



REGIONAL CHALLENGE: CHINA'S RISE TO POWER

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'The twenty-first century is the Chinese century'
Dr. Sun Yat-Sen

The United States will retain world leadership for at least the
remainder of the Twentieth century, perhaps even for a longer time,
but the position will eventually pass to China.
A.F.K. Organski

INTRODUCTION

The tragic events of September 11, 2001 have all but obscured major trends in world politics. The US government is now, justifiably, concentrating on the 'war on terrorism' and considering how to handle this new threat. However, the structure of world politics has not changed. While terrorist activities can and have disturbed the relative tranquility that characterized world affairs that followed the collapse of the USSR in the late 1980s, it is not prudent to overlook the fundamental challenges that face the United States today. We postulate that these challenges have not fundamentally changed because of the new challenge by Osama Bin Laden and his terrorist group al-Qaida, or by the renewed attention now paid to Iraq. The structural, persistent challenges facing the United States come from Asia and to a lesser degree from the European Union. Decisions that determine the interactions among these major powers will determine the stability and instability of World Politics in this century.

FORECASTING EVENTS

Straight-line projections are notoriously inaccurate. Speculation about outlying alternatives often yields disappointments. One legitimate reason for assuming the risks involved in predicting the future is to avoid war. We take these risks here to outline our view of the dynamics of world politics because the consequence of working without a rough compass is ignorance, and ignorance can lead to conflict.

Significant constraints limit our ability to forecast the future of world politics over the next three to five decades. National units and their borders are not constant. They change over time. Major alterations can occur through integration, as in the case of the European Union (EU) and the North American Free Trade Agreement (NAFTA). Changes also occur through the disintegration of large units like the USSR. Finally, the waging of World Wars, particularly in the nuclear era, obviously would play havoc with any forecast. Such upheavals would redraw the global map. We sidestep such problems by assuming in the forecasts that existing national entities like the US, China and India will remain intact, while emerging supra-national political units like the EU or NAFTA will expand cautiously.

In addition to reliability problems, forecasting also is difficult because of disputes over variables. While there is general agreement that power distributions, alliances, technological developments and political structures play a role in the rise and decline of nations, there is serious disagreement about the impact of these factors on national trajectories over time. Variations in national performance can dramatically affect any future estimates and alter the anticipated links between these variables and war and peace.

Given these risks, why is it useful to enter into the anticipation game? We believe it is prudent for decision makers to have access to rough forecasts because we live in an unusually critical period where current policy choices will frame long-term outcomes—some of them involving war and peace. In other words, the potential consequences urge us to take intellectual risks.

The past provides a guide to the future and approximations are useful signposts. For example, economics like politics is not a precise science, but when its basic macro tenants are disregarded societies pay dearly. In the fifty years prior to the collapse of the USSR, for example, debate raged over whether developing economies should adopt a centralized or free-market structure to increase economic growth. Each camp controlled roughly half of the world's population. The results are in. Today, most nations that chose democratic, open, competitive economies have successfully developed. With rare exceptions those that chose the closed government-guided economies are unsuccessful, and many languish in the poverty trap. The consequence of well-meaning but incorrect policy choices is that a significant portion of the world's population lives in poverty, without basic rights, and dependent even today on external capital to jump start their moribund economies.

This chapter provides a systematic sketch of the future relations among great powers informed by recent developments in Power Transition theory. We choose this theory because it has an established empirical record when

applied to past periods of war and peace at the global as well as regional levels.¹

The chapter proceeds as follows. Sections II, III, and IV provide an outline of the structure, elements, and dynamics of war and peace. Section II describes the hierarchical structure of world politics. Section III outlines the major elements of national power: population, economic productivity and political capacity. Section IV discusses the dynamics of war and peace. Section V focuses on European integration and the Asian hierarchy. Section VI outlines the global implications of the changes we anticipate in world politics. Section VII examines regional issues in Asia—the next center of world politics. Given the uncertainties we face, we expect that these forecasts will only provide a rough map of the future rather than a detailed set of prescriptions.

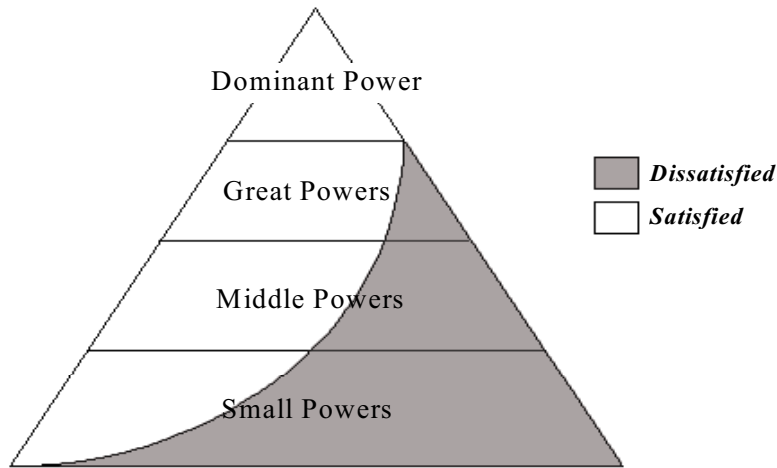
STRUCTURE OF POWER TRANSITION: THE HIERARCHY IN WORLD POLITICS

Power Transition theory conceptualizes world politics as a hierarchical system. All nations recognize this hierarchy and the relative distribution of power therein.

