which made up a further 30 percent.⁸ Many Chinese loans are also linked to resource extraction with more than half of the total lent to the region being backed by oil (Bräutigam and Gallagher 2014: Table 1).

China's strategy for increasing the security of resource supplies involves diversifying the countries which supply it with imports, acquiring ownership of foreign resources, and signing long-term contracts with suppliers (often as part of loan deals). Oil is clearly the most strategic commodity imported by China from Latin America. Although access to minerals is critical for particular industries such as steel and electronics, the significance of oil is more all pervasive through its role in energy supplies and transport. What is more, China has become increasingly dependent on imports which by 2015 accounted for two-thirds of Chinese oil consumption (BP 2016). Although oil does not constitute a major part of Latin America's exports to China, the region has helped diversify its sources of supply as it increased its share of Chinese imports from less than 1 percent in 2003 to 8 percent in 2011 (Camus *et al.* 2013: Figure 4.6). The Chinese government has also encouraged the major state-owned oil companies, CNPC, CNOOC and Sinopec to invest in the region and has provided loans through the policy banks, CDB and China Exim Bank, which are guaranteed by oil sales.

Minerals, particularly iron ore and copper, are the most important group of products exported from Latin America to China. Chile and Peru are important sources of copper and Brazil of iron ore, but there is little evidence of a coordinated Chinese strategy to use relations with Latin America to increase resource security. There has been some investment by Chinese mining companies in Latin America, particularly in Peru, but the desirability of foreign investment as a means of overcoming "resource insecurity" has been controversial in China. While some policy thinkers see it as a major motive for investing in foreign mines, others have argued that it is a high-risk strategy. A State Council report in 2004 pointed to the risks of acquiring poor quality resources, unexpected changes in host government policy, social instability, and macroeconomic problems.⁹ Also, in contrast to oil, there have been no reported mineral-backed loans in the region suggesting that strategic economic concerns have not been a significant factor.

Food security is a strategic objective of the Chinese government but this has been achieved largely through domestic production of major foodstuffs in China. Rising standards of living have increased meat consumption in China and this has led to a growth in the demand for feedstuffs. As a result, imports of soybeans have grown enormously. Three countries supply the bulk of Chinese imports of soybeans: Argentina, Brazil, and the US. Imports from Latin America have helped ensure that China does not become overly dependent on the US for a key input required to ensure food security. The Chinese government has had a clear strategic interest in expanding imports of beans from Latin America. However, China has not been involved in purchases or leasing of land on a significant scale and what there is does not necessarily contribute to food security in China (Jie and Myers 2017).

A second strategic economic objective for China is to obtain markets for Chinese goods and to reduce its reliance on the North American and European markets, particularly in the aftermath of the global financial crisis. Although Latin America only accounted for 6 percent of China's total exports, it contributed 10 percent to the growth of Chinese exports between 2007 and 2012 (UNCTADStat).

When China joined the WTO in 2001 many Latin American countries did not grant it “market economy” status which made it easier for them to take anti-dumping measures against Chinese exports. Obtaining this status became an important aim of Chinese economic diplomacy and several countries including Argentina, Brazil, Chile, and Peru agreed to recognize China as a market economy, during President Hu Jintao’s visit to the region in 2004. China has also signed FTAs with three Latin American countries, Chile, Peru, and Costa Rica, which has improved access to those markets for Chinese exporters. There have also been discussions of possible FTAs with Colombia and Uruguay.

Chinese loans to Latin America have also been used to promote exports either through direct tying to Chinese goods or by denominating part of the loan in RMB which can only be used in China. In Venezuela, for example, loans have been used to import machinery from XCMG Construction Machinery Company (Sanderson and Forsythe 2012: 137). In 2010 the Venezuelan government signed a contract to buy 300,000 household electrical appliances from the Chinese firm Haier to provide to low-income households.

Commercial objectives

Although the growing relations between China and Latin America have been driven in part by the strategic economic interests of the Chinese state, particularly in relation to energy security, it is to a large extent a result of China’s rapid growth and the process of globalization. The commercial objectives of the firms involved in trade, investment, and lending have played a major role.

The pattern of trade between China and Latin America is to a considerable extent a reflection of their comparative advantage, with Latin America being a relatively resource-rich region with abundant agricultural land relative to its population while China is resource scarce and labor abundant. Although market forces are modified by government trade and industrial policies, commercial considerations play a major role in driving both Chinese imports from Latin America and exports from China to the region. Latin America is a low cost source of the copper, iron ore, and soybeans which Chinese producers require and China has been a booming market for Latin American exporters. At the same time transnational corporations producing computers, mobile phones, TVs, and many other products have used China as a low cost base to supply their Latin American operations. Department stores and retailers in the region have also sought out cheap Chinese products in order to increase their profit margins. Meanwhile Chinese manufacturers, facing intense competition and excess capacity at home, have also been motivated to find new markets.

Despite the fact that the bulk of Chinese investment in Latin America has been by SOEs, studies of particular sectors and firms support the view that, while enjoying government support, they operate with considerable autonomy and their investments reflect their commercial interests. This is particularly true of provincial and municipally owned SOEs which have become increasingly important sources of foreign investment, but even those which come under the central

government are not necessarily centrally controlled. The oil industry accounts for a major share of Chinese investment in the region and is all in the hands of the four central SOEs. However, despite this, the oil companies enjoy considerable autonomy and their investments in Latin America are largely motivated by long-term profitability and growth. One illustration of this is the fact that half of the oil obtained by Chinese companies in Venezuela is not exported to China to enhance the country's energy security, but sold on international markets with most of it being exported to the much closer US market which is more profitable for the companies (Hogenboom 2014: 636).¹⁰ In this case it seems that the commercial interests of the oil companies weigh more heavily than China's resource security.

In mining there is a greater variety of forms of Chinese ownership than in the oil and gas industry, including provincial and municipal as well as centrally owned SOEs and private firms.¹¹ Despite receiving state support, these firms follow profit-driven strategies. Some companies are vertically integrated and own mines in Latin America to supply their downstream operations in China. Shougang Iron and Steel made the first investment by a Chinese SOE in Latin America in 1992 when it bought the Marcona mine from the Peruvian government. This was long before China adopted the "Go Global" strategy and was prompted by a desire to obtain reserves with a high iron ore content to supply its Chinese iron and steel plants (Gonzalez-Vigil 2012: 51). Other Chinese companies such as Minmetals and some private miners were content to sell minerals on the market.

Although the main Chinese lenders to Latin America, the CDB and the China Exim Bank, are policy banks whose mandate is to promote Chinese development, they too enjoy a degree of autonomy in their operations. The banks' use of oil-backed loans in Latin America is a way in which they can reduce the riskiness of lending to countries with low credit ratings such as Venezuela and Ecuador. By lending to these countries, they can obtain relatively high returns without having to bear an excessive level of risk because payment is made through the sale of oil to Chinese companies (Sanderson and Forsythe 2012: ch. 4).¹²

Implications for the US of China's growing presence in Latin America: US fears over Chinese influence

For more than a decade now, China's growing involvement in Latin America has been giving rise to concern in certain circles in the US. Various Congressional Committees have held hearings which have examined Chinese influence in the region. These have highlighted a number of fears, particularly on the political right. Congressman Dan Burton in a statement at a hearing before the House of Representatives' Subcommittee on the Western Hemisphere stated:

I am very concerned with the rise of influence China is pursuing in our Hemisphere and I believe it is important that the United States grasps the economic, social and national security implications of a Latin America under the thumb of China. Once China is able to move in and expand control, it will be difficult to turn the tide.

(Burton 2008)

The US has opposed the involvement of external powers in the Western Hemisphere since it announced the Monroe Doctrine in 1823 regarding Latin America and the Caribbean as its sphere of influence. China is seen as threatening US interests in a number of different ways. First it represents a challenge to US hegemony in the region. Some commentators see this as a reflection of China's geopolitical strategy of creating a multipolar international system in place of one dominated by the US (Xiang Lanxin 2008).¹³ It has also been suggested that China is expanding its presence in Latin America in order to counter the massive presence of the US in East Asia and the Western Pacific (Yu 2015). Others see China moving into a vacuum that has been created by the US neglect of Latin America since 9/11. Whatever the cause, the existence of an alternative power in the region increases the bargaining power of the Latin American states and indirectly weakens US leverage for advancing its policy goals (Ellis 2017: 38).

