

Dear Reader,

It is with great pleasure that we present the second edition of the *IE International Policy Review*. Over the past two semesters, we have seen a record number of interested contributors, who worked closely with our editors to give context to some of the issues facing our world. The IPR is uniquely organized, going beyond providing insightful, factual, and stimulating opinions, as we teach research to our fellow students and create a community that collaborates on all topics. Through open and respectful discussion of opposing opinions, as well as the hard work of our contributors, editors, and academic board, we aim to achieve excellent quality in exploring our world.

The IPR launched to further intellectual debate on some of the pressing issues of our time. We believe this is only possible by following thoughtful and factual evidence, regardless of one's political or social standing. Never has that been truer than today. As we all shelter at home, the world is experiencing a monumental transformation. During this crisis, there is much to debate as global shortcomings in our systems are becoming painfully clear.

For domestic governments, it has highlighted partisanships and a lack of leadership as many were unable to provide essential resources to the people they serve, such as healthcare, and laid bare structural flaws with the deep wealth and social inequalities. In our global system, it is accelerating shifts in longstanding norms, institutions, and relations, and has shown us the reality of how a world without international leadership looks. For us, it entails a new way of looking at our world, and each other, as our vulnerabilities are exposed.

Nevertheless, this moment also propels the best of what our world has to offer. Within countries, it brings to light true leaders on every level. In politics, those that pursue science, and dare to be honest, in making tough decisions are followed and saluted. Internationally, states like Taiwan and South Korea show how democratic values and upholding human rights are not inconsistent with an effective government. In our communities, heroes are stepping up, risking their lives, helping others. We are separated to a level never seen before, yet we have also never been this connected.

Let us continue to study and understand the events unraveling in front of us from various angles, overcoming bias and putting evidence first, precisely when it refutes our long-held beliefs.

Stay safe.

Sincerely,

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A Pragmatic Grand Strategy towards China

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Abstract

China's rise brings various issues to the international stage. Terms such as the Thucydides Trap and Trade Wars have become common language and many fear for conflict between the United States and China. Especially in the 21st century, the relationship between the US and China will define the world. However, this paper argues that China does not pose a threat to the United States and the international order as the economic, military, and political circumstances do not facilitate such a great power tension. By directly analyzing the relationship between the US and China in these three areas, two policy recommendations can be drawn. This paper brings forth a dual grand strategy for the US to improve and support its domestic position to compete globally and present a more accessible alternative to lead internationally by building a more inclusive coalition and deterring some of China's aggressions in South East Asia. As the world becomes more multipolar, the ability to balance power, engage developing nations, and build alliances will prove to be critical to any strategy.

Keywords: China; United States; foreign policy; great power tension; international security; Thucydides Trap; international order; trade wars; counterhegemony; South East Asia.



I. Introduction

China has been innovating in many technological realms and grown drastically over the past decades. With such growth ascends the desire to seek to structure the global system, along with the resources needed to engage in agenda-setting and coalition-building. The rise of a new power often leads to competition with existing great powers over who sets the rules. This competition, or the fear of falling behind, often provides the stimulus for war. We currently see a rising China confronting the United States on various issues as they assertively take more control of its region, demand a more significant role in global politics, and attempt to change arrangements of the international order. The emergence of China as a developing nation to a global power comes with various struggles and tensions. Nonetheless, while finding a way forward, it is not likely that the US and China will end up in a full-scale war. The obsession with the Thucydides Trap, the challenge for global hegemony, and a resulting clash of civilization is misguided.¹ This paper will demonstrate how the rise of China is not an international, existential, threat to US interest, as China's ascendancy is misjudged, and its intentions misinterpreted. At the same time, it urges for realistic deterrence against a narrative of nonaction. First, the notion of the Thucydides Trap and the issue with rising powers will be highlighted. Second, the current relationship between the US and China will be dissected into three key elements- economic, military, and political- to analyze if their strategic interests are indeed those of two conflicting powers. Finally, a dual grand strategy will be recommended for the US to lead and preserve a stable international order.

2. What is the Thucydides Trap?

Over 2000 years ago, during the Peloponnesian War (431 to 405 BCE), a thinker by the name Thucydides fixated on the causes and tension of the conflict- trying to uncover what led states to war. Arguably, his most famous insight was that it “was the rise of Athens and the fear that this instilled in Sparta that made war inevitable.”² Since then, many scholars have revisited his work. Among them, most notably, Harvard professor Graham Allison coined the term Thucydides Trap in 2012 to explain the phenomenon that Thucydides saw all those years ago: “when a rising power threatens to displace a ruling one, the most likely outcome is war.”³ Allison brought forth a remarkable and comprehensive collection of historical cases when these events occurred. Namely, according to his estimations, there were sixteen cases across history when a major rising power threatened the displacement of a ruling power. Out of the sixteen times when those requirements were met, twelve of those resulted in war- leading to an unnerving sense of prophecy. Understandably, since then, many have warned of the inevitability of a conflict between China, the rising power, and the United States, the ruling one. This is due to the fact that China has experienced a tremendous rise. According to the World Bank, over the past thirty years, China has experienced an unprecedented average GDP growth of nearly 10 percent a year and managed to lift over 850 million people out of poverty. Moreover, as China has grown within its geopolitical environment and has established its own regional institutions with global ambitions- such as the Asian Infrastructure Investment Bank- the US has indeed started to show some signs of becoming afraid of its further rise.

¹ Michael Crowley, “Why the White House Is Reading Greek History,” *Politico Magazine*, June 21, 2017.

² Graham T Allison, *Destined for War: Can America and China Escape Thucydides's Trap?* (Boston: Houghton Mifflin Harcourt, 2017).

³ Ibid.

3. The Current US - China Relationship

China has developed rapidly and is now seeking more influence on the world stage, leading to growing tensions between the United States and China, as headlines across the world show how disagreements on trade or foreign policy are igniting hostilities. Nonetheless, is China indeed the major rising power it is often labeled, and does it have the capacity, momentum, and desire to challenge the US to the brink of war? As previously mentioned, two narratives take center stage. The first and most prevalent one is that of intense Chinese rivalry and their inevitable ambitions to replace the US as global hegemon to rewrite the rules of their international order. Contrarily, the other narrative is one of strongminded assurance and negligence to reform current policy towards China. By looking at several areas of the relationship between the US and China, it becomes clear how both are irresponsible and, at times, dangerous. Undoubtedly, there is much more research and many more arguments to be made regarding the rise of China and the impact on global affairs. However, for the purpose of a high-level analysis, this paper identifies three major elements that facilitate the rise of a new state in global affairs, and thus, serving as an appropriate framework to measure China's relationship with the US, it will compare the following essential factors of great power tension: economic, military, and political.⁴

3.1 Economic Factors

First, a rising state must- in order to be considered a global challenger- be one of the current major economies. It is standard to rapidly assume and overlook this point as China is a leading economic powerhouse. After all, they are

the second-largest economy in size as well as the world's largest trading power. Nevertheless, while China's economic rise is very real and impressive, their current economic power and the future growth outlook are not as solid as China's presence would suggest. Additionally, when compared to the US, a massive innovative economy famous for reinventing itself, and the economic interdependence between them, the issue becomes less severe.⁵

Historically, previous rising powers had much larger economic resources relatively to their peers when they emerged on the world stage. For instance, a previous case of the Thucydides Trap, Germany of Kaiser Wilhelm II had already surpassed Britain economically by 1900 (fourteen years prior to World War I) and was "pursuing an adventurous foreign policy that was bound to bring about a clash with the other great powers."⁶ Contrastingly, China lags behind the US economically and, rather than aggressively opposing and confronting the US, China is predominantly concentrated on its own economic development and political consolidation.

Even when China's Gross Domestic Product (GDP) does become larger than that of the US, it does not mean the two economies are equal in composition- even when they are equivalent in size. Unlike GDP, per capita income provides a look at the sophistication of the economy. The US per capita income is 6.38 times greater than that of China.⁷ Thus, while China is destined to surpass the US in total size with its growing economy and immense population, it will not mean they are economically more powerful or equal. By contrast, China is far removed from

⁴ George Modelski and William R. Thompson, "Leading Sectors and World Powers: The Coevolution of Global Politics and Economics," (University of South Carolina Press, 1996).

⁵ Ruchir Sharma, "The Comeback Nation," *Foreign Affairs*, March 31, 2020.

⁶ Joseph S. Nye, "China's Century is Not Yet upon Us," *Financial Times*, May 19, 2010.

⁷ International Monetary Fund. World Economic Outlook Database, 2019. Available at: <https://www.imf.org/external/pubs/ft/weo/2019/01/weoddata/index.aspx>

the kind of threat that 20th century Germany posed when it passed Britain.⁸

Furthermore, even though China's policymakers discovered unique ways to handle both government and market imperfections that "might have weakened the natural forces of development"- such as the dual-track pricing system and the hybrid ownership model of enterprises- it is disputed that, despite those institutional specifics, China's development trajectory "is quite similar to the East Asian "Tiger" economies."⁹ As nations further develop, the growth rates tend to slow. Currently, according to the People's Republic of China, the growth rate slowed to 5.8 percent. However, according to Morningstar, it actually slowed to around 3 percent- drastically decreasing from previous years and projections.¹⁰ This is likely due to the fact that economic stimuli, such as a growing workforce, movements from rural areas to cities, intensifying exports, and high quantities of investments, are accordingly weakening to the point that China can "no longer rely on those old drivers" for their growth.¹¹ Subsequently, China is, therefore, naturally confronting a lot of the same challenges experienced by those other economies, such as "declining productivity growth as the forces of structural change run out of steam, and a rapidly aging labor force."¹² Additionally, in China's unique case, we also begin to see demographic issues from the "delayed effects" of its one-child policy.¹³ Ultimately, led by a generation that remembers the Cultural Revolution, the Communist Party

of China (CCP) knows its legitimacy is dependent on delivering the Chinese people "a measure of wealth and comfort" and thus will think wisely about the costs of direct conflict- especially in a time of slowing economic growth.¹⁴

Ironically, these challenges also reminisce of a slowing Japan after decades of receiving complaints identical to those confronted by China. Almost all accusations of China today, such as "forced technology transfers, unfair trade practices, limited access for foreign firms, [and] regulatory favoritism for locals," were also aimed at Japan during the 1980s and 1990s.¹⁵ Clearly, as Japan's economy matured and its growth slowed down, so did these fears. Likewise, China is slowing down its questionable activities as its transitioning from a "net importer of ideas to net innovator," and will accordingly start defending the rules-based order and international IP laws.¹⁶ Therefore, it is not unreasonable to expect the current tense relationship between China and the US to improve.

Nevertheless, even though it is questionable if China can take on the US economically and handle upcoming structural challenges, its economic capacity should not be unrecognized. As Allison points out in his recent essay, China is a "full-spectrum peer competitor of the United States in commercial and national security applications of AI" and has already overtaken the US in several key areas.¹⁷ In 2018, China filed two-and-a-half times as many patents in AI technology as the US, and last year it graduated three times as many computer scientists.¹⁸ As AI technologies

⁸ Nye, *China's Century*.

⁹ Martin Raiser, "China's rise fits every development model," *The Brookings Institute*, October 17, 2019.

¹⁰ Kenneth Rapoza, "China Growth Nowhere Near Official Estimates Says Morningstar," *Forbes Media*, October 31, 2019.

¹¹ World Bank Group, "Innovative China: New Drivers of Growth," (Washington, DC: World Bank, 2019), pp. xviii – xix. openknowledge.worldbank.org/handle/10986/32351.

¹² Martin Raiser, "China's rise fits every development model."

¹³ Nye, "China's Century."

¹⁴ Henry Kissinger, "On China," (The Penguin Press, 2011), p. 500.

¹⁵ Fareed Zakaria, "The New China Scare," *Foreign Affairs*, January/February 2020.

¹⁶ Yukon Huang, and Jeremy Smith, "China's Record on Intellectual Property Rights is Getting Better and Better," *Foreign Policy*, October 16, 2019.

¹⁷ Graham Allison, "Is China Beating America to AI Supremacy," *The National Interest*, December 22, 2019.

¹⁸ *Ibid*.

will be the main drivers of future economic growth and national security, it is safe to say China in some ways is- and most likely will be- the US's largest economic and political competitor.¹⁹ Thus, this requires an appropriate response and a reform of US policy towards its own economy as well as its relationship with China.