As we can see in Figure 1 below, a dominant nation resides at the top of the global hierarchy. The term dominant has a special meaning in Power Transition theory. The dominant nation is not a hegemon but rather the recognized pre-eminent, most powerful international leader. The dominant nation maintains its position by assembling and managing a coalition of nations with similar preferences for the rules that structure international interactions. For the most part, the dominant nation creates and defends the status quo. Following the collapse of the USSR, the United States became the dominant power and from that position it controls the largest proportion of resources within the international system.

¹ A. F. K. Organski, *World Politics* (New York: Alfred A. Knopf, 1958); A. F. K. Organski, *World Politics* (New York: Alfred A. Knopf, 2ed., 1968); Jacek Kugler and Douglas Lemke, eds., *Parity and War: Evaluations and Extensions of the War Ledger* (Ann Arbor: University of Michigan Press, 1996); Ronald L. Tammen et al., *Power Transitions: Strategies for the 21st Century*, (Chatham House: New York, 2000); , Douglas Lemke, *Regions of War and Peace* (Cambridge: Cambridge University Press, 2002), and Brian Efirid, Jacek Kugler and Gaspare Genna, “From War to Integration: Generalizing Power Transition Theory”, *International Interactions*, 2003 29,4, pp 293-314. Portions of the following analysis also are extended from Jacek Kugler, Ronald L. Tammen and Siddharth Swaminathan, ‘Power Transitions and Alliances in the 21st Century’, *Asian Perspective* 25, 2001, pp.5-29.

FIGURE 1: GLOBAL HIERARCHY

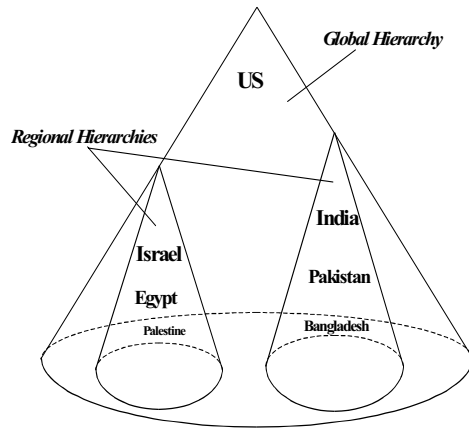


Great powers populate the second tier of international power. Each of these nations has a significant, but not overwhelming, proportion of the power in the international system. Current great powers include China, Japan, the EU in toto, Russia, and potentially India. Most, but not all, great powers are satisfied with the creation and management of rules by the dominant nation. For example, the EU and Japan are committed to sustaining the established status quo under US leadership. Yet among the great powers there exist nations that are not fully integrated into the dominant power's regime, such as perhaps China, India or Russia today. When these dissatisfied nations anticipate a power overtaking, they may challenge for leadership of world politics.

Beneath the great powers are the middle powers. These include states of the size of France, Italy, Poland, South Africa, Indonesia, or Brazil, each with substantial resources. Middle powers can make serious demands that cannot be dismissed, but do not have the capabilities to challenge the dominant power for control of the global hierarchy. Further down the power hierarchy reside the small powers. Though large in number, they have few resources and very limited power. These nations, such as Malaysia and Iraq, pose no direct threat to the dominant nation's leadership of the global hierarchy.

Figure 2 shows that regional hierarchies exist within the global hierarchy, each with its own set of dominant, great and lesser powers.² Regional hierarchies are influenced by the global hierarchy but cannot, in turn, fundamentally affect outcomes in the global system.

FIGURE 2: REGIONAL HIERARCHIES



When regional hierarchies are largely isolated, they function in the same manner and operate under similar power rules as those found in the global hierarchy. In all cases, the dominant power in the regional hierarchy is subordinate to the influences of the dominant power in the global hierarchy.

Power Transition theory anticipates that wars will diffuse downward from the international to the regional hierarchies. The reason is that the global dominant power and its main great power challengers have the ability to directly exert power anywhere in the globe, while most regional powers can only do so within their own region. Note that World Wars I and II involved all the great powers and diffused to include almost every regional hierarchy. The contending powers delivered troops to distant areas of conflict from Africa to Asia. In contrast, the far more numerous conflicts in regional hierarchies did not spill outside the region. When powers from the global hierarchy were

² Douglas Lemke, and Suzanne Werner, 'Power Parity, Commitment to Change, and War' *International Studies Quarterly* 40, 1996, pp.235-60, Lemke *op cit*, and Tammen et al. *op cit*, provide a detailed discussion of multiple hierarchies.

involved, such as in Korea, Vietnam, Afghanistan or Iraq among many others, foreign troops fought in the regional hierarchy wars but the conflict did not escalate to the territory of those providing troops. We believe that despite the terrorist activities in the United States that distinguish the events prompted by the September 11, 2001 attacks on the United States, the current war on terrorism and the invasion of Iraq are limited conflicts over control of the Middle East regional hierarchy. These conflicts have little chance of escalating to a major confrontation that would rival World War I or II. Thus, major wars among powers in the global hierarchy reorder the international system while wars fought among nations in regional hierarchies alter the local distribution of resources but not the fundamental structures of world politics.

The September 11 attacks confounded the usual boundaries. Our leaders perceived the terrorist attack on the United States as the equivalent of a major war among great powers not a limited conflict centered on the Middle East hierarchy. They compare the terrorist axis to the challenge posed by the Axis powers during World War II. Nothing could be farther from reality. Despite the civilian casualties and suffering inflicted on US citizens, the terrorist activities involve a very small number of determined individuals who do not and cannot challenge the structure of world politics. No matter the outcome in Iraq, this conflict will not resolve structural differences that will emerge as a consequence of the transition of power between the United States, Western Europe and the two potential Asian challengers, China and India. This chapter focuses on this lasting long-term challenge.