Some of those who believe that the rise of China is a threat to US geopolitical interests in Latin America also argue that China's growing influence undermines democracy in the region. The Chinese model suggests that a society can lift itself out of poverty using a model of growth that is not necessarily democratic. Although many elements of the Chinese development model are not applicable to the Latin American case, the model sends out the message that discipline, not democracy, is the key to development and prosperity (China-Latin America Task Force 2006: 21).

A further concern is that relations with China are undermining economic liberalization and free market policies which were adopted in Latin America after the debt crisis of the early 1980s. The availability of export revenues and Chinese investment and loans has enabled countries to engage in nationalizations and populist economic policies which have negatively affected US economic interests in the region (Ellis 2017: 40). This is further aggravated by government support for Chinese firms which gives them an advantage over US competitors in the region leading to a loss of market share for US companies. There has also been a concern that Chinese investment and commodity-backed loans to the region are "locking up" resources, making it more difficult for the US to obtain access to them.

How significant is China for Latin America compared to the US?

Economically, although trade between China and Latin America has grown rapidly, the US remains more important than China in terms of its share of the region's total trade. The share of Latin American exports going to China rose from less than 2 percent in the early 2000s to 9 percent by 2015, while imports from China increased from just over 3 percent to almost 18 percent over the same period (see Table 11.2). China has already overtaken the European Union as a source of imports for the region and is narrowing the gap as a destination for its exports. The US continues to be a more important market for Latin America than China, but this partly reflects the close ties between Mexico and the DR-CAFTA countries and the US.

Table 11.2 Shares of Latin American trade to China, US and EU, 2015 (%)

	<i>Latin America & Caribbean</i>	<i>South America</i>	<i>Mexico, Central America & Caribbean</i>
Exports			
China	9.0	16.1	1.7
USA	44.4	15.8	73.5
European Union	10.7	15.2	6.1
Imports			
China	17.7	19.2	16.3
USA	31.6	18.3	43.7
European Union	13.8	17.0	10.8

Source: UNCTADStat, Merchandise Trade Matrix – Product Groups, Exports in Thousands of Dollars, Annual, 1995–2015 and Merchandise Trade Matrix – Product Groups, Imports in Thousands of Dollars, Annual, 1995–2015. <http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx>. Downloaded 6 March 2017. Reprinted with the permission of the United Nations.

Despite the recent increase in Chinese foreign investment, the share of China in total inward investment in Latin America remains very low. Recent estimates suggest that, based on official figures, China accounted for less than 1 percent of both the annual inflow and the stock of FDI in the region.¹⁴ Even taking the higher ECLAC estimates, the share of China in inward investment in recent years has only been around 5 or 6 percent of total inflows (CEPAL 2015: 36). This still means that it is a relatively minor player compared to the European Union with 40 percent and the USA with 25 percent of the total (ECLAC 2013: 11).

Chinese loans to Latin America are much greater than official lending by the US government. However, this is rather misleading since the bulk of US lending to the region comes from the private sector. The bulk of Chinese lending to the region goes to two countries, Venezuela and Ecuador. These are regarded as high risk by international financial markets and have therefore relied heavily on Chinese financing. Other countries in the region receive little funding from China relative to other sources.

A more disaggregated analysis of economic relations between China and Latin America shows a significant difference between South America on the one hand and Mexico, Central America and the Caribbean on the other. By 2015 China was marginally more important than the US both as a market for South American exports and as a source of imports. In contrast for Mexico and Central America and the Caribbean the US was substantially more significant on both counts (see Table 11.2).

A similar pattern of concentration of China's economic interests in South America and limited involvement in Mexico, Central America and the Caribbean (apart from Cuba) is apparent in the distribution of Chinese FDI and loans. Eighty-five percent of the total stock of Chinese OFDI in Latin America and the Caribbean (excluding the tax havens of the Cayman Islands and the British Virgin Islands) were in South America.¹⁵ Chinese loans are even more

heavily concentrated with more than 95 percent of the total lending by the Chinese policy banks since 2005 going to South America.¹⁶ However, although China is slightly more important than the US for South America in terms of trade, both imports and exports are fairly equally divided between the US, China, and the European Union, and China is far from playing a dominant role. It is also not a dominant player in terms of financial flows to the region. As was seen earlier China's military involvement (including arms sales) in Latin America is minimal, particularly when compared to the US. Similarly, despite claims about the attraction of the Chinese model and the efforts of the Chinese government to promote cultural ties with Latin America, China's soft power in the region is extremely limited compared to the US.

Implications for the US

The existence of alternative markets and sources of finance for Latin America does reduce the leverage that the US has over Latin American states and provides the latter with more "policy space." Paradoxically, though, in the case of the Central American countries, the fear of Chinese competition in the US market contributed to their signing the DR-CAFTA trade agreement which strengthened relations with the US.

In some South American countries increased export revenues from the commodity boom and loans from China made it easier for governments to move away from neo-liberal economic policies and to reduce inequality in the first decade of the twenty-first century. The shifts in economic policy in Latin America were primarily due to the political changes that occurred in a number of countries with the election of left-wing governments in the first decade of the twenty-first century and growing disillusion with neo-liberal policies, rather than the influence of China. Moreover, some of the policy reforms that had been introduced remained in place and there was not a wholesale return to the statist policies that prevailed in the region in the 1950s and 1960s (Stallings and Peres 2011).

The claims that the growing involvement of China in the region is undermining US efforts to promote democracy in Latin America needs to be treated with a pinch of salt. The history of US policy does not indicate that it is an unequivocal supporter of democracy, nor has China shown a preference for authoritarian regimes in Latin America. Commentators on Chinese involvement in Latin America have noted the development of relations between China and a variety of different types of regimes (Dominguez 2006; Trinkunas 2016). This is consistent with China's long-standing declarations on national sovereignty and non-interference in the internal affairs of other countries. Unlike the US, China has not attempted to export either its own economic or political model to Latin America.

Although, as was seen earlier, the US share of Latin American imports has declined while that of China has increased in recent years, this does not necessarily mean that US firms are being displaced by Chinese companies in the region. A significant share of China's global exports are in fact made by foreign

companies, some of them US-owned firms. Although there is no comprehensive data on which firms export from China to Latin America, it is clear that many of them are not Chinese.¹⁷

Another economic concern is that China's involvement in resource extraction is "locking in" Latin American resources and reducing their availability to the US. Studies which have examined this claim have found it to be ill founded. On the contrary Chinese investments in Latin America and elsewhere have tended to increase the supply of raw materials on the global market (Kotschwar *et al.* 2012; Economy and Levy 2014). Chinese companies have also been willing to export from Latin America to the US as has occurred with oil from Venezuela.

Conclusion

China's growing presence in Latin America has been driven primarily by strategic economic and commercial interests. It has paralleled China's rise to being the second largest economy in the world and its emergence as a foreign investor and lender. The growth of political, military, and cultural relations have followed on from the economic relations rather than being major drivers in their own right. China still lags a long way behind the US in terms of its significance for Latin America although the gap is narrowing in South America. Geography is likely to ensure that China will not become more important than the US in Mexico, Central America, and the Caribbean.

At present the triangular relationship between China, Latin America, and the US may be at a crossroads. Up to now China has regarded its relationship with the US as more significant than its relations with Latin America. If, however, the Trump administration in the US pursues a hostile policy towards China, both in terms of protectionist policies and in relation to Taiwan, then China may well seek to increase its political influence in Latin America. At the same time a more protectionist US will undermine the economic model of integration with the US economy that has been pursued in Mexico and Central America and the Caribbean, making closer economic and political relations with China more attractive.