Consequently, beyond either state's economic strength is the vital relationship between them. As the world globalized, the United States and China became extensively interconnected. The ongoing trade war highlights the deep linkages by the economic damage it caused. For example, by the end of 2018, the tit-for-tat import-tariff increases were hitting US consumers and firms with \$3 billion each month in added tax costs as well as \$1.4 billion each month in deadweight welfare- or efficiency- losses.²⁰ For China, since the US is its largest export market, the trade war resulted in a drop of 12 percent of their exports to the US, leading to a loss of loosely \$67 billion and causing their lowest industrial output growth in seventeen years.²¹

On top of that, the economic interdependence between the US, China, and the rest of the world produces a stability mechanism. For instance, in 2012, the US, and its friends and allies, were responsible for 26 percent of China's GDP through trade, and were the sources of one-third of China's inward FDI (a number grossly underestimated due to 'round-tripping').²²

Clearly, economic hostility between the two powers leads to significant damages on both sides, which creates a

deterrent for potential hostility. After all, it was hundreds of years ago when Immanuel Kant fairly assessed that "the spirit of commerce ... sooner or later takes hold of every nation, and is incompatible with war."²³

Nonetheless, there are developments showing disintegration, such as the retreat from diplomatic solutions and the disentanglement of economic relations. The current trade war between the US and China visibly shows a halt in friendly cooperation and a turn to ineffective blunt tools. Some US companies have actively attempted to find alternatives as they consider- and some realized- moving manufacturing plants and changing supply chains to competitors such as Vietnam, Indonesia, and Bangladesh.²⁴ This weakening could be seen as the start of intensifying hostility between the two nations.

However, these organizational changes originate mainly from the Trump administration coercing US companies to adapt, as well as rising production costs since China is naturally moving up the value chain. Still, even with mounting pressure from the White House, numerous companies have found it challenging to realize such moves. For instance, Apple has canceled various plans to relocate factories to the United States or elsewhere and even went as far to shift production of its new Mac Pro computer away from the US to China.²⁵

Noticeably, this breaks away from any preceding instances of rising and dominant nations going to war. Critics often refer to the deep trade relations between Germany and Britain as the world was intensely globalized

¹⁹ John Villasenor, "Artificial intelligence and the future of geopolitics," *The Brookings Institute: TechTank*, November 14, 2018.

²⁰ Mary Amiti, Stephen J. Redding and David Weinstein, "The Impact of the 2018 Trade War on US Prices and Welfare," Centre for Economic Policy Research, March 2, 2019, <https://www.princeton.edu/~reddings/papers/CEPR-DP13564.pdf>.

²¹ CNBC, "China Says It Needs 'Arduous Efforts' to Meet 2019 Industrial Output Goal," *CNBC*, July 23, 2019.

²² Thomas J. Christensen. "The China Challenge: Shaping the Choices of a Rising Power," (W.W. Norton & Company, 2016), pp. 46-47.

²³ Kant, Immanuel. "Perpetual Peace," 1795.

²⁴ Melissa Twigg, "US-China trade war accelerates apparel factories' shift from China to Southeast Asia and Bangladesh" *South China Morning Post*, November 4, 2019.

²⁵ Samantha M. Kelly, "Apple shifts Mac Pro production away from US to China," *CNN Business*, June 28, 2019.

before they dragged the world into war. However, the globalization of the 21st century is vastly different from that of the 20th century- which was primarily about imports and exports. Nowadays, the global supply chains driving Multinational Corporations are at “the very core of the global economy”- making China and the US quite literally dependent on one another.²⁶

As a result, the profound economic relation and the complexly interrelated supply chains have generated many vested interests on both sides. Those essential interests will urge for a beneficial economic relationship- reverberating Bill Clinton when he told Jiang Zemin in 1995 that “the US has more to fear from a weak China than a strong China.”²⁷

3.2 Military Factors

Second, the state must have a robust military with an ability to extend its power. As will be discussed, Chinese military development accelerated in 1999 after Deng Xiaoping reforms had created the economic infrastructure and resources to “allow for impressive military modernization efforts.”²⁸ Besides a cross-strait conflict with Taiwan, which is strongly defended by the US, China does not have much strategic benefits or intentions to use its modern military abroad, as they would still need to deal with other military powers and endanger its domestic stability.

China successfully built a strong and capable military in the past decades, increasing its military budget by 83 percent between 2009 to 2018.²⁹ Currently, they are the second-largest military spender, with a massive annual

budget of 250 billion dollars, accounting for over 14 percent of global military expenditure. Of course, the contrast with the leader in military spending is apparent, as the United States spends over 649 billion dollars a year on its powerful military. In previous examples of the Thucydides Trap, the rising states were militarily alike in terms of capabilities and spending. Of course, China’s military capabilities are yet to be realized as they challenge the US in entirely new areas of warfare, such as cyber and space, and the uses of Robotics and AI technologies in combat have yet to be fully determined.

However, the US is undoubtedly superior- as they are simply the world’s most powerful military force. The costs are substantial, but, having operated as the world’s hegemon for decades, the expenditures have been extraordinarily small by historical standards. In the past, global hegemonies often capitulated to “imperial overstretch” after fighting in “multifront wars against major powers.”³⁰ To be able to safeguard their global influence, all preceding hegemonies spent over 10 percent of their GDP on defense, and sometimes reaching up to 100 or 200 percent.³¹ By contrast, according to the Stockholm International Peace Research Institute, the US spent 3.2 percent on its defense.³² This is partly due to the effective and delicate alliance system the US has built. The hope is that the US military will never be fully engaged against China. Nonetheless, the dominance of the US militarily, and its security alliances across the globe, is significant as it becomes a deterrence for war as, arguably,

²⁶ Geoffrey Garrett, “Why US-China Supply Chains Are Stronger Than the Trade War,” *The Wharton School, The University of Pennsylvania*, September 5, 2019, knowledge.wharton.upenn.edu/article/trade-war-supply-chain-impact/.

²⁷ Nye, “China’s Century.”

²⁸ Christensen. “The China Challenge,” p. 28.

²⁹ Nan Tian, “Trends in World Military Expenditure,” *Stockholm International Peace Research Institute*, April 2018.

³⁰ Michael Beckley, “China’s Century: Why America’s Edge Will Endure,” *International Security*, Vol. 36, No. 3 (Winter 2011/12), p. 49.

³¹ Paul Kennedy, “The Greatest Superpower Ever,” *New Perspectives Quarterly*, Vol. 19, No. 2 (Spring 2002), pp. 8–18.

³² Nan Tian, “World Military Expenditure,” *Stockholm International Peace Research Institute*.

“any effort to compete directly with the United States is futile, so no one tries.”³³

Subsequently, there are various other reasons for restraint from military confrontation. First, Chinese conduct is much more defensive than many realize. It needed to be as, for reasons previously mentioned, it wanted its neighbors and other powers to see its rise as peaceful. For instance, its nuclear doctrine claims that they will only turn to nukes if attacked first, which is opposite to the American nuclear stance which holds they have “the right to launch a nuclear first strike in a conflict” even when “it has only been attacked with conventional weapons”- or the Russian doctrine which claims it “may use tactical nuclear weapons to ‘de-escalate’ a conventional war.”³⁴ Second, China has historically followed the objective of having a “compliant, divided periphery, rather than one directly under Chinese control.”³⁵ This stems from the crowded geopolitical area it is in- as well as a long history of ceding territory to its neighbors- and led to a constant concern of avoiding hostile alliances against itself, which became one of the main drivers of Chinese foreign policy. Third, the idea that China wants to use its military to dominate other states or become violent internationally is arguable. So far, they have rarely been militarily involved in the Middle East, Africa, or Europe, and in an increasingly multipolar world, that does not seem to change anytime soon. Moreover, China’s strategic priorities lay primarily in its region as they attempt to fully establish themselves as the main regional power rather than challenge the US for global supremacy.

Furthermore, in regard to China’s own geopolitical region, which has its “own internal balance of powers”, many nations are actually welcoming to a US presence.³⁶ All significant players in East Asia, besides Russia and China itself, are either official US allies or its security partners. States such as Taiwan, South Korea, Japan, Australia, and Singapore are important US partners in the region compared to China’s lack of “strategically important allies,” as they are not aligned with Russia and North Korea is not much of a stable or strategic ally.³⁷

Moreover, as it is highly dependent on its economic relations, China has to balance its military posture with building economic partnerships and coalitions. The necessity of its economic relations dissuades the CCP from large military campaigns as it might upset economic partners. The fact that the Chinese leaders have to contend with other countries and the constraints “created by their own goal of growth and the need for external markets and resources” restricts them from becoming too aggressive in military operations.³⁸ Strikingly, a recent Pew poll showed that, among eighteen nations, over 55 percent saw China’s economic rise as beneficial, but less than 24 percent saw its military rise beneficial with the majority thinking “increased Chinese military strength is bad for them.”³⁹ As a result, China’s military capabilities are limited as they have to balance their hard and soft power.

Ultimately, unlike past cases of the Thucydides Trap, the concept of a strategic military conflict against the US is not in China’s interest either. For example, in the case of the mid-nineteenth century Germany, war was a strategic

³³ William C. Wohlforth, “The Stability of a Unipolar World,” *International Security*, Vol. 24, No. 1 (Summer 1999), p. 18.

³⁴ Sebastien Roblin, “China’s Military Is the Biggest on the Planet (But Can It Fight America and Win?),” *The National Interest*, May 22, 2019.

³⁵ Kissinger, *On China*, p. 22.

³⁶ Nye, “China’s Century.”

³⁷ Christensen. “The China Challenge,” p. 51.

³⁸ Nye, “China’s Century.”

³⁹ Laura Silver, “How People around the World View China,” *Pew Research Center’s Global Attitudes Project*, Pew Research Center, December 05, 2019, www.pewresearch.org/global/2019/12/05/attitudes-toward-china-2019/.

means in Bismarck's objective of "unifying the German states."⁴⁰ By contrast, China today has almost no strategic interest in undertaking a war of any kind against the US or anywhere else. Starting and winning a war is not worthwhile as gaining possession of natural resources and land is much less profitable (in both national security and economic terms) than securing the safety of an innovative economy focused on trade, FDI, technology, and high-value assembled products.

Additionally, with the unprecedented level of nuclear proliferation, a war between major powers is "madness" and "no longer a justifiable option."⁴¹ The price of war has increased dramatically as "nuclear weapons have turned war between superpowers into collective suicide."⁴²

3.3 Political Factors

Third, a dominant state "is likely to have a relatively open society," which will "aid in the creation and adoption of innovations, in the setting of global agendas, and ... coalition building."⁴³ Visibly, China does not represent a relatively open society. Massive governmental surveillance, restrictions on free speech and internet usage, the suppression of doctors' warnings of the dangers of COVID-19, the dispersion of the social credit system limiting travel and opportunity, and Xi Jinping's petty ban of Winnie the Pooh underscore severe issues and dangers with extremely centralized and oppressive control.

However, often unnoticed, China does favor an open and democratic international order that relates better to developing countries and is less inclined to favor existing

great powers. China has also been the main beneficiary from the international economic order using free trade, FDI, and economic supply chains to grow its economy. As a major rising power, China also stands to benefit from the rules-based international order that respects international law. It is the primary driver of China's strategic change from "seeking to undermine the international system to spending large sums to bolster it"- becoming the UN's second-largest funder and supporting 182 out of 190 security council resolutions against violations of international rules.⁴⁴

By definition, demanding more say in US-led institutions by any other power is counterhegemonic. However, alterations to the make-up of international institutions do not sincerely pose a threat to US leadership if it is willing to adapt to unavoidable altering global conditions. Failing to do so can be more damaging. For instance, the US and Europe were very averse to concede any ground to the Chinese in any of the core institutions of international economic governance, such as the International Monetary Fund (IMF) as well as the World Bank. This led to China's efforts to work outside the system.⁴⁵ According to the former Chairman of the US Federal Reserve Ben Bernanke, it was the US Congress that failed to approve larger voting-rights for China within the existing IMF that pushed Beijing into launching the AIIB.⁴⁶ More prominently, for years, China "sought a larger role" in the Asian Development Bank (ADB), an institution located in China's neighborhood, but was

⁴⁰ James C. MacDougall, "Destined for War: Can America and China Escape Thucydides's Trap?," *Review Essay Semantic Scholar*, 2017.