ELEMENTS OF POWER TRANSITION

The Dynamics of Power

A nation's power produces the capability to influence the behavior of other nations. The components of national power are population, productivity and political capacity.³

³ A number of competing conceptualizations of power or national capabilities are available—most notably the Composite Capabilities Index of the Correlates of War (COW) Project as detailed in, for example, J. David Singer, and Melvin Small, 'The Composition and Status Ordering of the International System: 1815-1940', *World Politics*, 18, 1966, pp.236-82. Capabilities are an aggregation of world population, urban population, military expenditures, military personnel, iron and steel production, and coal and oil consumption. Power Transition theory uses total economic output of a nation weighted by its political capacity. The COW and GDP measures are highly correlated. A comparison of the two measures can be found in Jacek Kugler, and Marina Arbetman, 'Choosing among Measures of Power: A Review of the Empirical Record', Michael Ward and Richard Stoll eds., *Power in World Politics* (Boulder:

These three elements change over time at different rates. Population size is difficult to modify in the short term while economic productivity can be altered more rapidly. Political capacity is volatile and changes cannot be predicted accurately. For this reason we will concentrate on population and economic productivity to provide a glimpse into the future of world politics. Variations in political capacity can disturb these estimates within a range but will not determine them.

Population

Population is the sine qua non for great-power status. Population provides the potential resource pool from which a nation can mobilize and extract resources. Without a relatively large population, a nation cannot hope to become either a great power or a dominant nation. The size of populations is the condition that ultimately determines the power potential of a nation and is the element that determines which nations will remain major powers. Recall that France, England, and Germany once were great powers that competed for global dominance when the rest of the world had not yet joined the Industrial Revolution. Today, individual Western European nations cannot compete with national populations the size of the United States, Russia, China, or India. From this perspective, a fully functioning and politically capable EU is the prerequisite for Europe to be a great power in the future.

Population structures are also critical in understanding how power fluctuates in the international system. Mature developed nations have undergone a demographic transition and have acquired stable populations that are unlikely to expand rapidly. In fact, many developed nations such as Germany, France, or Italy in the EU and Japan in Asia face the prospect of declining populations in the next century. Unless augmented by immigration, as is the case in the United States, the populations in these societies are expected to decline in relation to those in other regions of the world.

On the other hand, large developing nations such as China and India that are still undergoing demographic transitions have populations that will continue to grow for a generation or more. Even after fertility patterns are reduced to reproduction rates, total population growth figures will continue to dwarf those of other regions.

Westview Press, 1989) and Richard Merritt and Dina Zinnes, 'Alternative Indices of National Power', Michael Ward and Richard Stoll, eds., *op cit.* While national capability measures are effective in ranking the relations between nations they fail to capture the dynamics of power change. For a current review see Emilio Casetti, "Power Shifts and Economic Development: When Will China Overtake the USA?", *Journal of Peace Research*, 2003 40,6 pp 661-675.

FIGURE 3: RELATIVE SHARE OF POPULATION TOTAL AND RELATIVE BIRTH RATES FOR MAJOR CONTENDERS 1950-2070*

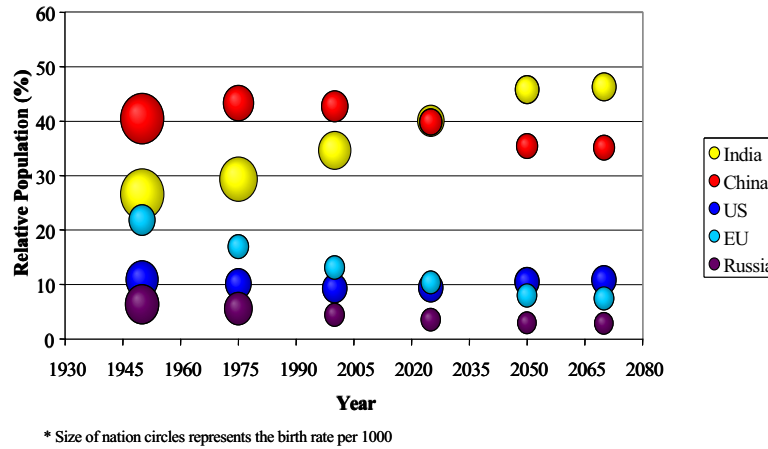


Figure 3 outlines these demographic phenomena over the next fifty years. The position of each circle represents the relative shares of population while the size of each circle represents the birth rate.⁴ Figure 3 makes it clear that the United States, as in the case of Great Britain, cannot remain the dominant nation in the long run. Both China and India have populations four times larger and this gap cannot be bridged because birth rates in Asia exceed those in the US and the EU. Based on population potential alone, China and India are poised to become the dominant nations of the future. Figure 3 also shows that due to their overwhelming initial population size advantages and birth patterns, no further demographic overtakings are likely to take place once the center of politics shifts to Asia.

⁴ Demographic data for all the countries in this study are taken from the International Database of the US Census Bureau (online at www.census.gov/ipc/www/idbnew.html).