Notes

- 1 China Global Investment Tracker available at: <http://www.heritage.org/research/projects/china-global-investment-tracker-interactive-map>. An even higher estimate, also based on media reports, is provided by the *Monitor de la OFDI China en ALC* of REDALC available at: <http://www.redalc-china.org/monitor/>.
- 2 The InterAmerican Development Dialogue China-Latin America Finance Data Base can be accessed on line at: http://www.thedialogue.org/map_list.
- 3 See Sun Hongbo (2012) for a Chinese perspective on US views of the threat posed by China.
- 4 The terminology used was that China should "bide its time, hide its brightness, not seek leadership, but do some things." At the 2010 annual meeting of China's Association of International Relations participants agreed to nine principal policy recommendations, among them: "Do not confront the United States"; "Do not be the chief of the 'anti-Western camp'" (Shambaugh 2013: 19–20).

- 5 The term “rise” was regarded as too threatening and replaced by “peaceful development” in government terminology (Shambaugh 2013: 21).
- 6 Although the close economic links between China and Venezuela might seem to support the view that China is motivated by a desire to support a regime that is hostile to the US, in fact it was the Chavez government that sought support from China which proved reluctant to respond out of a concern not to provoke a confrontation with the US (Corrales 2010).
- 7 Taiwan responded by offering additional aid to two of its allies in the region, Guatemala and Nicaragua (Aguilera-Peralta 2010: 177).
- 8 Own calculation from American Enterprise Institute/Heritage Foundation, *China Global Investment Tracker*. <https://www.aei.org/china-global-investment-tracker/> (accessed 18/10/16).
- 9 Quoted in Koch-Weser (2014: 14).
- 10 Sanderson and Forsythe (2012: ch. 4) suggest that part of the oil obtained by Chinese companies in Brazil and Ecuador is also sold on the world market rather than being exported to China.
- 11 For accounts of Chinese mining investment in Latin America see Koch-Weser (2014), Gonzalez-Vigil (2012), Kotschwar *et al.* (2012).
- 12 Economy and Levy (2014: 56) point out that some loan-for-oil agreements allow the amount of oil supplied to be reduced when the oil price rises. This makes sense if the purpose of the deal is to reduce the risk of the loan, but not if the aim is to secure supplies for China.
- 13 This is part of a broader debate in international relations on whether China is a status quo power or a revisionist power and how far it is seeking to change the global order. See Shambaugh (2013: chs 3 and 4), Strüver (2014).
- 14 Calculated from MOFCOM and UNCTADStat data.
- 15 Own calculation from MOFCOM (2016: Table 2).
- 16 Gallagher and Myers (2016).
- 17 Among the largest importers to Brazil from China are Dell, Samsung, LG, and Microsoft. Data from Secretaria de Comércio Exterior (SECEX), Ministério do Desenvolvimento, Indústria e Comércio Exterior.

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12 Russia's challenge to US hegemony and the implications for Europe

Maxine David

Introduction

Russia is an important case for understanding external perceptions of US hegemony, of the strengths and weaknesses of the USA in its international relations and the consequences of US decline for other actors. In recent years, Russia has been described variously in US quarters as resurgent, aggressive, a destabilising actor, a threat. That Russia has challenged US hegemony in a range of spheres is undeniable, its motives for doing so interpreted in ways ranging from self-interest to a more normatively based opposition to hegemony. Disentangling Russian views of US hegemony versus its views on hegemony at a more abstract level is a difficult task and perspectives inevitably reflect subjective opinion. Underpinning the analysis here is that Russia views unipolarity as the natural consequence of hegemony and as inherently destabilising, but that it does so within the context of having interests of its own. Thus its defence of the United Nations, for instance, is a principled one but one which also serves Russian interests. Two potential consequences of Russia's challenge are identified: Russia replacing the US as global hegemon; the diminution of US power such that it becomes one of a number of equals and the world order a multipolar one. The first of these is not treated here as a serious ambition or outcome, the second is.

Before outlining the structure of this chapter, two caveats are in order. First, despite including Russia in a book about emerging power and despite Russia's membership of the BRICS, suggesting it is an emerging power, this conceptualisation of Russia is rejected because this would be to deny the length and intensity of Russian influence in international relations. Instead, Russia is treated here as a *re-emerging* power, a state determined to be seen as an equal, to refuse the fact of another's hegemony. Second, there is no intention of suggesting that Russia can compete equally with the USA in any, let alone all, of the areas in which US hegemony is established. Rather, Russia is seen here as having capacity to act as a spoiler to US ambitions and to undermine its dominant position in the world. In recent years, the evidence is that Russia has achieved just that, albeit not to the extent that many Western media outlets might have us believe. Whether Russia has achieved its goal of bringing about a multipolar world order is far more debatable and, where there are signs of US decline, there is little reason for claiming this as a consequence of solely Russian action – or Russian action at all.

The chapter begins by setting out those elements of US hegemony which Russia seeks to challenge. In compassing the political, military, cultural and economic arenas, this must be seen as a comprehensive challenge to be treated with due seriousness, but it is also a challenge which should not be overstated nor an over-abundance of agency attributed to Russia. The analysis that follows focuses on the political and military arenas, arguing that there are distinctive differences between the values that underpin US and Russian visions of the world, as set out in their respective foreign policy discourses, and an increasing willingness on the part of Russia to defend that vision. These arenas are selected by virtue of the fact that, economically and culturally, Russia is far less of a threat to the US than in the other domains. An undoubted weakness of Russia is in relation to the economic aspects of hegemony; in pure material terms, there is no comparison. World Bank (2016) data show the GDP of the USA as spanning USD 16–18 trillion for the years 2013–15 compared to Russia at USD 1–2.2 trillion. While Russia has experienced an impressive upward trend since Putin first came to power, Russia remains far off the economic capacity of the USA. Here, also, Russia has evidenced no capacity to impose its will on others beyond those in its immediate neighbourhood or to build a coherent alternative economic narrative and pole of attraction in the manner achieved by China.¹ At the same time, the financial crisis of 2008 and the subsequent yet still emerging crisis of legitimacy for capitalism is doing much of the work for Russia. A little time is spent on looking at Russia's membership of organisations that see it working with others to pursue their separate and combined interests, including challenging US dominance. Nevertheless, any decline in US hegemony in relation to economics is treated as having far less to do with Russia than other factors and actors. Culturally, language alone renders it that much more difficult for Russia to come close to matching US dominance² while other emerging powers have made greater inroads in terms of winning international audiences over to their cultural offerings (China's and India's film industries, Japan and anime and manga, for instance). Russia has laid claim to its own version of soft power but, as others have shown, its power of attraction is dulled by the pre-existing conceptions of those to whom it tries to appeal.³

After an examination of Russia's membership of key regional and international organisations that see it working with others to balance US hegemony, the chapter looks at two cases in brief: internet governance; and the collision of values over Syria and the turn to harder balancing against the US. Syria is selected as an area in which Russia has capitalised on US indecision and exploited the vacuum its limited action there has left. One of the emergent mainstays of the post-Cold War era was the move towards the defence of human rights through humanitarian interventions, often at the expense of the ordering principle of state sovereignty. Syria has additionally functioned as a sort of stage set for a display of Russian military power. Thus, through its actions in Syria, Russia has seized the opportunity to show the limits of US soft and military power. In so doing, perceptions of US weakness and Russian strength, no matter how ill-founded, have resonated in various global capitals, equating to small and yet significant shifts in

global power relations, shifts away from the US. First, however, some discussion of hegemony itself is in order.

Hegemony

That US hegemony is the subject of much debate is evidenced most clearly by the plentiful literature that has posited US decline since at least the late 1980s (see, for instance, Ikenberry 1989). That the US is still hegemonic is evidenced most clearly by the fact that others continue to challenge its status as hegemon and to balance against it, as other chapters in this collection surely make clear. As part of a book premised on US hegemony, this chapter accepts its hegemonic status with a view to exploring whether and how Russia represents a challenge to it. Whether speaking of US primacy (Maass, Norrlof and Drezner 2014; Owen 2001–2), pre-eminence or preponderance (Nye 2002–3), these and other scholars are united in reflecting on the US's status as the world's most powerful player, the basis of that status and the likely longevity of it. The questions raised by this literature are pertinent to the examination undertaken here. Some prefatory explanation of hegemony is therefore necessary to understand the ways in which Russia might and does challenge it. As the analysis proceeds, it will become clear that Russia's challenge to the US as hegemon is often framed as a question of legitimacy, that legitimacy taking two forms: the destabilising potential of hegemony and the normativity that underpins the US's claim to hegemony but which is contradicted by its behaviour. Thus whether scholars have interpreted hegemony positively or negatively is worth exploring in brief.