⁴¹ Allison, *Destined for War*, pp. 206-209.

⁴² Yuval Noah Harari. *Sapiens: A Brief History of Humankind*. Vintage, 2019, p. 372.

⁴³ George Modelski and William R. Thompson, *Leading Sectors and World Powers: The Coevolution of Global Politics and Economics* (University of South Carolina Press, 1996).

⁴⁴ Fareed Zakaria, "The New China Scare," *Foreign Affairs*, January/February 2020.

⁴⁵ Ibid.

⁴⁶ David Pilling, "US Congress Pushed China into Launching AIIB, says Bernanke," *Financial Times*, June 2, 2015.

opposed by the US.⁴⁷ Therefore, by using its growing influence and creating its own institutions, China did not launch an assault on existing institutions but on the incorrect power relations underlying them. This means existing institutions can adapt to the changing balance of power to more accurately handle issues faced by today's world. To emphasize this, the formation of the AIIB finally "persuaded the US Congress" to approve rational IMF reforms leading to the "dilution of Washington's voting power," and led the ADB to allow developing economies to "boost their capital shares" and expand their formal influence.⁴⁸ Thus, instead of promoting or fearing the idea of a clash between a rising power and a ruling one, we should understand the trend of a readjustment of global influence among various powers in an increasingly multipolar world in which more formal authority in international institutions will "inevitably come at the expense of the power of the United States."⁴⁹ Nevertheless, this reduction of global power does not inhibit the US to lead and define the international order, but merely means they will have to build coalitions of eager smaller powerful nations to sustain it.

Moreover, there is a critical distinction between American and Chinese ideological conduct that should diminish any concern of global political domination. The interpretation that China wants to export its ideas, form of governance, and culture comes from quite a biased Western perspective. According to Henry Kissinger, China's exceptionalism is unlike the American, which in turn came partly from European imperialism. American exceptionalism is missionary, as at the core of American

ideology lays a recognition of its morality and consequently an "obligation to spread its values to every part of the world."⁵⁰ This does not mean that Chinese ideology is the same. Remarkably, China's ideologies are mostly domestic-part of a Chinese civilization that always was and will be-and, thus, does not claim that "its contemporary institutions are relevant outside of China."⁵¹ For instance, the only Chinese efforts to change institutions and democracy are aimed towards Taiwan, as it is perceived to be part of China itself. However, as previously stated, China believes in a global somewhat-democratic international order and created its own institutions as a result of perceived ineffectiveness of existing US-led institutions rather than as an attack US hegemony.

It is also important to highlight how an international-level of analysis brings forth only an international-level rationalization. For instance, China's island-building activities in the South China Sea is often interpreted as an expansionist foreign policy, driven by *realpolitik*. However, according to Audrye Wong, despite Beijing's efforts to reduce tensions in the area, the local province of Hainan successfully influenced policy for the habitation and construction of those islands to increase tourism as "a source of development that boosts growth."⁵² This shows that often there could be more nuanced reasons for the motivations behind Chinese foreign policy, which have "important policy implications for understanding and responding to Chinese behavior in the South China Sea and Beyond."⁵³ Therefore, perceiving all of China's foreign policy stances as hostile is a dangerous spiral that does not often represent reality and is one the US should not follow.

⁴⁷ Zakaria, "The New China Scare."

⁴⁸ John Ikenberry and Darren Lim, "China's Emerging Institutional Statecraft," *The Brookings Institute*, April 13, 2017, p. 13.

⁴⁹ Ibid. p. 13.

⁵⁰ Kissinger, *On China*, p. xvi.

⁵¹ Ibid. p.xvi.

⁵² Audrye Wong, "More than Peripheral: How Provinces Influence China's Foreign Policy," *The China Quarterly*, 235, September 2018, pp. 735–757.

⁵³ Ibid. p. 735

4. A Dual Grand Strategy.

Once again, the United States and its allies should primarily avoid two narratives. First, the narrative that China is a malicious power that will do everything to get ahead. This view leads only to furious attacks on anything the regime undertakes and only fuel Chinese nationalism and give power to hawks within the CCP. Second, disregarding the reality and consequences of China's rise will likely lead to a disgruntled Chinese population, unrestrained aggression, noncooperation on global issues, and ineffective US policy towards South East Asia. As a result, avoiding these narratives, a dual grand strategy- domestically and globally- should be pursued.

4.1 Strengthening Domestic Industries

The United States should embrace a national effort to compete with China and offer a more prosperous and fairer model to the rest of the world. After all, during the Cold War, it was the economic prosperity from a market-system, academic excellence from protecting innovation and ideas, as well as political possibilities through free speech that made the United States a better alternative to its autocratic rivals- namely the Soviet Union.

Besides safeguarding those same values at home, the new challenge lies at the core of the growing technological areas that will redefine national security and future economic models. Space exploration, renewable energies, biotechnology, and cyberwarfare, to name a few, will push the US to allocate its current economic and political might towards furthering and pioneering those spheres of boundless potential and future dominance. Currently, education and research within those areas are severely

underfunded while China is successfully expanding its efforts. For instance, in renewable energy, China is spending three dollars for every dollar the US invests.⁵⁴

Fundamentally, by investing in its society and economy, it could show how liberal democracy, along with its values and ideas, and a rules-based system is the most efficient, fair, and productive way forward. For example, in his book *Loonshots*, Safi Bahcall emphasizes how fostering research led to technologies that helped the Allies win World War Two, how innovative methods found cures for diseases, and how funding as well as and nurturing seemingly crazy ideas transformed entire industries.⁵⁵ Similarly, Jonathan Gruber and Simon Johnson analyzed how government investments in scientific innovation could lead to higher economic growth and allow the US to keep leading in the 21st century.⁵⁶

All in all, Bahcall, Gruber, and Johnson illustrate the benefit of identifying technological research as a top national priority, like the space race was in the sixties, as it has proven to deliver tremendous advantages and was often the reason why the US has been so superior in international relations over the past century. Moreover, investing in a more prosperous and fair society will discourage citizens from leaning towards populist movements that threaten to discredit liberal democracies as a functioning model. Ultimately, the clear disparities with its main competitor China along with the extensive history of successful results from investments in knowledge, should be enough to convince anyone of the need for more substantial funding for innovative technologies.

⁵⁴ Rob Smith, "For Every \$1 the US Spent on Clean Energy in 2017, China Spent \$3," *World Economic Forum*, April 11, 2018. www.weforum.org/agenda/2018/04/for-every-1-the-us-spent-on-clean-energy-in-2017-china-spent-3/.

⁵⁵ Safi Bahcall, "Loonshots: How to Nurture the Crazy Ideas That Win Wars, Cure Diseases, and Transform Industries," (St. Martin's Publishing Group, 2019).

⁵⁶ Jonathan Gruber and Simon Johnson, "Jump-Starting America: How Breakthrough Science Can Revive Economic Growth and the American Dream," (PublicAffairs, 2019).

4.2 Diplomatically Engaging and Balancing the Global Community

The United States must not seek to dominate in every sphere of international policy, or the forceful democratization of other states, but rather seek an overarching guiding position. Surprisingly, critics of US involvements across the world argue that they should not be the world's policeman. However, if the US appropriately undertakes an active leadership role, it would not directly engage in intervention or wars, but instead, hold up a system and coalition for international security using economic and political sanctions to punish wrongdoers. It has not done so, as US diplomatic strength lacked under President Obama and has weakened dramatically under President Trump. Instead, US policy should embrace both multilateral and bilateral efforts to align nations for common goals and be the key driver for coalition-building against threats to global interests such as nuclear proliferation, climate change, terrorism, and destabilizing forces such as the cybercrimes and election-interference efforts by Russia.

Previously, as a hegemon, the US was inconveniently positioned to realize such a role, as they were effectively the sole power to extend its power to ensure stability. However, various regional powers are increasingly becoming more significant and are taking more responsibility within their areas, opening a door for the US to hold together a balance of power. This is not new. In fact, according to Henry Kissinger, in 1815, after an era filled with wars among great powers, it was the Congress of Vienna that ensured a period of relative peace.

Consequently, only seventeen wars occurred in a century, none of which extended globally, thanks to “the generally accepted legitimacy” of a five-power order made up by Austria, Britain, France, Prussia, and Russia.⁵⁷ At the time, it was Britain who played the role of the balancer among those states. So too should the US entertain the idea of becoming a stabilizer, gathering a grand coalition of states who are interested primarily in a stable and fair rules-based order, and preserving that order “by only occasional diplomatic and military interventions.”⁵⁸ Together with the current disincentives for war, such a policy could lead to a more stable global alliance. Most lucidly, in Kissinger's words, it is “only natural that a period anxiously seeking to wrest peace from the threat of nuclear extinction should look nostalgically to the last great successful effort to settle international disputes by means of a diplomatic conference.”⁵⁹

Therefore, as previously mentioned, the US should remain a global leader- not only because it has the capacity and power to do so- but since it is uniquely positioned in a world that “prefers a global order” under its leadership compared to “any other kind of world order.”⁶⁰ This idea is not unfounded as having the US be the global leader- for now- can be “a price worth paying” for the international stability the US produces.⁶¹ Accordingly, by engaging those nations that prefer US leadership, the US can strengthen a multipolar international order, which would “provide a critical tool” in shaping and constraining the rising Chinese power.⁶²

Crucially, this is especially the case in South East Asia, where various states feel threatened by China. The US

⁵⁷ Niall Fergusson, “The Square and the Tower: Networks and Power, from the Freemasons to Facebook,” (Penguin Group, 2018), P. 130.

⁵⁸ Ibid. p. 131.

⁵⁹ Henry Kissinger, “The Congress of Vienna: A Reappraisal,” *World Politics* 8, no. 2 (1956): 264-80.

⁶⁰ Danny Quah, “Ordering the World Truth to Power,” (London School of Economics and Political Science, 2016), 24.

⁶¹ Ibid. p. 24.

⁶² Michael J. Mazarr, Timothy R. Heat and Astrid Stuth Cevallos, “China and the International Order,” (RAND Corporation, 2018), pp. xi-xii.

should engage with those states and deter China's aggressions while ensuring China's regional sovereignty and conveying the importance of a rules-based order for Chinese interests. Accepting increasing Chinese influence in the international order will make China a strong supporter of it and "pose less of a threat" to a stable system than an outlook "in which China is alienated from that system."⁶³ History offers great lessons for today's leaders, and it has shown that great powers can "manage relations with a rival, even those that threaten to overtake them, without triggering war."⁶⁴ It is up to the United States and its allies how to handle China's rise. It should not be approached by opposing it, but rather by uniting and steering China to reinforce existing institutions and norms.

5. Conclusion

All things considered, the United States and China are at odds. Most likely, they will be for a long time as new spheres of influence, such as space and cyber, will become sources of tension. However, rather than fearing this power tension, it is purely a fact to reckon with: an influential China is here to stay. The United States should accept and embrace the coming era of multipolarity as, in many ways, it solves some of the issues it faced as a sole superpower. By engaging the global community, allowing fair Chinese influence in existing institutions, participating in Chinese initiatives, and building strong diplomatic relationships, the US can ensure the successful continuation of its order and avoid the narrative of hostility. By seeing the Chinese as competitors on the world stage, Americans will rally and revert to tactics of supporting and deeply investing in its own society and selling its attractiveness worldwide. However, embracing the good does not mean appeasing China's assertive and immoral behavior at every turn to avoid any rivalry. A

realistic strategy of enabling regional nations to balance China, ensuring military deterrence in South East Asia, as well as upholding norms regarding international trade, human rights, and civil liberties, should be pursued to avoid the narrative of nonaction. Ultimately, China's rise is not an international threat to the United States and its order. There are difficulties, no doubt, but we often tend to believe that we live in an unprecedented time of difficult challenges and therefore exaggerate them. Americans during the Cold War believed it was the defining moment in history, policymakers dealing with the Kosovo War thought they faced unique challenges, and many believe the wars in Afghanistan and Iraq have brought forth unmatched and world-changing issues. In the end, foreign policy is hard. It requires a sensible and delicate balance between diplomacy, military deterrence, and coalition-building that will once again ask American foreign policy elites not to get dragged into simplistic metaphors or prophecies and simply get to work to establish a realistic and fair strategy forward. A strategy that is not against or in fear of China, but with China.