Economic Growth

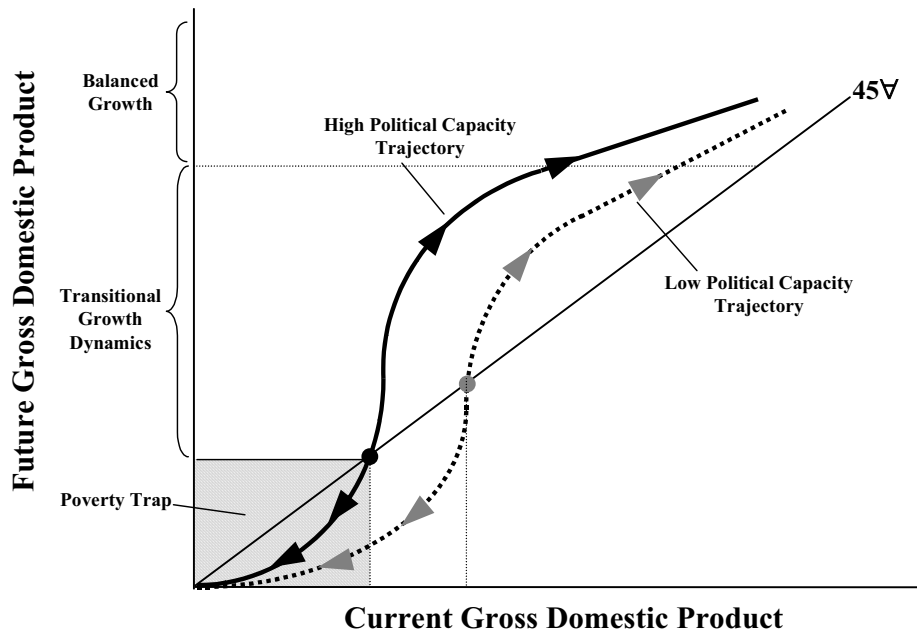
National output generally is measured by gross domestic product. Recent developments in endogenous growth theory displayed in Figure 4 refine the characteristics of the S curve of development and lend reinforcement to the tenets of Power Transition.⁵ Politically capable governments have the capability of extracting resources from their populations; managing the economic productivity of individuals in their societies; and reducing birth rates in the early stages of development. In contrast, nations with limited productivity per capita and low political capacity face expanding populations. Frequently some of these underdeveloped societies struggle with economic growth and fall into a ‘poverty trap’. With a change in political capacity these underdeveloped societies can rapidly transform into developing nations and initiate a period of rapid, sustained economic growth that exceeds population expansion. This means that developing nations can close the productivity gap between rich and poor nations because the dynamics of endogenous growth suggest output convergence over time.

Figure 4 illustrates the likely growth paths for societies with varying levels of political capacity.⁶ Nations with high political capacity grow rapidly and achieve sustained growth earlier. On the other hand, low political capacity governments preserve low rates of economic growth and continue to flirt with the possibility of falling into the poverty trap. International economic intervention does not change the dynamics of national growth. Internal political factors prompt changes in population, which then alter the physical and human capital resources that drive technology and lead to sustained growth.

⁵ Yi Feng, Jacek Kugler, and Paul Zak, ‘The Politics of Fertility and Economic Growth’, *International Studies Quarterly*, 44, 2000, pp.667-693.

⁶ This figure is derived in Feng, Kugler, and Zak *op cit*. Their study develops a formal dynamic model of politics and economic growth based on fertility decisions, physical and human capital accumulation. Politics critically affect fertility choices that, in turn, determine the transmission of human capital from parents to children. Human capital provides the foundation for sustained increases in living standards as individuals with new ideas enter into the production processes. Politics is also identified as a primary cause of countries falling into a low-income poverty trap. An expectation of political instability increases the likelihood of a poverty trap because it adversely affects income and raises fertility, thus allowing human capital to decrease over generations and causing reductions in future output.

FIGURE 4: THE ENDOGENOUS GROWTH TRAJECTORY OF PER CAPITA OUTPUT

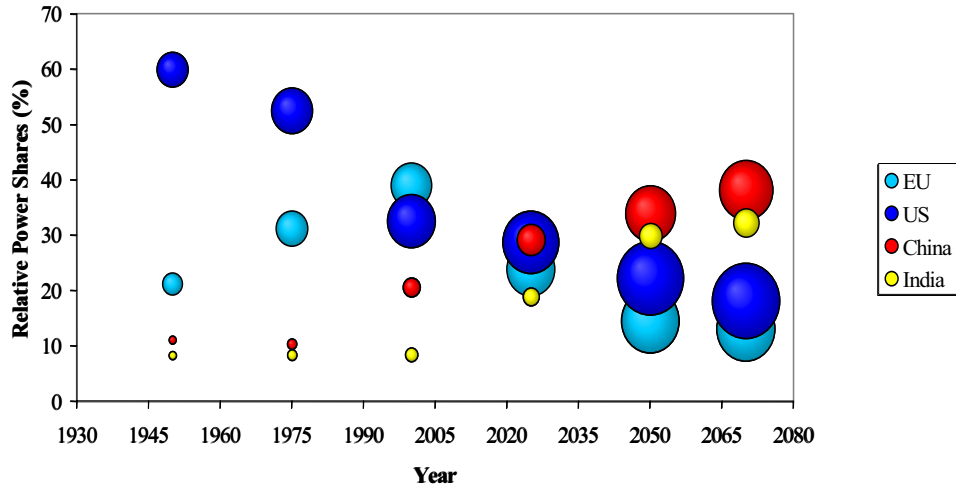


When two societies with similar populations are at different stages in their growth paths, one dominates the other. When they are at the same stage, they are at parity. We will show that the dynamics of growth alter these relationships and have implications for war and peace. Consider the evidence:

Figure 5 shows the probable evolution of total output into the next century. The size of the circles indicates the per capita productivity of the population. Note that the high differential in GDP levels between the US, EU, and China is a temporary condition.