The US's status as global hegemon is contingent on it being the dominant power in multiple geographies and multiple ways. This means in practical terms that the US is deemed hegemonic on the basis of its economic, military, technological and cultural primacy extending far beyond the American continent. Further, 'the hegemonic nation dominates the creation of the rules and institutions that govern international relations in a particular age' (Ikenberry 1989: 378), thus, most commonly, the US is credited with establishing the liberal post-war world order.⁴ Unsurprisingly, differing conceptions of power underpin perspectives about hegemony. Scholars are divided on the question of whether hegemony is achieved through sufficient persuasive or coercive forms of power and therefore on the relative benignity of any hegemon. Sitting in the camp of those less favourably inclined towards hegemony, Mead (1987) saw the imperialistic power wielded by the USA as being the potential cause of its own decline. In this conception, US primacy was built on a lack of respect for the sovereignty of developing and less developed states and an obstructive approach to their growth. The US, Mead said, would not simply find itself challenged by rising powers such as Germany and Japan but would face increasing resistance to its illegitimate acts and detrimental social effects. Mead's solution was for the US to build a real compact with such states, retreating from the militaristic interventions of the Reagan era, instead recognising the effects of US policy in the developing world and seeking to redress the balance by installing a more just system. Aside from

the resistance and the deharmonising effects that Mead identified, scholars have also pointed out the dangers of hegemonic war, most notably as challengers sense weakness on the part of the hegemon and scope to exploit that weakness. While much of this literature is focused on states as the counter-hegemons, a body of work that may (in the context of growing populism) now be seeing its time is the neo-Gramscian work that foresees counter-hegemonic challenges emerging from a transnational civil society (Robinson 2005).

Others have been ambivalent, seeing the potential for positive or negative consequences, depending on the behaviour of the hegemon at any one time as well as the perceptions of other significant actors (Lieven 2002; Nye 2002–3). Still others have been more approving, seeing US hegemony as a stabilising influence, most clearly seen in the hegemonic stability theory literature (Gilpin 1981). Here, legitimacy is focused on security aspects. Russia has been particularly critical of this (Monaghan 2006), being consistent in its view that a unipolar system is an inherently unstable one, a viewpoint reinforced by what it has seen as irresponsible, destabilising behaviour by the US. Therefore, when analysing Russian resistance to US hegemony, whether self-serving or not, it is worth remembering that Russia is not, and has not been, alone in its criticism of the US's behaviour. For many, the US's hegemony was contingent too on the invitation of others, particularly many European states which saw their security as dependent on US power, Ikenberry going so far as to say that 'U.S. hegemony in Europe was largely an empire by invitation' (1989: 376). The strand in the literature that speaks of the US as a reluctant hegemon is not irrelevant to the discussion in this chapter given the current context and doubts, confusion even, over the future direction of US foreign policy under the Trump administration. Scholars identifying this sometime trend in US foreign policy have also pointed out that the US hoped to rely on a system of its own making that would regulate the behaviour of others (Ikenberry 1989).

The question of the USA's ability to retain its status as the global hegemon has been debated for most of the post-Cold War period, focused on the related questions of whether, how, for how long and why. Questions of both agency and structure have figured highly in these debates: would the US fight to retain its status; would others seek to usurp the USA; what would be retained of US-imposed global structures; what would be replaced; and what would a different global order look like? Thus the likelihood of the US retaining hegemonic status rests, fundamentally, on two pillars: its own willingness to do so and the willingness of others to let it. At the time of writing, with a new presidential administration latterly sworn in, the question of US agency is an important one. Donald Trump has, at various times, suggested US foreign policy in the coming years will be more isolationist, undermining one of the major tools of US hegemony, its network of alliances and friendships, particularly those in the transatlantic community. Whether that network will serve as an efficient structural constraint is an unknown, though the US's current hegemonic status obviously suggests it has capacity to act in an unrestrained, relative to its allies, manner.

Writing in the current context, it is almost impossible, therefore, to escape the feeling of being held hostage to fortune. With a new president in the White House and one who, on the basis of evidence so far,⁵ seems committed to a non-values-based policy agenda, indeed one who evinces signs of the same willingness to undo the liberal world order as Putin himself, an emerging challenge reduces in significance. It would be a mistake, however, to see a new US presidency as a complete break in US relations with external actors. As the entirety of this collection indicates, no less important is the agency of others, especially those deemed ‘emerging’ or ‘rising’, Thus in respect of the willingness of others to concede to or challenge the US, this chapter will argue for anticipating a good deal of continuity in Russia’s attitudes and actions towards the USA. Despite understandable debate about the emergence of China and the impact this will have on US hegemony, it is Russia’s open hostility to an international system predicated on unipolarity, perhaps most particularly *American* unipolarity, that has most recently looked set to test US hegemony in a range of features and geographies.

From this discussion, it is worth re-emphasising one point. If hegemony is the ability to set those rules by which others abide, one test for any actor seeking to challenge US hegemony is the extent to which it can subject hegemonic rules and, indeed, discourses, to significant challenge and to establish credible alternatives that diminish the US-established status quo.

Russia’s emergent challenge

To describe Russia as an emerging power is to deny its long, and recent, history as a power, a superpower, in international relations. Indeed, in its characterisation by some as an emerging power lies the clue to the aggressive manner in which Putin has pursued Russian foreign policy in the last few years. Nevertheless, absencing Russia from this collection would have been to ignore the similarities between what this chapter identifies and that which is identified elsewhere in the collection. Thus, on the basis of those similarities, as well as the perceptions of some as emerging, Russia is an important fixture in the rationale for the book. Russia has been very effective in forcing debate about culpability in the post-Cold War environment. While the failings of its own leaders are acknowledged by scholars, the USA, for a variety of reasons, also comes under a good deal of fire (see Deyermond 2012; Roberts 2014) and the Russian view of US hegemony often vindicated.

The Russian view of US hegemony

The Kosovo Crisis and the role of the US in it is rightly identified as a defining moment in the evolution of post-Cold War Russian foreign policy. It is therefore worth spending a little time examining the scholarly analysis and Russian officials’ discourse around it. Gorodetsky (2003), for instance, saw Kosovo as constituting a ‘wake-up’ call for the Kremlin, while Baranovskii (1999) spoke of the line that the Kremlin drew between Serb weakness and Serb suffering,

causing subsequent changes to the Russian Military and Security Doctrines as recognition by Moscow that it would go the way of Serbia if it was weak. For Russia, NATO's actions were synonymous with the actions of the US. The 2000 Russian Foreign Policy Concept (FPC), written after the 1999 Kosovo Crisis and NATO's enlargement to the east, was a clear statement of Russia's view that the US's hegemony was a destabilising influence, as the two following quotes from the FPC demonstrate:

new threats and challenges to Russian national interests are arising in the international sphere. There is an increasing tendency towards the establishment of a unipolar world structure dominated economically and militarily by the USA.

But also for the United Nations and therefore international law:

In deciding the principal questions of international security, the stakes are being placed on western institutions and forums of a limited composition, on the weakening of the role of the UN.

This was a direct reflection of then President Yeltsin's view that:

In our eyes, an extremely dangerous precedent for the resolution of situations of conflict has been established – not on the basis of the UN Charter, of international law, the principles and norms of the OSCE, but on the basis of a primitive law of force.

(Yeltsin 1999: 62)

That this was as much, if not more, about Russia's interests than about a more widely applicable norm was also made clear. Andrei Fedorov (President of the Foundation for 'Political Research' and director of the political programmes of the Council for Foreign and Defence Policy in 1999) spoke openly of Russia's perception of the UN as one of the few remaining fora in which Russia had some power.