⁶³ Ibid. p. xi-xii.

⁶⁴ Allison, *Destined for War*.

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A Rental Culture vs. a Home ownership Culture

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Abstract

This paper aims to analyze the housing situation in the post-crisis years in Spain and the Netherlands. Both countries are highly developed European Union (EU) countries and have expanded their economies since 2013. Similarly, both are experiencing a housing crisis with rapidly increasing prices and shortages. Spain suffers challenges related to its decentralized and unorganized housing management structure when it comes to implementing new policies, and the Netherlands needs to motivate housing corporations to construct more housing. This paper looks at various studies and reports as well as news related to policy changes and their effects from 2015 to the present day. Furthermore, the concept of social housing and the effects of related policies on both the people and the market are analyzed.

Keywords: Housing Market, Real Estate, Netherlands, Spain



1. Introduction

Housing crises, meaning a state in which more and more people are losing the ability to afford and obtain housing, are happening all over the world. Cost of living in developed countries like Spain and the Netherlands are increasing, however, wages are not increasing proportionally¹. Additionally there is a physical lack of housing available, especially in highly urbanized cities. The Netherlands has the highest share of social rentable housing in the European Union, 30% of its housing stock is dedicated to social housing, and still the country faces a housing crisis.² Spain, on the other hand, has a strong home ownership culture and social rent housing is significantly less established (2.5%) in comparison³. Social housing in Spain consists of “*Vivienda de Proteccion Publica*” and is offered primarily for ownership purposes and rarely oriented to rentals. While the Netherlands does not have a single definition for social housing, it refers to below market price housing targeted at families and individuals that suffer a financial disadvantage. Spain similarly defines social housing as the facilitation of housing accessibility to the most vulnerable groups in society.⁴ The housing policies in Spain’s current Four Year Housing Plan aim at increasing the supply of actual housing

as opposed to social housing.⁵ It is essential to note the effect that housing policies have on economic crisis risks and the capacity to recover from a crisis. The policies put in place have a substantial effect on the disposable income of households and expenditure on house-related costs. The following paper looks at the effects of housing policies on the market and households. It further analyses the impact of influential players on the implementation of these policies.

2. From the Past to the Present

European cities are lacking housing in terms of both affordability and availability. The reason why? Since the economic recovery from the Financial Crisis of 2007-2008, housing prices have increased quicker than average household income.⁶ Governments are often criticized for doing too much or too little to address the housing issue. Leilani Farha, the United Nations Special Rapporteur on adequate housing, stated, “the time for excuses, justifications and looking the other way when access to justice is denied for the right to housing has long passed”.⁷ Desire Fields in her paper on housing crises singles out government policies for being the driving force in the

¹ Desiree J. Fields and Stuart N. Hodkinson, “Housing Policy in Crisis: An International Perspective,” *Housing Policy Debate* 28, no. 1 (December 12, 2017): pp. 1-5

² Pittini, Alice. The State of Housing in the EU. *Housing Europe*, Sept. 2019.

³ Pittini. The State of. 4-5

⁴ Ana Arriba and Gregoria Rodriguez Cabrero, “PDF” (Luxemburg, July 2018))

⁵ Pittini, Alice. The State of Housing in the EU. *Housing Europe*, Sept. 2019.

⁶ Beioley, Kate. “European City Living Gets Less Affordable.” *Financial Times*, 30 May 2019.

⁷ Gunnar Gunnar Theissen, “HCDH: States Are Failing Millions Mired in Housing Crisis, Says UN Expert,” HCDH | States are failing millions mired in housing crisis, says UN expert (United Nations Human Rights Committee), accessed January 29, 2020,

increasing inequality in housing distribution⁸. Housing markets are working in dysfunctional and geographically imbalanced ways, causing the displacement of low- and middle-income households from higher value areas, and blockages in housing production that are keeping supply low and markets tight.⁹ In situations like this, it is low-income families in a society that suffer the overburden and have to spend more than 40% of their disposable income on housing costs.¹⁰ These costs include rent, mortgages, tax, repairs, and utilities. That means the households have a smaller percentage of their disposable income available for saving or other expenses like groceries or leisure activities. The purpose of government intervention through housing policies is to meet the housing needs of these low-income families. Another threat that people face regarding affordability and decent housing comes from what Joe Beswick calls *global corporate landlords*.¹¹ These *landlords* are large multinational asset management firms that enter the market and buy up large amounts of properties where previous homeowners have defaulted. Both Spain and the Netherlands struggle with the fact that large private equity firms, located far away, have control over large market shares.

2.1 The Netherlands

The Netherlands is unique when it comes to the subsidization of housing for low-income individuals. Vestia, a prominent social housing corp., put together an index on social housing where Netherlands comes in first.¹² Spain, on the other hand, has one of the lowest percentages in Europe of social housing with 2.5%. There is a significant issue for cities in highly demanded areas, where prices are increasing to unaffordable levels for both buying and renting. This creates a significant problem for people as they are not able to live in areas where there are job opportunities.¹³ Important to note is that the prices of housing have grown since 2017. Before they were lower than the pre-crisis period. The low prices are explained through a generous tax regime allowing for mortgage tax reduction. While prices were low, people expected them to go up, resulting in a speculative bubble not attributed to underlying fundamentals.¹⁴ In the years 2012 and 2013 several financial institutions decided to intervene for three main reasons. The Dutch Central Bank, the authority financial markets (AFM), and the Ministry of Finance intervened for three reasons related to mortgage debt; (A) size, (B) risk, (C) Funding.¹⁵ In terms of debt, the IMF has

⁸ Desiree J. Fields and Stuart N. Hodkinson, "Housing Policy in Crisis: An International Perspective," *Housing Policy Debate* 28, no. 1 (December 12, 2017): pp. 1-5

⁹ Desiree J. Fields . "Housing Policy in Crisis 1-5

¹⁰ OECD, Social Policy Division. "Housing Costs over Income" 13 Feb. 2019.

¹¹ Desiree J. Fields . "Housing Policy in Crisis 1-5

¹² 10 Large Social Housing Providers Across Europe," International Observatory on Social Housing, May 8, 2017,

¹³ Pittini, Alice, et al. "The State of Housing in the EU 2017." *A Housing Europe Journal*, Oct. 2017

¹⁴ Peter Boelhouwer, "The Role of Government and Financial Institutions during a Housing Market Crisis: a Case Study of the Netherlands," *International Journal of Housing Policy* 17, no. 4 (August 2017)

¹⁵ Boelhouwer, The role of, 9

recommended reducing mortgage debt had doubled from 1999 to 2012.¹⁶ This is important to firms and businesses as the credit rating can go down. High mortgage debt increases risk to the government, by losing out on mortgage tax deductibles and household's defaults. Lastly, since banks are required to increase their financial reserves, allowing for generous tax deductions is not in the interest of the banks¹⁷. In sum, there was reason for these three players to step up and intervene.

2.2 Spain

Where the Netherlands saw a sharp drop in real estate prices following 2013-2014, the Spanish real estate market saw a sharp increase. This is a general statement as there remains a high disparity in location, type, and value, however, the difference is recognizable¹⁸. One of the main challenges that the Spanish housing market faces today is the increasing supply of unoccupied houses. The government has experimented with a number of incentives to reoccupy these spaces. through urbanization, small villages are being deserted. This means that there is not a lack of housing, but a lack of housing in highly desired areas in cities like Madrid or Barcelona¹⁹.

Table 1 shows the increase in house purchases as of 2013. The factors driving this number up include and improvement in financing opportunities. Interest rates on

mortgage loans have decreased by 1% over the last five years while repayment periods have extended.²⁰ This has incentivised more purchases by both nationals as well as foreigners. The latter must not be forgotten as they represent an external influence on the results of this study. Regardless, the increase in purchases since 2013, is notable. Additionally, rentals have also slightly increased. To enhance the availability of rentals, the government has taken a two-pillar approach. Focusing first on promoting rental housing through subsidies and the promotion of rental housing stock. The second pillar focuses on restoration, regeneration, and urban renovation. Furthermore, the 2013-2016 State Housing Plan also emphasizes the need for public-private collaboration. This Housing plan has been aimed at correcting the inefficiencies in the system that have led to events like the 2007 crisis.

3. What types of policies are we talking about?

There are numerous ways that a government can intervene in the housing market. It can take fiscal measures such as subsidizing or granting tax exemptions. The government can also engage in direct provisioning of social housing by allowing rentals or sales to be below-market prices, or allocate housing using non-market allocation mechanisms. The first two require tax money paid by citizens. They can

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Pana Alves and Alberto Urtasun, "Recent Housing Market Developments in Spain," *Economic Bulletin 2/2019 Analytical Articles*, April 11, 2019)

¹⁹ Alves, Recent Housing, 4

²⁰ Pana Alves and Alberto Urtasun, "Recent Housing Market Developments in Spain," *Economic Bulletin 2/2019 Analytical Articles*, April 11, 2019)

therefore quickly become controversial and require extensive analysis before they can be implemented. Legislation can be put in place to influence the housing market to increase quality and quantity. By giving tax

exemptions to property developers, creating new housing complexes can become an attractive investment opportunity. Minimum physical standards can be used to improve quality.

1 NUMBER OF HOUSE PURCHASES

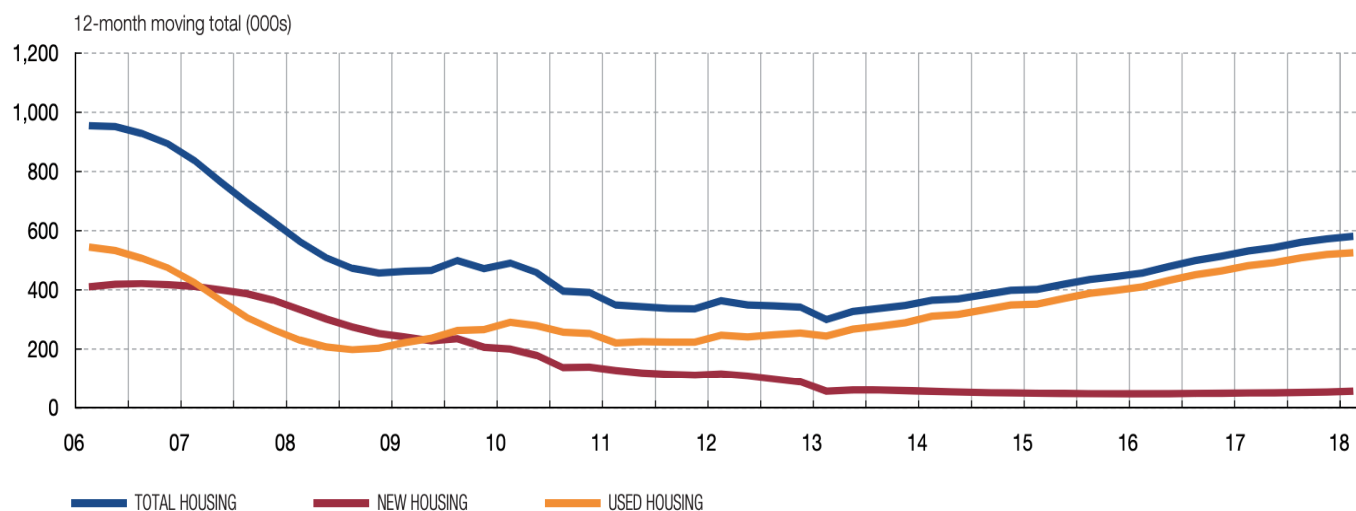


Table 1 “Number of House Purchases”

These policies may also result in undesirable side effects on not just the housing market but also markets such as the labor market, even years after their implementation. Studying them can allow policymakers to better understand the market and what it needs. It is important for them to understand the effects of the policies they implement for further improvement of the livelihood of citizens.

4. What could possibly go wrong?

Having too much government influence can lead to several unfavorable outcomes. If the government implements rent caps and sets a limit on the amount of rent a landlord can

charge, then this could lead to a black rental market where the landlord may proceed with leasing without a contract²¹. Rentcaps can be unfavorable to the owner as he/she is not able to charge the value of a property.