The EU will gain on the US, and with the possible inclusion of Eastern Europeans—not included in the figure—should become the largest economy in this century. Unless a stronger central authority emerges, the political weakness of the EU will remain and inhibit its emergence as a competing dominant power.

FIGURE 5: RELATIVE SHARE OF TOTAL OUPUT AND PRODUCTIVITY PER CAPITA OF MAJOR CONTENDERS 1950-2070*



*Size of nation circle represents per capita productivity

Turning to Asia. Note that future US annual economic growth rates compare poorly with those of China.⁷ Short of partition or internal turmoil, China will become the world's largest economy within the next 50 years. India will follow in the second half of this century. This process is no different from the overtaking of the United Kingdom by Germany in the mid-twentieth century and later the overtaking of both by the United States and the USSR. These dynamics have important policy ramifications for relations among the US, EU, China and eventually India.

⁷ Estimates of annual growth rates are taken from Angus Maddison, *Monitoring the World Economy 1820-1992* (Paris, 1995); Angus Maddison, *Chinese Economic Performance in the Long Run* (Paris, 1999); and Ajai Chopra et al., *India: Economic Reforms and Growth* (Washington D.C., 1995). Maddison estimates China's total output to grow at 5.5 percent up until 2015. For developed societies growth rates are 3.5 percent, which are currently seen as achievable objectives. Estimates for India, ranging from 7.5 to 9 percent are taken from Chopra et al.

THE BOUNDARIES OF POWER

Status Quo

The status quo represents the joint satisfaction of the challenger and defender within the dyadic relationship between these two nations. We refer to the relationship between the global dominant nation within the global hierarchy and the set of similar policies and preferences for each dyad in the regional hierarchy. Power Transition postulates that satisfaction with this dyadic status quo is a major determinant of conflict but gains and losses will be attained directly from dyadic interactions among participants.

While the status quo can be conceptually identified, empirically there is little consensus about what determines variation in satisfaction or dissatisfaction.⁸ In this work we estimate the full degree of variations in the status quo to show alternate paths nations could follow in the presence and absence of cooperation. Future work will address means of forecasting the status quo.

Conflict and Cooperation

The final boundary relates to the conflict- cooperation continuum. As the values on either end of this continuum become more extreme the intensity of either conflictual or cooperative relations increases. Therefore, the likelihood of discrete events, such as war on the conflictual side and integration on the cooperative side, also increases.

Power transition theory argues that the propensity to engage in either war or integration is driven in part by the relative power of the challenger and defender and in part by the degree of conflict or cooperation among nations. To approximate this theoretical insight we measure militarized interstate conflict and degree of cooperation expressed by levels of integration achieved across countries. Basic data for conflict are derived from standard measures of militarized interstate conflict (MIDS) developed by the Correlates of War

⁸ The notion of a *status quo* is compelling but we know little about what causes changes in satisfaction. There is speculation that it might be attributed to similarity in political systems (Douglas Lemke and William Reed, 'Regime Types and Status Quo Evaluations', *International Interactions*, 22, 2: 1996, pp.143-164, and Tammen, et al., *op cit.*). Once preferences are given they can be analyzed with sophisticated decision making tools like game theory but we have little knowledge of their origin or evolution.

Project.⁹ Measures of cooperation are derived from the integration scores developed by Genna.¹⁰

Hierarchy

The global hierarchy creates a sense of order as a consequence of the concentration of power at the top, and potential lack of order when parity among contenders is achieved. The global hierarchy should not be viewed as a fixed structure; rather it is constantly in flux, reflecting variations in relative power distributions driven by differential growth rates across countries. Recently Lemke developed hierarchy measures that apply to the global and regional structures that incorporate distance and power reach.¹¹ Since here we are concerned only with global hierarchy we use a simplified structure based on continental reach alone as described by Efird, Kugler and Genna.¹²

MODELING THE DYNAMICS OF POWER TRANSITION

We are concerned with the underlying power dynamics that change the equilibrium conditions of world politics because these dynamics have been empirically related to war, peace and integration. In a straightforward formalization of the Power Transition concept, Efird proposes a simplified dynamic model that traces the interactions between power, hierarchy, satisfaction and political outcomes with a simple non-linear structure.¹³

⁹ Note 3 above.

¹⁰ Gaspare Genna, 'Changing Power, Sovereignty, and Loyalty in the European Union', unpublished Ph.D. Dissertation, Claremont Graduate University, 2002 see also Efird, Kugler and Genna, 2003 *op.cit.*

¹¹ Douglas Lemke, *Regions of War and Peace* (Cambridge: Cambridge University Press, 2002)

¹² Efird, Kugler and Genna, *op cit.*

¹³ *Ibid.* Efird's theoretical relationship is defined as follows: $CI \mid P^4 S / P^3 \sqrt{2} H$