In Russia the role of the UN today is acquiring perhaps an even greater significance than before in as much as it is very likely one of the few, if not for us the only, international mechanisms within the framework of which we can act sufficiently actively, consistently and what is more important, to really influence the processes of decision-making over very diverse problems.

(1999: 21)

Russia was also at pains to point out that others shared its concerns about US objectives, the then Foreign Minister Igor Ivanov speaking of Chinese and Indian support for the Russian resistance to the NATO airstrikes against Belgrade, seeing them as an attempt, 'to establish a unipolar world order in the 21st century,

in which the fate of people would be decided in Washington' (Ivanov 1999: 5). This early discursive attempt to situate Russia alongside other states has been followed by other concrete policies of alliance within regional and international organisations, as discussed below.

For the Russians, though, the Kosovo Crisis represents the point at which US motives become unarguable. Fedorov explained the significance as Russia saw it:

For the first time over the last ten years one of the sides in this world has not only secured a military-political victory, but is using the results rather openly to shape its own new policy on a global scale. We need to honestly tell ourselves that the Kosovo crisis was the *de facto* beginning of a new political division of the world, the depth and limits of which will be determined above all by the USA and NATO.

(1999: 19)

Any idea of legitimacy and defence of human rights was denied by the Russians. Matveev, Russia's Senior Advisor to Russia's Permanent Representative to the OSCE in Vienna, articulated in 1999 what amounts to the Russian view of US hegemony, saying that the 'crude reality of the politics of force has shed the feeble covering of the sovereignty of states and the pre-eminence of law' (Matveev 1999: 35). This thinking pervades Russian official discourse today. Russia's 2016 Foreign Policy Concept speaks of how 'Russia does not recognize the US policy of extraterritorial jurisdiction beyond the boundaries of international law and finds unacceptable attempts to exercise military, political, economic or any other pressure. Further, in a sign that Russia should no longer be relied upon to sit back and the Americans proceed as they will, the Concept said that Russia reserved 'the right to firmly respond to hostile actions, including the bolstering of national defence and taking retaliatory or asymmetrical measures'.

Kosovo should therefore be regarded as the point at which Russia made up its mind to the idea that the US did not intend to treat Russia as an equal. From the Russian point of view, little since then has served to change their opinion. NATO's eastwards enlargement, the invasion of Iraq in 2003, the war on terror in Afghanistan with little regard for the destabilising effects that had the capacity to rebound negatively on Russia's own security, the building of the missile defence shield in central and eastern Europe – these and other developments have confirmed Russia's views about the inherent instability of a unipolar system and the benignity of US intentions and actions.

Under Putin's presidency, Russia's economy has recovered impressively since the 1998 financial crash. The effects of that on the Russian psyche should not be underestimated. The crash resulted in the effective devaluation of the rouble, the collapse of various Russian banks, high inflation and, most humiliating for a state for which status is so important, Russia defaulting on its foreign debt. Economic recovery since then has been built largely on the price of a barrel of oil, although Russia was not immune from the effects of the global financial crisis in 2008. Negative results in 2014 brought fears of another crash but Russia has

so far weathered that situation rather better than was forecast at the time. Two moments, one in 2006 and the other in 2017, warrant something of a spotlight for what they say about Russia's determination to avoid any dependence on external powers and to bolster its economic reputation. The year 2006 marked the point at which Russia paid off its external debt to the Paris Club of creditor nations. In late March 2017, it was announced that Russia would pay off the last remaining foreign debt from the USSR, for which Russia took responsibility after its collapse.

Russia has employed a twofold strategy, although Syria may be an early sign that military engagement will form a third strategy. First, it forms alliances and relationships designed to maximise opportunity for Russia but also to limit or reduce the scope of US influence. Second, it employs counter-hegemonic discourse to discredit the US and to suggest the existence of an alternative pole, this one a multipolar one in which diverse cultural expression is permitted. This discourse is part of an anti-Western narrative that speaks of the decline, even obsolescence, of the West, and of an alternative rooted in traditional, conservative values. This largely discursive challenge to US predominance occurs in both the cultural (promotion of the Russian language, control of information, film industry) and political arenas (in the UN).

Russia's balancing act

As a former great power still coming to terms with its loss of empire, bilateral rather than multilateral relationships have been most important for Russia. This has been true for the majority of the post-Cold War period, even for Russia's relations with the former soviet republics. It is the case that the Commonwealth of Independent States (CIS) was signed into being in 1991, with the objective of economic and political integration, including defence, immigration and the environment, among the former Soviet republics (with the exception of the Baltic states, of course). Early attempts to establish multilateral free trade agreements and further economic and trading measures were stymied by the signing of a variety of bilateral free trade agreements (FTA) and Russia's reluctance to sign the CIS FTA.

The CIS itself has had few successes but it has been the launching ground for other smaller regional organisations in which Russia is dominant. Significant here, especially in light of any question of how Russia has responded to US hegemony, are the Collective Security Treaty Organisation (CSTO) (Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan) and the Eurasian Economic Community, the latter replaced by the Eurasian Economic Union (EAEU), which came into effect in 2015 (Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia). Russia has also seen the importance of cooperating on a wider regional basis through the Shanghai Cooperation Organisation (SCO), a forum for cooperation on both economic and security matters which, crucially, includes China as a member. In its membership of these organisations, Russia is behaving in a manner consistent with attempts to balance the threat of a hegemon. As suggested earlier, Russia's economic power is inconsiderable compared to the USA

but finances have figured in the Russian attempt to exercise soft power, especially within the CSTO and EAEU. In its recovery from the deprivations of the 1990s, Russia has latterly been in a much more economically strong position and so could 'offer its neighbors [more] than a brandished fist' (Hill 2006: 344). A word of caution is necessary, however. The weight of historical (and current) experience means that other members of the CSTO and EAEU remain suspicious of Russian motives, further undermining its attempts to rebrand itself as a soft power (see Nixey 2012) and therefore its attempts to build a power base from which to challenge the status of the US as hegemon. In assessing the importance of the CSTO, one simply has to ask whether, where and how the CSTO has contributed to the management of any conflict in its region. The EAEU is relatively new and so we may yet see developments here but few people are taking it seriously at the current time, except as a vehicle for Russia to make claims about the origins of Ukraine's conflict and the EU's role in it.

The BRICS formation has proved to be an important forum for Russia to deepen relations with fellow members and to boost Russia's defence industry. Accurate data on Russia's military are notoriously difficult to secure but in a 2017 report, Julian Cooper concluded that, 'Russia once again has a strong defence industry, is a major arms exporter and is back as one of the world's leading countries in annual spending on defence' (2017: 20). Cooper reported that it is considered that Russia's defence industry is larger even than China's, though well short of that of the USA to which it remains second. Data for 2015 shows Russia's arms exports as valued at \$13.9 billion, far below the US at \$41.5 billion but considerably higher than China at \$2.5 billion, and that Russia shows 'a marked orientation to Asian customers, in particular India and China' (Cooper 2017: 19). Recapturing the Indian defence market from the USA after the fall of the USSR has become an important focus for Russia. In 2016, India and Russia signed no fewer than 16 agreements, with defence, nuclear issues, security and terrorism figuring high on their agenda. Defence deals included plans to produce jointly Kamov helicopters. This relationship is therefore definitely one to watch, although it should be remembered too that the defence industry also has the capacity to drive a wedge between these two actors, with India expressing strong resistance against any Russian moves towards Pakistan.

In fact, Russia's relations with emerging powers like China and India come with risks as well as opportunities for Russia. In relation to the SCO, for instance, the potential outcomes from such cooperation should not be overstated. In real terms, China represents the greater threat to Russia, by virtue of relative proximity, relative population size, China's economic pull and its own ambitions. Historically, here too the relationship has been a fractious one. The premium Russia places on its status as an independent sovereign state will inevitably also serve to limit the scope of what it considers possible.