Through renting without a contract a landlord as well as the tenant is able to behave as they please. A landlord may refuse to make reparations when appliances break down and a tenant may cause unnecessary damage. If a landlord can only collect a certain amount of rent, he or she may choose minimal property maintenance services for the tenant. Lastly, the landlord may choose to sell the property when potential future rent income does not outweigh a

²¹Allison Conley (Department of Urban Design and Planning, 2018), pp. 31-33)

sale. The people favored in rent caps are the tenants already living in a property, apartment, or other form of housing. Newcomers to the market, however, will have a hard time finding housing as there will be less movement. Finding a balance between policies like rent ceilings and construction subsidies is tricky and controversial and can lead to public resentment if not implemented correctly, such as the Organization Platform for People Affected by Mortgages (PAH) in Spain. The PAH was formed out of a shared belief in unfair convictions. As these policies have long term consequences, it will take at least another five years until the real results are seen.

5. Country comparison on policy outcome

The five years following the implementation of a set of policies in both Spain and the Netherlands, saw the impact of those policies. Here two countries of similar geographic location, political stability, and economic strength are compared. It is evident when powerful players act on their own interest long term consequences will follow that are tough to undo.

5.1 Netherlands

The Dutch policies implemented in the years 2013-2014 have resulted in an increase in housing prices and consequently a reduction in purchases. This further translated into a reduction in construction as well as a loss

of jobs in the construction sector²². There was a high number of bankruptcies reported. Loans for households were tougher to approve and obtain and employment in the construction sector fell.²³ This was the result of influential players fearing loss of credit rating and also being recommended by the IMF to make adjustments. Peter Boelhouwer in his case study on the Netherlands concludes by suggesting a “two fold policy”. This means the government needs to look at major cities and small villages with a different approach, as they have different needs.

5.2 Spain

As the data shows for the Netherlands, the number of purchases has decreased and prices have gone up²⁴. Spanish data shows the opposite. Here there were two approaches to housing policy as well as the influences on shaping that policy. The Dutch government was influenced by three major actors; the central bank, the ministry of finance, and the AFM; who all saw their interests in jeopardy. The Spanish leniency on tax reduction and repayment extensions have given people more incentive to invest. Since 2012-2013 there has also been an increase in investment in construction. Spain is above the EU average in housing investment as a % of GDP.²⁵ These rates are not yet back to pre-crisis levels but they are showing improvement in the last five years. The market is also seeing an increase in the number of housing approvals. Again not as high as pre-crisis

²² Peter Boelhouwer, “The Role of Government and Financial Institutions during a Housing Market Crisis: a Case Study of the Netherlands,” *International Journal of Housing Policy* 17, no. 4 (August 2017)

²³ Boelhouwer, The role of, 9

²⁴ “Existing Own Homes; Purchase Prices, Price Indices 2015=100,” CBS Statline (Centraal Bureau voor de Statistiek, January 21, 2020),

²⁵ Pana Alves and Alberto Urtasun, “Recent Housing Market Developments in Spain,” *Economic Bulletin 2/2019 Analytical Articles*, April 11, 2019)

levels but the trend is increasing. The challenge to reoccupy smaller villages in Spain remains. This will require a greater set of policies relating to work opportunities.

6. Conclusion

The currently implemented housing policies are far from flawless, and many improvements can be made. The Netherlands is struggling with slightly different challenges than Spain. Spain needs to increase the rental proportion in the housing market to balance out with the homeowner sector while dealing with a decentralized system. The Netherlands needs to incentivize housing corporations to construct more affordable housing for low-income families. Additionally, the increasing cost of housing for middle-income households is presenting another challenge because household incomes are not increasing proportionally. While battling powerful interest groups and acting in the good of society, the Dutch government needs to put together a set of policies that will make mortgage loans easier to obtain. Like Spain it could lower interest rates and extend the repayment period. The Dutch have one of the lowest default rates, meaning this could policy is definitely of interest to the Dutch government.²⁶ It is argued that making lending easy can lead to excessive borrowing which led to the global crisis in 2008²⁷. It is the job of regulators to monitor this trend of excessive borrowing and step in at the right time.

²⁶ Ibid.

²⁷ Ibid.

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Why Nations Fail - Book Review

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Worldwide, people have taken to the streets to display their dissatisfaction with their respective regimes. One central underlying issue uniting these protests is inequality.

After decades of growth in business, technology, and innovation, poverty continues to plague society. How is it that in the age of information and technology, we are unable to alleviate poverty from society? The answer resides in discovering why nations fail. Acemoglu, a professor in economics at the Massachusetts Institute of Technology, and Robinson, a professor in political science at Harvard University, are both respected scholars with the adequate knowledge to deliver a concise theory that explains a country's drift towards prosperity or poverty.

As business and politically oriented students, projects that involve the understanding and analysis of the institutional development of countries will appear throughout their degree. Therefore, "Why Nations Fail" is a useful book for IE students as it will come in handy to have information on many topics they will encounter throughout their careers. For example, in the class of Global Economic Environment, understanding the different effects of political and economic institutions and their historical origins was vital. It helped to provide a theoretical framework to build on upon when being tasked to conduct a risk assessment between two countries (Argentina and Russia). The novel can serve as a structural and theoretical base that can be useful to students as they begin to handle more complicated subjects in the later stages of their degrees.

Understandably, it can be easy to assume that a country's wealth is a result of its geography and subsequent access to resources. Alternatively, another popular theory claims that a country's economy intricately ties to its culture. The authors dispel these traditional theories and instead suggest that the success or failure of a country stems from the historical development of its political and economic institutions and the incentives they create. Countries, such as those in Latin America that allow a select minority to exploit the general population for their interests, are burdened by extractive institutions. A strong example would be that of Mexico. Following successful independence from Spain, the empowered Mexican oligarchical elite strengthened the extractive policies created by the Spanish for their own political and economic gain. Generations later, the region as a whole continues to suffer from massive wealth inequalities with little hope of a change.

On the other hand, countries with inclusive institutions help their citizens by incentivizing them to become more innovative, leading them to drive the economy successfully.

Digesting the wide net of the political, economic, and social development of multiple countries seems like a daunting task suited only for experienced researchers. However, the writing style of both authors remains eloquent, candid, and straightforward throughout, grabbing the attention of the reader like the intriguing plot of a movie. Their work contains information on the development of various countries and civilizations, ranging

from the rise and fall of the Roman Empire to the differences in development between North and South Korea, continuously highlighting examples throughout history where inclusive or extractive institutions caused civilizations to rise or fall.

While it does cover different parts of various countries' history, it only focuses on specific stages in their institutional development. For example, when speaking about extractive institutions, they highlight the differences in development between Mexico and the United States. They use the institutions created by the arriving colonialists as the basis of each country's future growth. Since the Spanish arrived in the densely populated empire of the Aztecs, they chose to replace the established aristocracy with their own rule. Consequently, they established institutions that further extracted the wealth of the society, reinforcing their rule, and allowing them to strengthen the vicious circle to increasingly extract more wealth. The authors use this as an example of how this vicious circle of extractive institutions can hamper an economy's growth over time.

Across the border, the English colonists arrived in what is today the northeastern coast of the United States. Unlike the Spanish, they faced a sparse native populace with a harsher climate and less valuable resources. After unsuccessful attempts at replicating the Spanish model, the British settlers were left unable to attain and exploit a large labor force as the Spanish had. Instead, they had to create inclusive institutions, such as a more inclusive political system, to incentivize their citizens to participate

in the labor force. As a result, centuries later, Mexico is burdened with widespread corruption and enormous inequality, while the United States has risen to become the world's largest economy. Interestingly, these differences are acknowledged, but many remain unaware of the systematic causes, such as this historic contrast in the institutions involved.

While the authors make a strong case on how institutions can play a part in a country's development, they are limited in explaining how the institutions actually changed. While the book contains many compelling accounts of history, a large amount is anecdotal and lacking statistical evidence. For instance, some of the examples leave a trace of retrospective bias as they do not adequately consider the dependence among states, does not address some of the contradicting comparisons between countries, and seem to want to justify the current state of international relations. Moreover, another weakness is their fixation on inclusive institutions being the only path for sustainable growth, while arguing that any growth under extractive institutions is destined to collapse. They point to China's massive growth in recent years as a future example of unsustainable growth. Nevertheless, China continues to be amongst the fastest growing economies in the world. Even though China's economic growth has begun to slow, it may be the result of the ongoing trade war with the United States as well as a resulting decrease in domestic demand rather than its extractive institutions.

It can also help understand policies in the United States. The autocratic leaders threatened by a change will weaken economic institutions to make them more extractive. In his first year already, Trump has lowered taxes for corporations and consistently attacked the independence of the Federal Reserve, the US's monetary policy department. Despite his insistence on carrying the American economy to new heights, the world economy has shown signs of a slowdown. Reading the book can help new students gain the framework needed to begin to understand the complex relations between international politics and the economy.

Acemoglu and Robinson faced a formidable task when attempting to explain the reason that millions live in abject poverty while their neighbors enjoy enormous prosperity. Although those specializing in the political and economic history of different countries could endlessly nitpick their historical anecdotes for inaccuracy, their work remains an exciting and recommendable piece of literature for those wanting to gain introductory, yet comprehensive, insights into the determinants of a country's economic success.

Autonomous Weapon Systems, Quo Vadis?

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Abstract

This paper examines the implications arising from states' use of autonomous weapon systems in armed conflict. The analysis starts by addressing the definitional problems found in the literature on autonomous weapon systems. The primary finding is that the differential feature of autonomous weapon systems is their ability to select among targets and decide to kill without human oversight. The paper then delves into the effect that the increasing use of autonomous weapon systems has on conflict and war and the resulting policy implications for states and the international community as a whole. I conclude by discussing the legal, ethical, and moral implications of the use of weapons that can kill autonomously, which are at the core of the debate.

Keywords: autonomous weapon systems, unmanned weapons, foreign policy, law of armed conflicts.



I. Introduction

We find ourselves in a time in which the rapid advances of technology profoundly affect, if not completely revolutionize, how the world operates. From the rise of cyberterrorism to the effects of social media on democracy, international relations have not remained unscathed. Even so, the most Terminator-like concern has been one raised in the last decade: the creation of 'killer robots'.¹ What could have well been the plot of a science-fiction movie is now the concern of academics and policy-makers alike.

The revolutionary effect of autonomous weapons systems on warfare and state relations has been likened to that of gunpowder, computers, and even electricity.² In the face of such sensationalism, we must ask ourselves: why are autonomous weapons set to change the world as we know it? More importantly, how do we ensure that we are two steps ahead of these 'killer robots'?

This paper will answer these questions by touching upon the following issues. First, in an aim to bring clarity to what autonomous weapon systems are, it will address the definitional problems found in the literature on autonomous weapon systems. More specifically, it will analyze what 'autonomy' is and where different stakeholders draw the line of autonomy. Second, the paper will address the policy implications of autonomous weapon systems. Finally, it will raise the questions of the ethical, legal and moral implications of these machines in the public debate.

2. Autonomous Weapon Systems: What is in a name?

The advent of autonomous weapon systems has been given much momentum in public policy and has been closely anticipated and monitored. Part of the reason for this is the widespread belief that these 'killer robots' are unique and revolutionary. If this is the case, we must ask ourselves why that is. What exactly makes these weapons

so different from their predecessors? It would seem that the answer lies in their 'autonomy'.

1. *Existing definitions*

The United States Department of Defense has defined autonomous weapon systems as systems that "*once activated, can select and engage targets without further intervention by a human operator. This includes human-supervised autonomous weapon systems that are designed to allow human operators to override operation of the weapon system, but can select and engage targets without further human input after activation.*"³

Conversely, it defines semi-autonomous weapon systems as systems that "*once activated, [are] intended to only engage individual targets or specific target groups that have been selected by a human operator.*"⁴ The main point is that "*human control is retained over the decision to select individual targets and specific target groups for engagement.*"⁵

Some scholars⁶ have rightly pointed out that, in an abstract sense, weapons such as landmines could qualify as autonomous weapon systems under that definition, as they are triggered without a human operator. In other words, there is no human oversight over who the target is. Given this ambiguity, it has been necessary to narrow the function of 'select' to 'select among' targets. Under this development, 'selection among' would entail that there is "*a machine-generated targeting decision made; some form of computational cognition, meaning some form of AI or logical reasoning, is inherently part of autonomous weapon*

¹ Crootof, Rebecca. "The killer robots are here: legal and policy implications." *Cardozo L. Rev.* 36 (2014): 1837.