CI = degree of war or integration

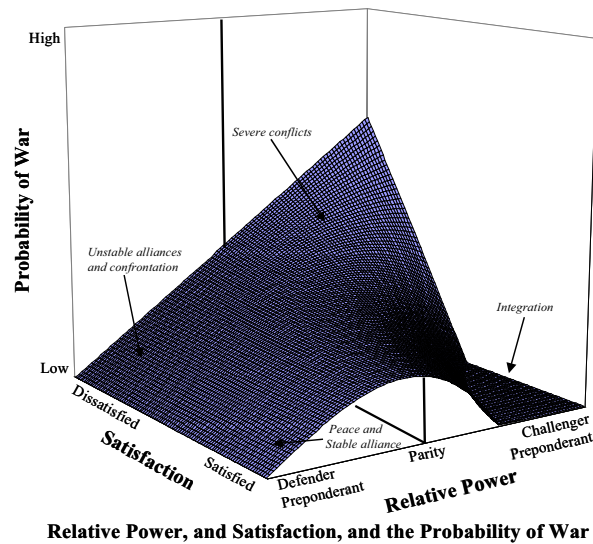
P = relative power

H = hierarchical structure

S = Degree of satisfaction with the *status quo*

P is expressed by Gross Domestic Product that combines population and productivity (Kugler and Arbetman *op cit*). The *S* term represents the joint satisfaction of the challenger and defender with the *status quo*. While this element can be assessed through the correlation of alliances, trade and military buildups it cannot be forecasted at this time. The *H* term represents the constraint imposed by the concentration of power in the hands of the global or regional dominant nation. Low values indicate that the dominant power is preponderant and the hierarchy is well ordered, while high values indicate that several great powers are at a balance and compete for dominance in an unordered hierarchy. This structure is estimated

FIGURE 6: DYNAMICS OF POWER TRANSITION



As Figure 6 indicates, Power Transition theory contends that the propensity to engage in either war or integration is driven by changes in the relative power of the challenger and defender prompted by differential growth in populations and output. While these contenders cannot directly control such changes, they are able to alter the status quo to generate political satisfaction or dissatisfaction.¹⁴ In a well-ordered hierarchy, conflict is anticipated under conditions of overtaking in about half of the cases. Such conflict is relatively rare but intense, while integration is likely for a broad set of cases. In such a dominated hierarchy, integration is possible when the defender is preponderant because the potential challenger may be forced to cooperate even when it is dissatisfied with the dyadic relationship.

endogenously in the model. *CI* represents the degree of conflict or cooperation among nations.

¹⁴ This particular functional form for the conflict-integration equation is chosen to reflect the verbal arguments power transition theorists have been making and testing for the last 40 years. Indeed, using the cube term shifts the highest level of conflict to just past the parity point and reflects the curvature for the conflict-integration term with respect to relative power, as derived by Bruce Bueno de Mesquita, and David Lalman, *War and Reason*, (New Haven: Yale University Press, 1992) and empirically derived by Kugler and Lemke *op cit*. The interaction with satisfaction is consistent with findings by Lemke and Werner *op cit*.

Expected outcomes in an unordered hierarchy indicate little variation in conflict-or-integration because of changes in satisfaction. If the defender and challenger are dissatisfied and as their relative power approaches parity, the degree of conflict increases. The stronger the challenger vis-à-vis the defender, the more likely is the use of war to resolve disputes. In the case where the challenger is preponderant and both defender and challenger are dissatisfied, the likelihood of war is maximized. As the contenders move toward satisfaction, the probability of conflict decreases. The likelihood of conflict is much lower and concentrates around parity. Grievances are less pronounced and more easily reduced, transforming the challenger from a dissatisfied to a satisfied actor before it challenges for dominance. Integration is likely after a power transition between satisfied countries since the two countries have a history of cooperative relations and they have passed through the overtaking without conflict. Integration takes place as the previous challenger becomes increasingly preponderant.

This framework may be used to anticipate developments in the global hierarchy over the next half-century.

A GRAND STRATEGY

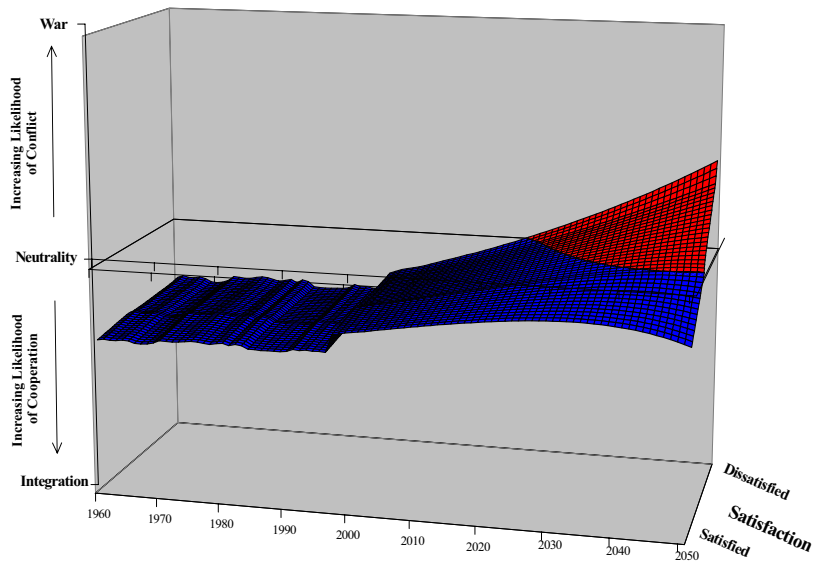
Stable alliances are coalitions of states that share similar evaluations of the status quo. Stable alliances are not agreements of convenience that can be altered easily or without consequences. They are arrangements of persuasion where nations associate because of commonly held commitments to existing rules. The economic and security gains thus derived keep such alliances vital. Members of stable alliances tend to be satisfied. They establish long-term relations and seldom defect from obligations generated by alliances.

The potential contribution of alliance members, and the resulting stability of such alliances in the face of war is a critical issue facing the elites in status quo powers set on preserving international peace. During peacetime, alliances are created and sustained by the commonality of preferences among actors. NATO, for example, was created after World War II to combat fascism and communism, and also to maintain peace among Western European nations. Unstable alliances, on the other hand, are arrangements created in the shadow of war, such as the agreement between the USSR and Germany at the onset of World War II, or the alliance between the Allied forces and the USSR after the German invasion. Nations seek unstable alliances only in order to avoid defeat, they seek stable alliances to preserve lasting peace.