Russia's increased willingness to work within the framework of an organisation like the SCO where it cannot dominate in the way it does elsewhere suggests two things: first, that countering US hegemony is not the sole preoccupation for Russia, but that it may consider its work within the SCO, CSTO, etc. as addressing

two goals simultaneously, i.e. countering US hegemony and containing Chinese power; second, that Russia does not reject all outcomes from US hegemony. As Keohane (1984) argues, creating a regime is fraught with difficulty and 'the conditions for maintaining existing international regimes are less demanding than those required for creating them' (Keohane 1984: 50). Dealing with the last of these first, Russia certainly is trying to exert its own influence over the instruments of world governance but it does not seek their demise. Instead, it seeks to build new organisations on the model of existing ones, as is the case with the EAEU, or to reshape existing instruments in an image that better reflects Russia's view of the world and its ideas about its place in that world.

Two interesting examples to be considered now are the online world and Syria: the first relates to Russia's attempts to undermine the US politically; the second both politically and militarily. Both cases show how Russia has drawn on its regional relationships as discourse multipliers but also acted independently with seemingly little regard for the longer-term consequences for itself – or others. In both cases, the question of legitimacy is an interesting one. The starting point in both cases is the argument that the US acts illegitimately. In respect of the first, the US prevents the emergence of a framework that would facilitate truly international internet governance. The second is that successive military interventions have undermined the principle of the sovereignty of states. In each case, Russia tries to present itself as the defender of values, most particularly peace and security.

The internet as a scene of challenge

The recent and ongoing furore about Russia's supposed interference in the US presidential election campaigns is an important part of the wider picture relating to Russia's views on the cyber world. Russia has long been a member of a large group of states opposed to the US's control over internet governance. Whether intended or not, the recent Russian cyber activity directed against the US might be seen as an attempt to call into question the US's capacities and therefore its right to this dominant position. That the US does dominate here is not in question, for:

The Internet architecture and the manner in which it is governed are still rooted in its country of origin, the United States. Western technologies and industries, particularly from the United States, dominate the Internet's current construct. Moreover, the U.S. government has designed the governing model and retains influence over small yet critical functions.

(Zamir 2017)

Key governing structures are ICANN (Internet Corporation for Assigned Names and Numbers) and the General Advisory Committee (GAC). ICANN performs its work under a US government contract and 'coordinates the Internet Assigned Numbers Authority (IANA) functions' (ICANN n/d), described again

by ICANN itself as the 'key technical services critical to the continued operations of the Internet's underlying address book, the Domain Name System'. The allocation of internet addresses, the administration of internet domain names and the management of route nameservers are the three main IANA functions (ICANN n/d). The impact of such control for others is perhaps best illustrated by the fact that it was not until after 2007 that non-Latin alphabet characters could even be used in web addresses. This mattered for Russia both in pragmatic business terms but also more symbolically, especially in the context of Russia's soft power initiatives. As then Russian President Medvedev said in 2008: 'It is a symbol of the importance of the Russian language and Cyrillic and it is not a bad sphere of co-operation (in Williams 2008).

The significance of the internet for all states was formally acknowledged at the 2005 Tunis World Summit on the Information Society (WSIS), where it was agreed to create the Internet Governance Forum, homed within the United Nations. Russia was far from a lone voice in trying to break the USA's stranglehold on internet governance at this summit. The US was reportedly greatly displeased when European countries joined those demanding the US accept the need for a more intergovernmental framework for control over this area (Mayer-Schönberger and Ziewitz 2007). Albeit those opposed to US dominance achieved far less than they had hoped for prior to the summit, the new role for the UN was an important achievement for Russia, for reasons already established. Nevertheless, despite this, the USA has retained control over the crucial internet functions outlined above and Russia's battle against US dominance in this area continues.

More recently, that battle has been fought with a far smaller circle of support and political-cultural differences have figured highly. Internet governance is for many states a highly securitised area. Debates in the West, including the US, tend, however, to weigh up the need to balance security against loss of freedoms. The same cannot be said for Russia, which, even at the multilateral level, unmistakably prioritises state security. A typical example of this preoccupation and of those with whom its message does resonate can be seen in a letter from Russia and fellow SCO members, China, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, to the UN Secretary General in 2015. The letter referred to advancements in 'information and communication technologies, which potentially could be used for purposes that are inconsistent with the objectives of maintaining international stability and security' (United Nations 2015). The annex to that letter, setting out these states' proposed 'international code of conduct for information security' further reinforced the preoccupation with security. The word 'security' is used no fewer than 32 times in a document six pages long. Of the only eight references to 'rights', three are about the rights of states rather than people. 'Freedoms' are referred to just three times and 'democracy' in any form just once (United Nations 2015).

Other developments, at home and in its bilateral relations, suggest that Russia's counter-hegemonic discourse in respect of cyber security and the internet will struggle to establish the Kremlin vision as a more legitimate one than

that of the US. At home, there is indisputable evidence that the Kremlin vision of the internet is very far removed from the vision of those who support the more liberalised perspective championed by the USA⁶ (even if certain US government activities, as Edward Snowden revealed, suggest otherwise). According to the most recent Freedom House (2016) report, Russia is classed as 'not free', scoring 65, where 0 is best and 100 worst. As I have detailed elsewhere (David 2015) Russia employs a range of methods in its domestic online environment, including censorship and surveillance and the use of legislation in creative ways to control website hosts and users. SORM (System for Operative Investigative Activities) facilitates the legalised interception of information, while the Federal Supervision Agency for Information Technologies and Communications (Roskomnadzor) has authority over the blacklisting and blocking of sites. There is mounting evidence too that Russia is moving towards a system of 'digital separatism', a move causing comment that Russia is seriously considering a breakup of the internet, with Putin in 2014 speaking of the internet as a 'CIA project' (MacAskill 2014). Further reason to suspect Russian motives here came in 2016. This most recent assault on users' rights in Russia came in the form of what is known as Yarovaya's Law. Represented as part of anti-terrorist legislation in response to the bombing of a Russian airplane in Egypt in 2015, it became effective in the summer of 2016, giving, among other things, security agencies access to user data, requiring telecoms providers to assist in the decryption of all encrypted messages and, significantly for non-Russian information and communications providers, ordering the retention of the content of all communications data for six months in Russia. As Zamir says:

The law is giving Russia another tool for controlling the flow of information within its borders. Moreover, this will enable the Kremlin to closely monitor the flow of information into and out of Russia through the Internet to protect its Internet space from foreign actors – whether state or non-state. The data localisation move is, [sic] also being seen as the Kremlin's overall effort to shape the rules, architecture and future development of the Internet.

(Zamir 2017)

For those believing that the Kremlin played an active cyber role in undermining Hillary Clinton's campaign for the US presidency and therefore in winning the presidency for Donald Trump, there might be additional cause to wonder whether Russia is seeking to win more converts to its internet governance cause by demonstrating just how easily the sovereignty of states can be breached using online tools. At the time of writing, the weight of available evidence suggests the Russian authorities did interfere in the presidential campaign but, in respect to undermining the US position in the world, and therefore for the purposes of this chapter, it makes little difference if it did or how. Whether for good or ill, Russia is now firmly established as a force in American domestic politics and the capacity of the US to withstand attack from external, hostile actors is called into question. That this has happened in an area in which US hegemony has been

well-established for some time now is very telling. The same might be said for events in Syria.

The extension of Syria's battleground

As the earlier discussion about Kosovo demonstrated, Russia has long challenged the legitimacy of the US's military interventions, particularly those posited on humanitarian need. A line is easily drawn from George Bush Senior's New World Order speech made in the dying days of the Soviet Union and in the context of Iraq's invasion of Kuwait, through the Yugoslav wars of the 1990s to the 2000s and Afghanistan, Iraq and Libya. Swirling in among debate about the legality and legitimacy of these interventions hung the spectre of Rwanda and therefore the question of what was more important, the rights of peoples or the rights of states. For a brief time, the UN General assembly's 2005 acceptance of the Doctrine of the Responsibility to Protect (R2P)⁷ suggested the elevation of people over states. That optimism has been dampened by the various points at which R2P has not been applied, despite circumstances suggesting it should have been. Whether Syria marks the end point of this New World Order and the continued relevance of R2P remains to be seen. Russia would certainly like this to be the case, albeit not solely because it would mark a moment of considerable decline for the USA but because it has genuine concerns about the destabilising effects of an order that privileges human rights over state sovereignty.⁸ Also relevant is the stabilisation-democratisation debate, with Russia seeing the democracy promotion exercised by the US as destabilising the Middle East. Russia's support of Assad, therefore, should be seen less as support for the Assad regime than as support for those whom Russia believes can maintain control and secure territory. There is some self-interest at play for Russia, of course. In defending the Assad regime, Russia has sought to rein back on some of the losses it incurred in the region in both Soviet and then immediate post-Soviet times.