² Naval Research Committee: Autonomous and Unmanned Systems in the Department of the Navy

³ D United States, Department of Defense, Executive Service Directorate. "Department of Defense Directive 3000.09" Department of Defense Directive , ser. 3000.09, 2012.

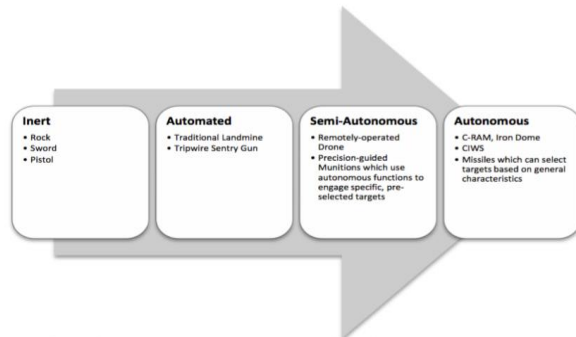
⁴ *Ibid.*

⁵ *Ibid.*

⁶ Anderson, Kenneth, and Matthew C. Waxman. "Debating Autonomous Weapon Systems, their Ethics, and their Regulation under international law." (2017).

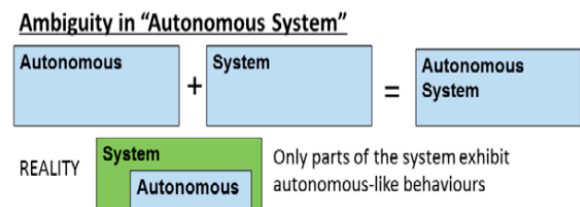
*systems in the contemporary debate.*⁷ Consequently, autonomous weapon systems would possess “*some decisional capability to ‘select’ and ‘engage.’*”

Figure 1⁸



Alternatively, some authors¹⁰ have argued that a dichotomous division is not reflective of the practical reality of these weapons. Instead, the level of autonomy of different weapon systems will depend on the interactions between human operators and machine functions and should be assessed on a case-by-case basis. Others¹¹ have posited that the term ‘autonomous systems’ creates confusion and ambiguity, as it clusters together systems that are fundamentally different by using ‘autonomy’ as their main label, above all of other features and capabilities.¹² These scholars have proposed to use an alternative nomenclature for these systems: ‘autonomous function in a system’.

Figure 2¹³



2. Drawing at the line at “autonomy”

According to these definitions, it would seem that the line of autonomy is drawn at the decision-making level and more specifically in the selection of targets. This distinction has been corroborated by the International Committee of the Red Cross, which has defined autonomous weapons systems as “*any weapon system with autonomy in its critical functions—that is, a weapon system that can select (search for, detect, identify, track or select) and attack (use force against, neutralize, damage or destroy) targets without human intervention.*”

While there may be divergence in the literature regarding the definition and the nomenclature given to autonomous weapon systems, consensus is found on the fact that ahead of us lies an increase in levels of autonomy until the human role is negligibly small. In all likelihood, human intervention will be limited to activating the weapons.¹⁴

⁷ Anderson, Kenneth, and Matthew C. Waxman. "Debating Autonomous Weapon Systems, their Ethics, and their Regulation under international law." (2017).

⁸ Figure 1: Crootof, Rebecca. "The killer robots are here: legal and policy implications." *Cardozo L. Rev.* 36 (2014): 1837.

⁹ Davison, Neil. "A legal perspective: Autonomous weapon systems under international humanitarian law." *Perspectives on lethal autonomous weapon systems* (2017): 5-18.

¹⁰ Anderson, Kenneth, and Matthew C. Waxman. "Debating Autonomous Weapon Systems, their Ethics, and their Regulation under international law." (2017).

¹¹ Williams, Andrew. "Defining Autonomy in Systems: Challenges and Solutions." *Issues for Defence Policymakers*(2015): 27.

¹² *Ibid.*

¹³ Figure 2.3: Williams, Andrew. "Defining Autonomy in Systems: Challenges and Solutions." *Issues for Defence Policymakers*(2015): 27.

¹⁴ United States, Department of Defense, Executive Service Directorate. "Department of Defense Directive 3000.09" Department of Defense Directive , ser. 3000.09, 2012.

3. Policy Implications

One of the concerns raised by political scientists and policymakers is how the advent of autonomous weapon systems will impact the likelihood of conflict and war. The main argument here is that the development and use of lethal weapons that “pose little risk to the lives of the operators removes a potent deterrent for armed conflict”¹⁵ and will consequently “revolutionize warfare.”¹⁶ This revolution would come, on the one hand, from the decrease in the operational cost of war and would therefore “democratize” warfare by increasing the military capabilities of smaller states¹⁷ and, on the other hand, from the disappearance of the transaction cost that comes with sending troops to combat. The latter effectively depoliticizes the question of whether to go to war, as it stops being a high-cost issue for the constituency or a polarizing issue in public opinion. In other words, the concern is: what will warfare look like once it no longer is an issue of public debate?

The first implication, namely that of the democratization of warfare, could have profound implications for the global balance of power, similar but not to the extent of that of nuclear weapons. Additionally, many policy papers^{18,19} have warned against the effects that these weapons would have on global terrorism. Some even

contend that “a new arms race appears inevitable alongside a new set of dangers from terrorism.”²⁰

In the face of such possibilities, many have called for a complete ban of autonomous weapon systems. In fact, in 2015, an open letter signed by over three thousand leading AI researchers was presented at the International Joint Conference on Artificial Intelligence in Buenos Aires, Argentina, calling for a ban on offensive autonomous weapons. Other experts have taken more strategic approaches²¹ and have set out strategy plans to ensure their state’s superiority in the field. Others prefer a more *laissez-faire* approach by claiming that, because autonomous are already being used lawfully today, international law already regulates their creation, development, and use.

When it comes to ensuring a successful ban, Rebecca Crootof, expert on autonomous weapon systems and author of “Killer Robots”, has identified the different factors that have led to the ban of previous weapons and contends that at least one of these need to apply to ensure the practical and successful ban of any type of weapon system²²: weapons causing superfluous injury or unnecessary suffering, inherently indiscriminate weapons, ineffective weapons, other existing means for accomplishing the same military objective, clear and narrowly tailored prohibitions, prior regulation, public concern and civil society engagement, and sufficient state commitment. Crootof claims that the only factor applicable to the ban of autonomous weapon systems is “public concern and civil society engagement”, particularly because: (i) states already use autonomous weapon systems, and (ii) the most common concerns (which will be addressed later in this paper) are framed in ethical, legal or moral terms. Crootof draws a parallel with the Mine

¹⁵ Scott, Ben, Stefan Heumann, and Philippe Lorenz. "Artificial Intelligence and Foreign Policy." *Stiftung Neue Verantwortung Policy Brief* (2018).

¹⁶ *Ibid.*

¹⁷ Artificial Intelligence and National Security Greg Allen Taniel Chan A study on behalf of Dr. Jason Matheny, Director of the U.S. Intelligence Advanced Research Projects Activity (IARPA)

¹⁸ *Ibid.*

¹⁹ Williams, Andrew. "Defining Autonomy in Systems: Challenges and Solutions." *Issues for Defence Policymakers*(2015): 27.

²⁰ Scott, Ben, Stefan Heumann, and Philippe Lorenz. "Artificial Intelligence and Foreign Policy." *Stiftung Neue Verantwortung Policy Brief* (2018).

²¹ Artificial Intelligence and National Security Greg Allen Taniel Chan A study on behalf of Dr. Jason Matheny, Director of the U.S. Intelligence Advanced Research Projects Activity (IARPA)

²² Crootof, Rebecca. "The killer robots are here: legal and policy implications." *Cardozo L. Rev.* 36 (2014): 1837.

Ban Convention and the Convention on Cluster Munitions which has been attributed mainly to the participation of nongovernmental organizations and other civil society representatives.²³

4. Other considerations

The debate about autonomous weapon systems, which has spread to the realm of public opinion, has been framed in ethical, legal, and moral terms. Is it ethical for us to allow machines to decide whom to target?²⁴ Are autonomous weapon systems in breach of the distinction principle of international humanitarian law?²⁵ These are the questions that one can find in the literature on autonomous weapon systems. This paper will continue by addressing the implications arising from such concerns.

1. *Ethical, legal, and moral considerations*

Regarding the ethical, legal, and political dilemmas that autonomous weapon systems pose for a number of scholars, this paper will address the following ones: (i) do autonomous weapon systems currently fulfill the requirements of the law of armed conflicts in international humanitarian law to be lawfully used, and if not, will they ever?, (ii) do autonomous weapon systems hinder or impede accountability in armed conflicts?, and most importantly, (iii) do human beings have the moral monopoly on killing?

Many scholars^{26,27} have addressed the common and popular claim that autonomous weapon systems will never

be able to comply with the law of armed conflict. I will proceed by deconstructing this claim.

First and foremost, it would seem that it rests on assumptions about how technology, artificial intelligence and weaponry will evolve in the future, and that is in a way that will never fulfill the set of requirements imposed by international humanitarian law. It is true that machines and weapon systems may never develop moral and ethical values. However, this should not give way to skeptical and unfounded assumptions on technological evolution. Instead, it should incentivize engineers, policy makers, and legal authorities to develop ways to circumvent this issue.

Second, it rests on assumptions on how international humanitarian law will evolve and, specifically, on its lack of flexibility. While it is true that many of the principles that are the backbone of international humanitarian law today have been in use for decades, if not centuries, the law has also proven to be flexible enough to address the emerging issues it has been faced with over time. If the law remains static while reality is in constant motion and evolution, we will find ourselves operating within an obsolete and outdated framework. Moreover, an interesting reality that has been pointed out is that autonomous weapon systems are currently being employed lawfully, as a counter-argument to their inherently "unlawful nature".²⁸

Within this broader legal debate, much attention has been paid to the principle of distinction, namely the legal precept that differentiates between "*military objectives and civilian objects, combatants and civilians, and active combatants and those hors de combat*."²⁹ Military commanders and actors in conflict must abide by this principle, and by extension, so must autonomous weapon systems. On the one hand, most scholars and experts agree

²³ *Ibid.*

²⁴ Crootof, Rebecca. "The killer robots are here: legal and policy implications." *Cardozo L. Rev.* 36 (2014): 1837.

²⁵ Crootof, Rebecca. "The killer robots are here: legal and policy implications." *Cardozo L. Rev.* 36 (2014): 1837.

²⁶ Crootof, Rebecca. "The killer robots are here: legal and policy implications." *Cardozo L. Rev.* 36 (2014): 1837.

²⁷ Anderson, Kenneth, and Matthew C. Waxman. "Debating Autonomous Weapon Systems, their Ethics, and their Regulation under international law." (2017).

²⁸ Crootof, Rebecca. "The killer robots are here: legal and policy implications." *Cardozo L. Rev.* 36 (2014): 1837.

²⁹ Davison, Neil. "A legal perspective: Autonomous weapon systems under international humanitarian law." *Perspectives on lethal autonomous weapon systems* (2017): 5-18.

that autonomous weapon systems are incapable of distinguishing between combatants and civilians³⁰, thus rendering them unlawful under the distinction principle. On the other hand, some have raised doubts about the ability of humans to make such distinctions, especially in the fog of war. The difference, it would seem, between an autonomous legal system and a human commander, both of which do not abide by the distinction principle is that the human commander can be held accountable for a breach of international humanitarian law, while the machine cannot.

This takes us to the second concern, and that is whether the use of autonomous weapon systems can hinder accountability in the realm of armed conflict. The International Committee of the Red Cross has been very categorical in its view on this issue and has stated that "*all obligations under international law and accountability for them cannot be transferred to a machine, computer program or weapon system.*"³¹ Consequently, these weapons "*should be banned because machine decision-making undermines, or even removes, the possibility of holding anyone accountable in the way and to the extent that, for example, an individual human soldier might be held accountable for unlawful or even criminal actions.*"³² This argument relies on the weight that individual criminal responsibility has on international law. While the importance of the emergence of individual criminal responsibility in the last half-century and the impact and contribution of its institutions (the International Criminal Court, the Nuremberg trials, the International Military Tribunal for the Far East, the International Criminal Tribunal for the former Yugoslavia, the International Criminal Tribunal for Rwanda, etc) is undeniable, it is also true that the "*effective adherence to the law of armed conflict*

traditionally has come about through mechanisms of state (or armed party) responsibility."³³ Thus, the use of autonomous weapon systems would not impede the establishment of criminal responsibility for the party that has unlawfully deployed them.