Assessing the Present

Alliances are created by the dominant power to strengthen the stability of the system by ensuring the preponderance of satisfied countries. A successful dominant power attracts those great, middle powers and some small powers that support the dominant nation's leadership. Consider in Figure 7 the relations between the EU and the United States after 1945.

FIGURE 7: US-EU RELATIONS 1960-2050



Western European nations joined the dominant power to become part of a status quo alliance system. US foreign policy in the post-war era provides a clear example of preponderance through satisfaction of allies. The objective of NATO was to defend the associated nations from an attack for this reason. As Figure 7 shows, the US and the current members of the EU cooperated both to ensure security and economic coordination. An equally important and perhaps even superior objective of the US was to maintain stability within Europe. NATO's preponderance insured that power-overtaking among France, England, and Germany did not lead to a repetition of World Wars I and II. This paved the way for the formation of the EU.

Looking toward the future, can this process continue with the integration of new members into the security and economic grouping thus converting dissatisfied nations into satisfied nations? The incorporation of Poland, Hungary, and the Czech Republic into NATO is encouraging. These nations share common values: democracy, free markets, and acceptance of the status quo. Likewise, the potential expansion of the EU into Eastern Europe argues well for the integration of economic interests in Europe.

The addition of Eastern European nations to the security and economic grouping does not, however, substantially alter the distribution of power and it does not change fundamental relationships in the international system. Fundamental changes in the structure of world politics would follow only if Russia joins NATO and the EU (See Figures 3 and 5). This addition could make a large impact on preserving peace by strengthening the international hierarchy. Russia's entry into NATO would increase cooperation as fears diminish that the expansion of NATO to Eastern Europe is anti-Russian. It would help shift this nation into the satisfied group. Moreover, Russia's pool of resources would significantly help the dominant US and EU coalition to postpone the overtaking by China. *The United States can only ensure stability in the next quarter century if the EU members are satisfied and Russia is a full member of this dominant coalition.*

Despite the promise of stability through cooperation, there are some disturbing indicators to the contrary. The Bush administration has backed away from a number of treaties that could have solidified the relationship among the EU, the United States and the emerging cooperation with Russia. Opposition to the ban on the testing of nuclear weapons, antiballistic missiles restrictions, the imposition of global environmental standards and the establishment of an international court of justice are prominent examples of US actions that untie mutually binding agreements and diminish cooperation. These unilateral actions do not enhance stability. Perhaps the continuing need to wage the war on terrorism will deflect the US from this early pattern of withdrawal and disassociation and once more move the US to the forefront of international cooperation.

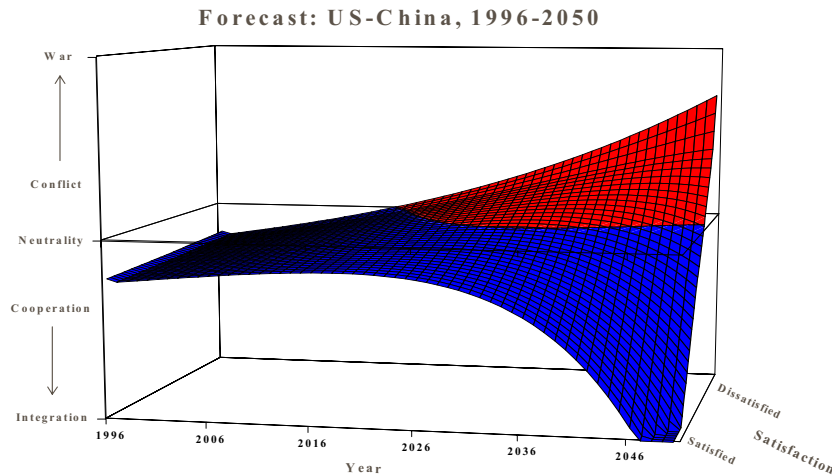
Alliance consolidation and expansion, however, is only a short-term solution. Even under the most favorable conditions of a US-EU-Russia super bloc, peace can only be insured for the next quarter or at most the next half-century. Beyond that the challenge of Asia looms large.

Forecasting the Future

The primary goal of US foreign policy must be the creation of a satisfied China. In no way does this mean appeasement or concessionary policies. Creating a satisfied China relates to the conditions that lead to the emergence of internal policies and preferences in China for accepting the international status quo. Some of this can be managed from abroad. Some cannot.

China's entry into the WTO was a good first step. Economic interactions create the opportunities to socialize China into the prevailing rules and norms of commerce. Security arrangements could follow. Here the status of Taiwan is critical. Potentially, the most explosive issue in Asia is the debate over the reunification of China and Taiwan. The management of this confrontation will shape the long-term relationship between the United States and China. How both nations handle this controversy will influence, if not determine, their permanent long-term relationship. The dynamics of the US-China relationship are defined by their changing relative power. This dynamic is illustrated in Figure 8.