The origins and course of Syria's devastating conflict, ongoing since March 2011, are, by now, well documented and so will not be detailed here. Rather, Russian discourse on Syria and the US is examined in order to determine the nature of Russia's challenge to US military hegemony, which has been premised not solely on capacity but on legitimacy too. Militarily, Russia and the US do not compare but Russia's efforts to reform and modernise its military since 2008 have paid dividends, as the earlier discussion on its defence industry suggested:

In Syria, Russia demonstrated that it now had the capability to carry out limited out-of-area operations. This came as a surprise to many observers, who did not believe that the Russian air force had recovered from years of neglect.

(Renz 2017: 9)

Still, there is no expectation that Russia and the US will come into direct military confrontation with each other, except possibly by accident. But with its show of

force, Russia has undoubtedly been successful in ensuring itself a seat at negotiating tables and in shaping the debate around state sovereignty and human rights.

In fact, Russia's antipathy towards the US and its humanitarian interventions has played a central role in Syria's fortunes to date. As so often in the US–Russia relationship, it is easy to point to missed opportunities. Libya was one such case. UN Security Council Resolution 1973 of March 2011 should be regarded as a key moment in making up Russia's mind to oppose further interventions as it charged NATO with having exceeded what was mandated by the resolution. As a result, since the conflict in Syria began, Russia has vetoed seven Middle East-focused UNSC resolutions, all but one of these with China (United Nations 2017b).

Nevertheless, thinking about some of the theoretical arguments outlined earlier, the willingness of the hegemon to act as one must also be considered. Engaging in counter-factual diagnosis pays few dividends but it seems clear that had the US committed its full weight of attention and resources to Syria, Russia's challenge would have been limited to the political sphere. As it was, the combination of the spectres of Iraq and Libya increased the Obama administration's reluctance to undertake another intervention, outside of the 67 member coalition, without wider UN support, support which it could not get in the face of Chinese and Russian vetoes. This then opened space for Russia to intervene and in so doing it has lost few opportunities to suggest it has done so in order to clear up a mess of the USA's making. As recently as February 2017, Mr Safronkov (the late Mr Churkin's replacement in the UN) spoke of how '[n]o lessons have been learned from the past', Safronkov went on to speak of Iraq and the search for weapons of mass destruction, saying '[i]t seems the Council has forgotten that this marked the very beginning of destabilization in the Middle East' (in United Nations 2017a: 8). In this invocation of the 2003 Iraq invasion, Russia echoes those theoretical perspectives about the inherent instability of a unipolar system.

Returning to those theoretical arguments that deny inevitability in relation to outcomes from hegemony, it is important to remember the agency of the individual actors. Russia cannot be credited with responsibility for Obama's, as many saw it, failed policy in Syria; Iraq weighed heavily on American minds as well. Russia can, however, be credited (depending on one's perspective) with spotting and taking the opportunity to fill the gap left by the USA. In so doing, it has seized further opportunities: (1) to drive home the message about the consequences of breaching state sovereignty; (2) to ensure a continued foothold for itself in this troubled but vital region; (3) to restore Russia's status on the world stage; and (4) to demonstrate its return to good military form. Along the way, however, Russia has dirtied its own hands in such a way as to make it as vulnerable as the US to accusations of illegitimate behaviour and hypocrisy.

The Assad regime's use of chemical weapons is a prime example of Russia's tendency not to capitalise on actions that legitimate its role. In 2013, it played a vital role in having Syria accede to the Chemical Weapons Convention, supporting UNSC Resolution 2118 (2013) on destroying Syria's chemical weapons stockpile. In February of 2017, however, Russia vetoed a draft resolution S/2017/172 that would have seen sanctions brought against the Assad regime

in response to its continued use of chemical weapons. Safronkov for Russia said: 'The statements we have heard have left us in no doubt that the draft resolution was based on the Western capitals' anti-regime doctrine' (in United Nations 2017a: 8).

A deeper and more comprehensive study of Russian actions in Syria is outside the scope of this chapter but it reveals a Russia that mounts a serious challenge to US hegemony but which has suffered its own negative consequences, particularly in regard to the illegitimacy of some of its actions, not least in relation to Aleppo. That said, war is inevitably a dirty business and Russia may well consider the losses were worth the gains. But given Kosovo and Russia's self-avowed principled stance on the sovereignty of states, it is worth pointing out a course of action it could have taken to shape processes here in a more conciliatory fashion as its fellow BRICS members have tried to do. In an attempt to manage the tension between defence of human rights and defence of state sovereignty and the deadlocks in the UNSC, Brazil and China have put forward their own conceptualisations of R2P: Brazil, RWP (Responsibility while Protecting); and China RP (Responsible Protection). In driving through these ideas, Brazil and China look to be in the vanguard of a constructive search for an enduring solution to an enduring problem. Russia, meanwhile, is very much in the rearguard.

Concluding remarks

This chapter has shown some of the ways in which Russia has asserted itself increasingly forcefully in relation to US hegemony. It has shown that Russia has had some successes in terms of elevating its own status and that, in so doing, it has chipped away at that of the US. It would leave an impression of inaccuracy, however, if the reader were left with the perception that Russia has the capacity to withstand the USA in a direct confrontation – of any kind – let alone to replace the US as hegemon. For Russia, any forced diminution of US status requires a coalescence of actors. That Russia realises this is evident in its membership of, variously, the BRICS, CSTO, SCO and EAEU. That balancing, however, is conducted in the context of Russia's still fragile relations with others in its region, such that it currently seems unlikely that these organisations will bring sufficient weight to bear to reduce the USA to just one of several equals. Russia places a high premium on the UN as a forum in which the USA is just one of many, albeit those many are, in matters of security at least, reduced to a vital few. Russia has lost no opportunity in the last few years to spoil US ambitions in the UNSC and in so doing it has caused a further deterioration of its relations with its neighbours in the EU.

Too often unacknowledged is the fact that much of the success Russia has had in relation to mounting a serious challenge to US hegemony has been won through cooperation with other actors, especially the Chinese. Certain successes can be credited to Russia working alone but, given their very contemporary nature, the jury must necessarily remain out on the question of how Russia's behaviour might yet rebound negatively on Russia itself and also on how the US

might yet respond. That said, the China–Russia relationship should be a worrying one for the US. In respect of Syria, China, the former serial abstainer, has proven more willing to stand with Russia in opposing the US and other Permanent Members of the Security Council by wielding its veto. This does not augur well for future US efforts to get its way in the UNSC. At the same time, Russia is now looking fully aligned with actors that, for many in the West, are on the wrong side of the civilisational divide. This takes Russia very far from the (legitimate) claims it has to a European identity.

Finally, as set out in the earlier theoretical discussion, hegemony is contingent not only on those supporting or challenging the hegemon but on the willingness of the hegemon to be and remain dominant. Hegemony is, after all, not the end goal, security and a continued intact existence is. It is left for others to assess the willingness of the USA to retain or concede the position as hegemon but, in Syria at least, Russia has been an example of what can happen when the position is not defended.