The last and perhaps most important question is, put in simple terms, whether machines can morally decide to kill. This question is vested on the underlying premise that human beings have the monopoly on morality, and by extension, moral killing. Human beings have decided what is moral throughout time and space. More recently, social psychology has introduced the idea of 'framing' as the way in which public opinion, and by extension, common notions of morality and ethics are framed. The question is no longer whether machines are morally able to kill, but instead, whether machines can kill within the framework of morality created by human beings at a certain point in time and space.

The American roboticist Ronald C. Arkin has addressed this issue by developing the eponymous Arkin test, under which "*an unmanned platform fulfills the demands of law and morality (and may therefore be permissibly employed) when it can be shown to comply with legal and moral requirements and constraints as well or better than a human under similar circumstances*"³⁴. It seems that, nowadays, no machine passes the Arkin test. Currently, the largest effort to reproduce human conscience in a machine is in 'strong AI', which would replicate human decision-making processes and capabilities in machines. This raises the question, is this a desirable thing for society?

The questionable assumption behind the arguments in favor of 'strong AI' and the Arkin test is that because human beings *can* act morally, they *do* act morally. Furthermore, it harbours the idea that human capabilities somehow render decisions safer or more reliable, thus

³⁰ Crotoft, Rebecca. "The killer robots are here: legal and policy implications." *Cardozo L. Rev.* 36 (2014): 1837.

³¹ Davison, Neil. "A legal perspective: Autonomous weapon systems under international humanitarian law." *Perspectives on lethal autonomous weapon systems* (2017): 5-18.

³² Anderson, Kenneth, and Matthew C. Waxman. "Debating Autonomous Weapon Systems, their Ethics, and their Regulation under international law." (2017).

³³ Anderson, Kenneth, and Matthew C. Waxman. "Debating Autonomous Weapon Systems, their Ethics, and their Regulation under international law." (2017).

³⁴ Lucas Jr, George R. "Automated Warfare." *Stan. L. & Pol'y Rev.* 25 (2014): 317

completely removing human failings and error out of the equation. This assumption ignores the flip side of the coin, which is that any notion of morality inherently carries with it notions of immorality. In other words, if human beings can be moral, they can also be immoral and act immorally. Machines, on the other hand, act and operate outside of the framework of morality. They, like animals, are *amoral*. So far, the amorality of machines has been implicitly equated to the immorality of humans, but these are profoundly distinct. As some scholars have pointed out, the fact that machines do not pass the Arkin test and may never pass the Arkin test can also be cause for celebration, as it gives us the reassurance that unmanned systems could not emulate any undesirable human reactions³⁵, which until now have been behind many military catastrophes. This is because machines “*do not care, they have no interests, intentions, or self-regard, they harbor no ambitions or hatred, and they are utterly incapable of the “interiority” characteristic of self-consciousness.*”³⁶ And so, we reach the conclusion that not only is it impossible for robots to be human, but that, for the time being, neither do we wish them to be.

5. Conclusion

Autonomous weapon systems have made headlines in the last decades causing equal amounts of outrage and praise among civil society and in academic debate. This is mainly due to their differential feature: autonomy. *Mutatis mutandis*, autonomous weapon systems have the ability to select among targets and decide to kill without any human intervention or oversight.

The arguments against the use of autonomous weapon systems are political, legal, and moral. Politically, it would seem that these weapons may incentivize states and non-state actors, such as terrorist groups, to turn to armed conflict. Legally, the lack of human oversight over decisive actions in conflict may impede the establishment of individual criminal responsibility. Morally, it would seem

that giving machines the power to decide on the life of a human being is wrong.

Proponents, on the other hand, refute these arguments and find that autonomous weapon systems may make conflict less costly and more efficient. Politically, the deployment of troops and the loss of casualties is reduced or even eliminated. Legally, the use of autonomous weapon systems does not affect the establishment of criminal responsibility of each party in armed conflict. Finally, morally, autonomous weapon systems substitute human emotions and interests by algorithms and lines of code, thus eliminating human error from the decision to kill. Outside of this debate, the reality is that states currently deploy autonomous weapon systems in combat. Civil society, however, remains strongly against their use and calls for a complete ban of these weapons. Only time will tell whether the people’s voices will be loud enough to be heard.

³⁵ *Ibid.*

³⁶ *Ibid.*

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Is the European Union's Common Foreign and Security Policy (CFSP) adequately designed to respond to current global challenges?

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Abstract

The purpose of this paper is to investigate the design of the European (EU) challenges. The analysis starts with an examination of the powers given to the CFSP through the Treaty on the European Union and Treaty on the Functioning of the European Union. The primary finding is that the CFSP decision-making is not autonomous and that the CFSP is often limited in what it can do as it might interfere with the exclusive powers of other institutions. The success of the CFSP is determined by the willingness of EU Member States making it work. The political will is key. The Permanent Structured Cooperation (PESCO) has been the most exciting outcome of the CFSP and serves a complementary feature to NATO, which it is unlikely to replace. The CFSP is promising and has delivered some 'triumphs' such as the Iran Nuclear Deal or post-Crimea sanctions on Russia, however based on the analysis in this paper, as currently designed the CFSP is insufficient at implementing the EU's foreign policy. However, it is adequately designed in formulating foreign policy and moving agendas forward. This all comes at a time where the changing international political dynamics, especially with emerging new challenges and changes in relations with major powers, may put the EU at center stage of international relations.

Keywords: European Union, Common Foreign and Security Policy, CFSP



Introduction

On the 9th of November 2018, Bruno Le Maire the French Minister of Economy and Finance, stated that “it’s now that things are being played out, and the decisions we take now must enable us to affirm Europe as an empire with the size and power of China or the United States but with totally different goals.”ⁱ Le Maire, additionally defined a time frame, saying that “Europe has got to assert itself as a peaceful empire in the next 25 years.” This was not the first time that the European Union (EU) had been experimenting with the idea of becoming an empire. Jose Manuel Barroso, former President of the European Commission, famously compared the European Union to a “non-imperial empire,” much to the outrage of Eurosceptics. The imperialist rhetoric regarding the EU’s global ambitions emanating mostly from France raises the question of whether the European Union’s Common Foreign and Security Policy (CFSP) institutions are adequately designed to respond to current global challenges. There is substantial writing on the CFSP and Common Security and Defense Policy (CSDP), since the European Union Global Strategy (EUGS) and its follow-ups have entailed much deliberation on the goals and future of the CFSP, however the results of this deliberation have failed to deliver an implementable strategy. The research in this article contributes to the already extensive literature on the EU’s foreign, external, and defense policies and reflect on whether these policies are adequately designed to respond to contemporary global challenges such as counterinsurgency, terrorism and the European Neighborhood Policy (ENP), the migration crisis, the potential creation of an EU army and shifting relations with the main foreign powers in the world today USA, Russia, and China.

Design of the CFSP

CFSP’s current policy goals are best understood through a close reading of the European Union Treaties.ⁱⁱ Firstly, Article 3(5) of the Treaty on European Union (TEU) states:

“In its relations with the wider world, the Union shall uphold and promote its values and interests

and contribute to the protection of its citizens. It shall contribute to peace, security, the sustainable development of the Earth, solidarity and mutual respect among peoples, free and fair trade, eradication of poverty and the protection of human rights, in particular the rights of the child, as well as to the strict observance and the development of international law, including respect for the principles of the United Nations Charter.” (Article 3(5), TEU).

This article provides a general framework of CFSP - CFSP defining that its main goals should include the defense of European peace and security and the protection of EU citizens. This integration of CFSP into the TEU is notable as “after the Lisbon Treaty, the CFSP remains ‘distinct’ from the general, former ‘Community Logic’.” Most importantly, the CFSP (and CSDP) are the only substantive policy domains found in the TEU, whereas other policies are found in the [Treaty on the Functioning of the European Union] TFEU.ⁱⁱⁱ Since the Maastricht Treaty, the EU is now closer to the ‘Community Logic’ as there now is only one Union and not different institutional pillars.

Article 24(1) of TEU outlines the competences of CFSP, which shall “cover all areas of foreign policy and all questions relating to the Union’s security, including the progressive framing of a common defense policy that might lead to a common defense.” However, it also delineates the limits of CFSP’s scope, stating that “[t]he common foreign and security policy is subject to specific rules and procedures. It shall be defined and implemented by the European Council, and the Council acting unanimously, except where the Treaties provide otherwise.” The CFSP is subject to important limitations, and EU Member States have been reluctant to transfer competencies to the CFSP, choosing instead to be in control of it. Therefore, it is difficult to establish what the CFSP can actually do.^{iv} Furthermore, the TFEU establishes in Article 2(4) that “[t]he Union shall have competence, in accordance with the provisions of the Treaty on European Union, to define and

implement a common foreign and security policy.” This attests to the fact that the CFSP is part of the Union’s overall legal framework, rather than the outcome of cooperative intergovernmental proceedings. However, this still contrasts with TFEU Articles 3-6 that establish which areas have “exclusive competences, shared competences or supporting, coordinating or supplementing competences. It would probably come closest to the field of complementary competence.”^v Legally the CFSP requires that EU Member States and the Union’s institutions coordinate, which is politically desirable. A further check for member nation-state competences is that the European Court of Justice has limited jurisdiction on CFSP matters.^{vi}

It could be argued that the CFSP is the outcome of a natural evolution considering the historical context in which European cooperation emerged. On September 19, 1946 Winston Churchill famously proclaimed that Europe should develop into a sort of “United States of Europe”. If the EU project is to be seen as a peace project in a continent that has experienced countless wars, it is to be expected that a unified foreign, security, and defense policy framework should be established, dampening tensions between member states. In 1952, the Treaty Establishing the European Defense Community attempted to create a European Defense Community (EDC), a pan-European army. This attempt came from the Pleven Plan. René Pleven was a French Politician who proposed a unified European army, and to whom some attribute the creation of NATO.^{vii} Ultimately, the EDC was not successful due to the reluctance of France and Italy; if a 27-country (26 if the UK leaves the union) European army were to be realized today, it would have to pass the same political obstacles that the then six countries failed to overcome.

The General Provisions of the CFSP are found under Title V Chapter 2 in the TEU. Article 77 outlines some of these provisions, such as the “monitoring of external borders” (Article 77(1)). Due to the scope established in 24(1) of the TEU, the CFSP theoretically covers all areas of foreign policy. The policy is often an interconnected field, requiring cooperation across different policy areas; e.g.,

environmental and trade policies are interlinked.^{viii} However, with the separate legal basis for the CFSP, compared to other policy areas established separately in the TFEU, policy coordination becomes complicated. Lastly, Article 40 of the TEU establishes the limits of what the CFSP can do individually:

“The implementation of the common foreign and security policy shall not affect the application of the procedures and the extent of the powers of the institutions laid down by the Treaties for the exercise of the Union competences referred to in Articles 3 to 6 of the Treaty on the Functioning of the European Union. Similarly, the implementation of the policies listed in those Articles shall not affect the application of the procedures and the extent of the powers of the institutions laid down by the Treaties for the exercise of the Union competences under this Chapter.”
(Article 40 TEU).

This establishes that the CFSP decisions can be adopted only if they do not interfere with the exclusive powers of the Union’s institutions, established by the TFEU. An example of this limitation would be a policy restricting the import of commodities that have potential military applications.^{ix}

CFSP decision-making is not autonomous, many institutional actors are involved. The European Council has a leading role in the formulation of the CFSP (Article 22 TEU, Article 26 TEU, Article 15(6) TEU) although its role is indirect by setting the strategic interests of the CFSP.^x Additionally, there is The Council of the EU which “can be regarded as the main CFSP decision-making institution.”^{xi} Article 26(2) of the TEU outlines that the Council shall frame the CFSP and take decisions based on the strategic guidelines provided by the European Council. Articles 28 and 29 of the TEU further develop this. The Council also decides on voting procedures. The High Representative and the European External Action Service (EEAS), as outlined by Articles 27 and 30(1) of the TEU must chair the CFSP. In this case there is a need for coordination as the High Representative is the Vice President of the Commission. The European Commission can influence

the CFSP through its negotiations with the Council; however, it is not directly involved in the implementation of decisions.^{xix} The European Parliament is often seen as the most democratic institution of the EU. In relation to CFSP, outlined by Article 36 of the TEU, the High Representative can consult the European Parliament and consider its views in the formulation of CFSP.^{xiii} The European Parliament has oversight over the CFSP, as it approves its budget. Given that all these parties are involved in the functioning of the CFSP, the quality of its decision-making, and therefore its adequacy can be said to be externally derived. In sum, the practical implications of all the institutional complexity described is that it is a constraint for the CFSP as it must go through multiple levels of decision-making, immensely slowing down the speed of any implementation and shows a lack of clarity of who creates and is ultimately responsible for the CFSP.