FIGURE 8: CHINA AND THE USA

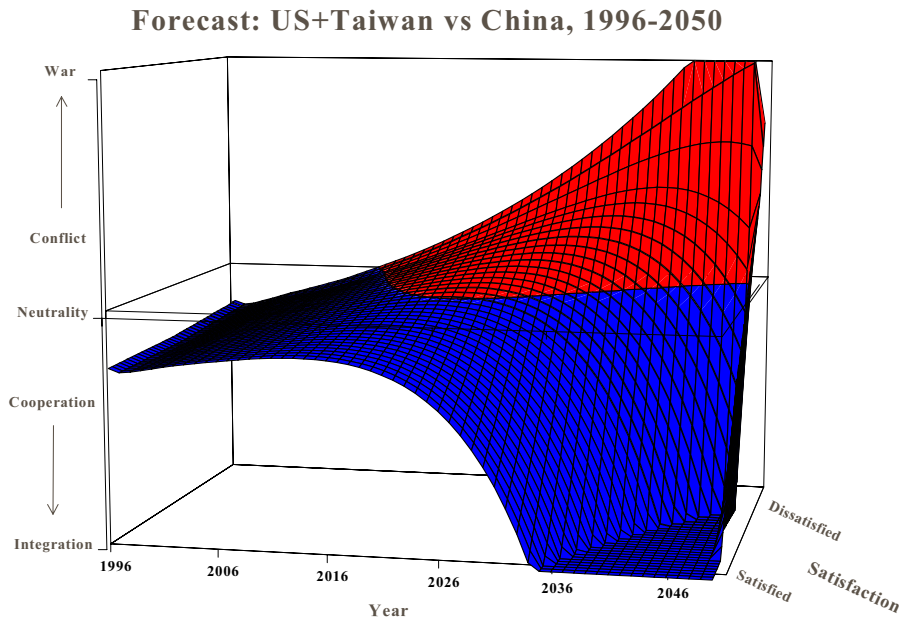


Note that China's power is growing relative to that of the US. China will overtake the United States in the next thirty to fifty years, long before it is an advanced developed nation. The potential confrontation will be—as in the case of Germany and the USSR in World War II—one between a very

advanced nation and a developing giant. Whether one assumes slow or rapid growth is less important than the essential trend.

These overall trends can lead to a peaceful or contested transition depending on the actions by the two giants. A major point of contention between them remains the political dispute over Taiwan. China surely recognizes that time is on its side, and may even see the benefits of an autonomous Taiwan. Patience on the part of the Chinese leadership could bring the reward of reunification without the use of force. The longer that China postpones the use of force, the greater is the relative power shift from the US to China and the higher the likelihood that an accommodation that maximizes autonomy for Taiwan can be reached. Indeed as Figure 8 indicates, there is greater room for accommodation under a cooperative US leadership.

FIGURE 9: CHINA, USA AND TAIWAN RELATIONS.



The fundamental question is how long can this expectation be sustained without generating the preconditions for a global war? Figure 9 shows the three-way interaction between the US, China and Taiwan.

Had Taiwan declared its independence very early in the overtaking process, perhaps immediately following the recognition of China by the United States, Taiwan may well have succeeded without generating a regional or a global conflict. This is no longer the case. Today, using its economic and military preponderance, the United States can force China to back down in any crisis. The overwhelming majority of studies indicate that the US today certainly would win any military encounter in the Pacific because the US navy can protect Taiwan against an invasion. Our estimates suggest that in the Asian hierarchy US preponderance should last for 25 years and then the tables will start to turn. This is not a long time to alter international structures and perceptions.

It is in the interest of both China and the US to find ways to postpone the day of reckoning over Taiwan. An early regional conflict prior to the anticipated transition would result in a likely defeat for China, but the resentment would then set up a later confrontation that carries with it the extraordinarily high costs of a global conflict. In the nuclear era a global conflict of this magnitude would be devastating. From the Power Transition perspective the goal of a stable US policy is the addition of China into economic and security arrangements. The first step in the direction of cooperative relations was achieved when US support assured China's membership in the WTO. However, a NATO-like security membership is lacking.

GRAND STRATEGY POLICY IMPLICATIONS

Power Transition implies that lasting stability can be attained if China, the EU, Russia, and eventually India join forces in an economic and security arrangement. Strange as this concept may sound, in the long term, the goal of the US and EU should be the expansion of NATO not only to Russia but China and India as well. Perhaps this would occur under a different name or structure. That is less important than the fact that a security system is developed based on shared preferences. This arrangement would create the global hierarchy needed to insure peace and avoid the preconditions for a global war.

The United States is the dominant power in world politics and can set the conditions for cooperation and conflict. Continued support for the status quo

by the EU and eventually Russia is essential to maintain peace in the next quarter century. The treatment of China is even more important. Unless ways are found to minimize China's dissatisfaction, the world will face the prospect of global war. For this reason it is imperative to find a way to settle the dispute over Taiwan while subtly socializing China into the existing international system. If China were satisfied, the anticipated transition to Asian dominance would have little effect on world structures and standards. Existing norms in the international system would remain even though they are likely to be guided and influenced by the new dominant nation.

On the other hand, if dissatisfaction grips China or less likely the EU and Russia dyad, the preconditions for a global war emerge in the middle of this century. Given technological advances, the winner of that war will rewrite the international rules and norms of a new international hierarchy. That has been the pattern of the past. It is what we expect of the future.

China's participation in NATO or a similar organization is essential because peacetime alliances aggregate nations with similar preferences. This, in turn, ensures security. While China may cooperate over trade and human rights, this would not assure peace. What can be done through the WTO—a weak agreement compared to the EU—is to reduce economic dissatisfaction. However, as long as China does not enter into international security agreements their level of satisfaction will be low. There is evidence that nations that reach agreements on security and trade minimize conflict while those that reach security agreements alone likewise seldom fight. But those that reach agreements on trade alone engage in conflict as frequently as those that have no agreements or counter agreements. A combination of trade and alliance produces the strongest links to peace, but without security agreements peace is tenuous even among trading partners.