Notes

- 1 See, for instance, initiatives such as the Silk Road Economic Belt and the Asian Infrastructure Investment Bank (AIIB)
- 2 Data for languages spoken most widely on the internet show Russia lying in eighth place, well below English, Chinese and even Spanish (Internet World Stats 2016).
- 3 See Feklyunina (2016) on Russia's failure to exert soft power in Ukraine, for instance, and Nixey (2012) on how Russia is losing rather than gaining ground even among those former Soviet republics with which it is cooperating within the format of one or more regional organisations.
- 4 See Ikenberry (1989) for an essay on how the early post-war ambitions of the USA were stymied in numerous ways, forcing it down a path of policy revision and greater intervention in key ways and geographies.
- 5 Just a few examples include: the central role of Bannon and his inclusion on the National Security Committee; the Muslim country ban; the dismantling of the Standing Rock protest camp.
- 6 See the ICANN FAQs site for an upbeat account of ICANN activity and ideologically liberally grounded messages about its activities and how to participate. <https://www.icann.org/resources/pages/welcome-2012-02-25-en>.
- 7 See Rosenberg (2009) and Williams and Bellamy (2005) for general understandings of R2P.
- 8 In the theoretical sense, Russia sits firmly on the side of order versus justice, seeing justice as achievable only if the principle of the sovereignty of states and therefore the principle of non-intervention are upheld. An obvious reason to doubt the depth of its commitment to these principles versus defending its own interests is its role in Ukraine's conflict since 2014.

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13 Conclusion

The future of global cooperation and conflict

*Salvador Santino F. Regilme Jr and
James Parisot*

From the Americas to Russia, South Africa to Turkey, to Japan and China, and beyond, this book has presented a global picture of American hegemony and rising powers. The theoretical discussions included range from neo-realism to historical materialism to discursive analysis, providing a space for readers to view the question of American decline through many lenses, and make up their own minds based upon comparative analysis of a great range of approaches to the issue. Admittedly, we do not cover every region and country in the amount of detail that would entirely solve the questions at stake. Nor does this book detail and compare every theoretical school of thought which might be put to use to understand rising powers in contemporary global politics. To accomplish those tasks would take many volumes and hundreds of scholars. But what the book does provide is a multidisciplinary space that may be as much or more of a starting point rather than an end point towards moving to a global and comprehensive analytical frame, making it possible to solve the question of the current and possible future movement of international power in the first place.

The theme this book was built around was that of cooperation and conflict. In other words, might the potential or relative decline of American power give way to new or increased forms of international conflict or war? Or is it possible that the United States may peacefully decline as China purports its own peaceful rise while other emerging and reemerging powers strive for regional hegemony?

The debate on American hegemony, as presented in this volume, provides us with several key insights regarding global cooperation and conflict. First, perceptions about global collaboration and competition are socially constructed by powerful actors within the international system. Indeed, the notions of “status” and “power” are two important benchmarks that we often use to assess the overall condition of a status quo hegemon and challenger powers. The chapters from Jeff Bridoux and Carina van de Wetering demonstrate that the power held by hegemons and rising or reemerging powers is constructed by the intersubjective and historically constituted perceptions, biases, and assessments of various coalitions of stakeholders in the international system. In other words, power is not entirely an objective reality, but an intersubjective and temporally constituted reality constructed within the international system—and that same principle also holds for global cooperation or conflict.

Additionally, the potential tendency of the US to withdraw from its global security and political commitments may create a cloud of political uncertainty among long-standing allies. Indeed, the underlying principle here is that the durability of the international system with US hegemony as its pillar can only be possible with the cooperation of a network of alliances, strategic partnerships, and multilateral institutional frameworks. The possibility that the US might step away from actively maintaining that network, particularly after the election of President Trump, could have some transformative outcomes to existing patterns of global cooperation and conflict. That sense of structurally perpetuated uncertainty as a result of the hegemon's eventual isolationism may lead to redrawing or renegotiating current alliances, which in turn, could pose a serious threat to the durability of the post-World War II international system. And the constant accumulation of trade and economic power relative to other states in the international system could engender interstate insecurity, which in turn could potentially trigger military conflict. The chapter from Michiel Foulon suggests that the economic insecurity experienced by the US led to military build-up in the Asia-Pacific region, which, if left unmanaged, could be a potential source of international conflict resulting from a status quo power struggling to maintain its hegemonic position. The chapters from Giulio Pugliese and Walden Bello show that uncertainty with regard to US security commitments in the Asia-Pacific region can lead to various sorts of unpredictable reactions from allies and challenger powers—and the cumulative effect of such destabilization of longstanding rules could eventually trigger interstate conflict in the region.

The chapters from Digdem Soyaltin and Didem Buhari, Maxine David, and Rhys Jenkins, meanwhile, add further global complexity to the issue. Soyaltin and Buhari underscore how US hegemony in Europe and the Middle East would be difficult to maintain without the enduring commitment of a regional player such as Turkey. The picture Jenkins presents is less one of great American decline, so much as a slight power shift in which the US remains highly influential in Latin American, and this does not necessarily pose a source of conflict for the US, at least in the short term. And David highlights the increasingly important issue of US–Russia tensions, particularly, bringing out the ways that Russia continues to press against American unipolarity at the same time engaging in relations of pragmatic cooperation but not subservience to other countries such as China.

In contrast to, for example, Foulon, Sean Starrs' chapter argues that the current global capitalist system is still a US-centric system—and the rise of China as an economic powerhouse may not be seen as a key source of conflict if only for the reason that American hegemony is just beginning to consolidate its control over the global capitalist system, with China participating in its perpetuation. Julian Gruin's chapter, meanwhile, demonstrates the ways in which China's economic rise, in the realm of finance, may be peaceful as international financial hubs such as London remain open to RMB internationalization. One of the most notable insights from his contribution is that the global monetary system is an underappreciated policy area for empirical investigation for the challenges posed by rising powers such as China.

Drawing these perspectives together in a global and multilayered perspective, then, it seems that many aspects of the cooperative relations American power has been based around for the last half century, in shifting forms, remain intact, at least to a degree. China's rise does not necessarily mean conflict among great powers, but China may slowly continue to increase its global influence in ways that do not ultimately challenge or replace American hegemony, at least in the short run. And while the BRICS and other institutions have formed as spaces of cooperation between rising powers, these organizations themselves are not without conflict. In this case, it may be hard to imagine China, Russia, Brazil, Turkey, India, South Africa, and so on, from developing a shared common vision of an alternative to US leadership; and their desire to do so may also be highly limited, depending upon the case.

Yet conflict does exist. The Syrian refugee crisis, fueled by American-Russian tensions, among other factors, is considered the worst humanitarian crisis since World War II and does not seem likely to end in the immediate future. Countries such as the Philippines and Japan may continue to increasingly assert themselves, in part reacting to China, thus fueling instability in East Asia. Latin American countries may continue to search for alternative trade and political partners to the US, given the US's controversial record in regard to interventions and human rights on the continent (Robinson 1996; Sikkink 2004; Renouard 2015). The apparent rise of illiberal and authoritarian politics within and beyond the West (Boyle 2016), if it is any indication of the decline of US hegemony couched on a human rights and liberal democratic rhetoric, remains one of the key challenges in global politics. How can cooperation thrive at the international level if the norms and global governance institutions established under the sponsorship of US hegemony are now being questioned (Evans 1996; Regilme 2016)? How can interstate and global cooperation thrive when information and "truth" are now highly contested? What forms of conflicts could emerge when global governance institutions such as the United Nations, international justice, and human rights norms become seriously threatened? Will rising state powers, reemerging state powers, and other non-state actors that challenge or perpetuate US hegemony defend the global order that emerged after World War II—even amid the increasingly dangerous polarization in American politics (Hare and Poole 2014)? What forms of global political economy and capitalism could emerge in case of an eventual American decline, and would a post-American global economy be non-imperial (Katzenstein 2005)? How and to what extent would conflict or cooperation emerge amid a global order that is now highly contested as rising powers increase their influence (Stephen and Zürn 2014)?

And the way those aforementioned questions, conflicts, puzzles, and issues play out, among others—the extent to which they escalate—will likely depend upon the perceptions of power which motivate political action. Most of these developments are perceived to be transpiring at the global structural level, yet the future of global cooperation and conflict also depends on individual political agency—either constrained or reinforced by the opportunity structures afforded by national, regional, and global institutions. If global and national structures

are not effective in promoting relative peace and in promoting human dignity and sustainability, then perhaps other avenues of political action may need to be explored. When corridors of powers where global peace and conflict are regularly negotiated or contested are closed for rational and open deliberation, then perhaps the challenge for individuals is to overcome collective action problems and to take their demands for peace, justice, and dignity to the streets, and to be prepared to govern effectively and justly the day after the protest.

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