Analysis and Discussion

In the “Special Report: Future of Europe”, the Economist wrote that “Russia led by a newly belligerent Vladimir Putin, Turkey under an increasingly distant Recep Tayyip Erdogan, the Middle East a more violent mess than ever, Britain preparing to leave the EU and an apparently more isolationist America, it is no longer enough. The union clearly needs to focus more on strengthening its common foreign and security policy (CFSP).”^{xiv} The CFSP has seen recent success, most notably through the EEAS’s work to secure the 2015 Joint Comprehensive Plan of Action (Iran Nuclear Deal) and placing sanctions on Russia, after the 2014 Crimea Invasion. The most pressing issues for CFSP are how to deal with future crises. These crises may come primarily in three forms: foreign aggression (both military or digital), mass movement of people (e.g., due to a refugee crisis), or a decline in current inter-governmental institutions and their cooperative framework (such as NATO). To best address these issues, this paper argues that the EU should develop the CFSP framework further, as it has with the development of deployment forces. Furthermore, the new institutions should try to the best of their capabilities to complement existing structures, such as NATO. This assumes that in the long run, the US will

remain a staunch ally to Europe as it is in both of their strategic interests. This is most notably seen in the expansion of NATO from a military alliance to a “Security Community”^{xv} which symbolized a change from merely being a military alliance, to a strategic cooperation with shared values.

The success of the CFSP will be determined by the willingness of EU Member States to make it work.^{xvi} This comes at a time when member states have experienced an influx of immigrants and rising electoral support for populist and Euro-skeptic parties during elections, such as UKIP for the UK, AFD for Germany, Front National in France, and so on. Discourse in Europe now emphasizes the loss of sovereignty to the EU. However, despite this, there are some positive signs, most notably the good intentions and forceful statements emanating from Germany and France.

Chancellor Merkel of Germany and President Macron of France have both called for the creation of an EU army to complement NATO.^{xvii} Merkel has stated that the EU Army would complement NATO rather than oppose it and that the member states, would not be able to easily integrate their military and defense capabilities due to prevailing disparities, such as different weapon systems. In light of the European Migration Crisis, the discourse of US President Trump, the abandonment of the INF Nuclear Arms Treaty by Russia and the US, tensions with NATO exemplified by recent conferences and the current political enthusiasm for European common defense, it seems more likely than ever before that European defense capabilities will expand. However, this expansion will not replace the security cooperation offered by NATO in the near future.

In 2018, the Permanent Structured Cooperation (PESCO), became part of the EU’s security and defense policy. NATO’s secretary general, Jens Stoltenberg, has publicly welcomed the formation of PESCO and has stressed the possible complementary nature of PESCO with NATO.^{xviii} Of the 25 Members^{xix} of PESCO, 23 are members of NATO. Stoltenberg also stated that “military mobility can be the flagship of NATO-EU cooperation, which is being

stepped up.”^{xx} This also raises the question of the practical and strategic feasibility of having an increasingly autonomous EU defense from NATO. As it stands currently, this is unlikely to occur. The reasons for this are that NATO already exists with its comprehensive structure, decision-making in NATO, and structural capabilities such as command lines already exist in NATO. However, EU security policy will must also focus on non-traditional security challenges described in this paper. The likely mechanism that PESCO will have is the ability of rapid deployment of security forces in cases of crisis. This measure is consistent with the recent challenges the EU has experienced. In the case of another migrant crisis or economic and political collapses of countries in the EU Neighborhood Policy (ENP), the mobility of PESCO gives the EU a rapid response mechanism. Furthermore, this is aligned with the Helsinki ‘Headline Goal 2010’ of establishing ‘battlegroups’, which gives “the ability for the EU to deploy force packages at high readiness as a response to a crisis either as a stand-alone force or as part of a larger operation enabling follow-on phases.”^{xxi} However, the battlegroup concept is currently under revision and no battlegroup has ever been operative. “The ambition of the EU is to be able to take a decision to launch an operation within five days of the approval of the so-called Crisis Management Concept by the Council”^{xxii} If the battlegroups are sufficiently developed, this would add significantly to the adequacy of the CFSP and better allow them to respond to current and future security challenges.

The CFSP would have to deal with many other prominent issues, one of which would be counter-insurgency and counter-terrorism. The Battle of Baghuz Fawqani, saw ISIL losing its last controlled territory. However, home-grown terrorism and the resurgence of terrorist groups will likely remain a threat to the EU in the near future. In the Mediterranean, under CFSP policy, attempts to reduce piracy have been made with efforts focusing on offshore Somalia. The CFSP will need to work across other areas, in order to meet its goals and not violate other EU institutions’ jurisdiction. An additional concern is that climate change could be a potential security threat and has already become

an important external affairs issue. There is a vast array of other emergent issues that also need to be addressed by the CFSP. To name a few: trade, the environment, the internet, and migration. As these issues are covered by different EU institutions, it becomes difficult for the CFSP to adequately address them.

Given the likely departure of Britain from the EU, the post-Brexit structure of the CFSP will be crucial, as it means the EU will lose one of its most important countries in terms of economics, military size and capabilities, nuclear power, and a permanent member of the UN Security Council. However, the UK is also one of the few countries that makes consensus difficult, and sometimes impossible within the CSDP. Member States have also experienced alleged Russian interference in elections and governance, and PESCO includes projects related to cybersecurity.^{xxiii} PESCO is part of the European Defense Agency (EDA), which is part of the CFSP.^{xxiv} The EEAS executes the policies established by the CFSP. Although the CFSP is limited, as shown earlier in this paper, through political cooperation new agencies can be created that support the development and implementation of CFSP. One conclusion one could draw from this is that CFSP is not adequately designed to implement foreign policy unilaterally. Giving the CFSP more power would require changes to the Lisbon Treaty, which is unlikely to occur.

Conclusion

As presently designed, the CFSP is insufficient at implementing the EU’s foreign policy, however, it is adequate in formulating foreign policy and moving agendas forward. Given new institutions that can develop a mandate for a CFSP, e.g., through PESCO or other institutions, the CFSP could respond to the current and future challenges of the EU. However, it is reliant on cooperation between the Member States and their political will, to be effective. The vague nature of the language on the competencies of the CFSP, highlight that it is not there to replace national foreign policies of Member States, but rather to be an instrument that promotes the general interests of all states and that can be used to respond to crises that affect the

Union as a whole. The only way for the CFSP to make decisions is on the basis of unanimity with the exception of the issues defined in PESCO. When there is a consensus in the Union, the CFSP becomes powerful and can deliver strong foreign policy results, such as the Iran Deal or sanctions on Russia. In future migrant crises, it is possible that the deployment force created by the CFSP will be used, although a debate on the utility of such an action should be initiated. The future challenges of rising tensions with Russia, instability in ENP countries such as Algeria, the friction created by Erdogan in Turkey, current and future conflicts in the Middle East, and possible decline of NATO and the US alliance; can be addressed but not solved by the CFSP. However, with PESCO and continued developments, it is possible that the CFSP can play an important future role, in a way that it has not been able to do before now. The reason for this could be a stronger consensus in the EU after Brexit, and out of necessity to fulfill security objectives and maintain balance of power. However, this would require more transfer of power to the CFSP so that it can go beyond the present design constraints so it can be more effective than it has been thus far.

There are broader implications to consider here. The post-cold war international relations structure can be said to have shifted towards a multipolar power structure. The bipolar dominance of the USSR and the USA has waned. Prominent IR Scholar and father of the Neorealism school of thought in international relations, Kenneth Waltz, suggested that a bipolar system is more stable than unipolar and multipolar systems. Furthermore, Waltz argues that wars are generated by imbalances in the international structure, and that this balancing is more likely to fail in multipolar systems. It can be argued that the US is now pursuing a Jeffersonian or Jacksonian policy, i.e. an introverted foreign policy with isolationist features. It is important to note here that the US is not pursuing a complete retrenchment policy, rather a revisionist policy. If this trend continues, then the current international system, characterized by multipolarity and the rise of China, may see the EU becoming even more influential in international

peace and stabilization processes. The defining conflict may pivot fully to EU versus China and the key question for the EU then becomes internal political will and institutional design. If this pivot becomes the case, then having a robust foreign policy framework will facilitate peace and stability. CFSP will therefore be more important than ever to secure global stability.

Endnotes

- [1] M. Bruno Le Maire, 'Europe must become a "peaceful empire", says Minister'. *Embassy of France in London*, 9 November 2018, <https://uk.ambafrance.org/Europe-must-become-a-peaceful-empire-says-Minister>.
- [2] To see the treaties go to: https://eur-lex.europa.eu/resource.html?uri=cellar:2bf140bf-a3f8-4ab2-b506-fd71826e6da6.0023.02/DOC_1&format=PDF and <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:12012E/TXT>. Other treaties are also available on this website.
- [3] Bart Van Vooren and Ramses A. Wessel, *EU External Relations Law*, (Cambridge, Cambridge University Press, 2014), 347.
- [4] Van Vooren, *EUER Law*, 347.
- [5] Ibid., 347.
- [6] Panos Koutrakos, "Judicial Review in the EU's Common Foreign and Security Policy." *International & Comparative Law Quarterly* 67 (2017): 1-35. doi:10.1017/S0020589317000380.
- [7] Encyclopedia Britannica, 'Rene Pleven'. *Encyclopedia Britannica*, <https://www.britannica.com/biography/Rene-Pleven#ref73199>
- [8] Van Vooren, *EUER Law*, 351.
- [9] Ibid., 355.
- [10] Ibid., 369.
- [11] Ibid., 370.
- [12] Ibid., 375.
- [13] Ibid., 375.
- [14] The Economist, 'The importance of a European foreign and security policy'. *The Economist*, 23 March 2017,

<https://www.economist.com/special-report/2017/03/23/the-importance-of-a-european-foreign-and-security-policy>.

- [15] Emanuel Adler. "The Spread of Security Communities: Communities of Practice, Self-Restraint, and NATO's Post—Cold War Transformation." *European Journal of International Relations* 14 (2008): 195–230. doi:10.1177/1354066108089241.
- [16] Van Vooren, *EUER Law*, 35.7
- [17] Maia de la Baume and David M. Herszenhorn, 'Merkel joins Macron in calling for EU army to complement NATO'. *Politico*, 14 November 2018, <https://www.politico.eu/article/angela-merkel-emmanuel-macron-eu-army-to-complement-nato/>.
- [18] NATO, 'NATO Secretary General welcomes PESCO, stresses need for complementarity. *NATO*, 14 November 2017, https://www.nato.int/cps/ua/natohq/news_148838.htm?selectedLocale=en.
- [19] Austria, Belgium, Bulgaria, Czech Republic, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Ireland, Latvia, Lithuania, Luxembourg, the Netherlands, Poland, Portugal, Romania, Slovenia, Slovakia, Spain and Sweden.
- [20] NATO, 'NATO Secretary General welcomes PESCO, stresses need for complementarity. *NATO*, 14 November 2017, https://www.nato.int/cps/ua/natohq/news_148838.htm?selectedLocale=en.
- [21] http://www.europarl.europa.eu/meetdocs/2004_2009/documents/dv/sede110705headlinegoal2010/_sede110705headlinegoal2010_en.pdf
- [22] Van Vooren, *EUER Law*, 410.
- [23] European Defence Agency, 'Permanent Structured Cooperation (PESCO)'. *European Defence Agency*, <https://www.eda.europa.eu/what-we-do/our-current-priorities/permanent-structured-cooperation>
- [24] It might get a bit confusing here. The CSDP is part of the CFSP (articles 42-46) TFEU.

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