

THE DECLINE OF US POWER AND THE FUTURE OF CONFLICT MANAGEMENT AFTER COVID

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The US's ability to project power in Eurasia has been declining for some time. With the pandemic accelerating that decline, reviving international institutions of conflict management becomes urgent. Enhancing the UN and other atrophied international organizations, and negotiating treaties on nuclear arms issues, cyberwarfare, space warfare, and new weapons are measures that have become necessary for minimizing the chance of nuclear catastrophe as well as reducing the likelihood of other wars .

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Whether the pandemic ends soon or is longer-lasting, the global economy and global geopolitics are very likely to have a different shape than they had before its onset. The high likelihood of a world depression and the differential responses across countries – especially those of China and the US – is changing the existing distribution of power across the world.

After going over recent trends in the US's superpower status, I will discuss the pandemic's implications for the rise of China as a challenger to the US's position and a consequent urgent importance for improving global conflict management. Urgency is justified because international institutions have atrophied over the past few decades whereas the possibilities for conflict are expanding.

During the late 90s when many thought that the end of US dominance was ending, Wohlforth (1999) argued well that unipolarity – with the US as the sole superpower - was likely to last for decades. More recently, Brooks and Wohlforth (2016, 48) noted that “[T]he United States currently has defense pacts with sixty-eight countries—a security network that spans five continents, contains a quarter of the earth's population, and accounts for nearly three-quarters of global economic output.” Bleckley (2018) even asserts that unipolarity will last for the rest of this century.

I don't confront the debate on “unipolarity” here. However, with the rapid economic growth of China and the emergence of Russia as a military and diplomatic competitor to the US in Eurasia, the US's dominance in Eurasia cannot be taken for granted. If anything, as I will argue, the trends over the past two decades have been more negative for the US than is commonly recognized. With Eurasia having nearly 70 percent of the world's population and about the same

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in total GDP (at PPP, IMF, 2020), it will be no longer possible for a non-Eurasian power to dominate the world's economics and geopolitics by itself.

Trends before the pandemic

I will discuss recent trends relating China to the US in terms of three dimensions that are often used to assess great power status: the economy, military capabilities, and technology.

Economy

China has been quickly catching up with the US in its economy. In fact, by the beginning of 2020, China's GDP at PPP was 37 percent higher than that of the US (IMF, 2020). While GDP at nominal exchange rates might be better in projecting economic power, GDP at PPP is better in gauging the actual productive capacity of an economy.

The trend, however, that has been in favor of the US lately, has been the enhanced status of the US dollar as a reserve currency, paradoxically since 2008. The currency swaps between the Fed and other Central Banks – to help primarily the banks of US allied countries - appears to have been the major factor in this trend (Tooze, 2018). This financial power has been increasingly used in sanctions against adversaries but even allies.

Military

China has been rapidly modernizing and expanding its conventional forces but is very far away from becoming a peer to the US militarily.

The US has maintained its extraordinary predominance to move military resources by sea, land, and air throughout the world. However, the actual ability for the US to force its will on others has been shown to be limited recently. It can barely hold onto its troops in Afghanistan and Iraq and has had limited influence in Syria and in Libya. The fact that, after the assassination of Iranian General Suleimani, Iran was allowed to hit the US Al-Asad military base in Iraq (with apparently pretty accurate missiles) without any reaction shows the limits of US power projection. I suspect this is the first time that the US had one of its bases hit by another sovereign state without retaliating against them. While Iraq could be occupied, Iran is unlikely to be so – it is three times as big and populous as Iraq and its invasion would involve many additional complications .

Moreover, US aircraft carriers and bases are vulnerable to increasingly accurate missiles not just from Russia and China but from Iran as well. Hypersonic missiles are even deadlier, with Russia and China being reportedly ahead of the US in their development. With such vulnerabilities the US's ability to project military power in Eurasia becomes much more limited. It would be no exaggeration to say that it is “game over” for the US's projecting military power in Eurasia without the expectation of a challenge.

Finally, the relatively small wars that US has already entered have been extremely costly. The cost of the Iraq and Afghanistan wars to US alone was estimated ten years ago by Stiglitz and Bilmes (2012) to be between \$4-6 trillion, a quarter to 40% of US GDP at the time.

Technology

While the US was far ahead of China in technology and basic research barely a few years ago, China has been rapidly catching up. For example, one respectable index of current high-quality research is the Nature Index (natureindex.com) which includes articles only in the top natural science journals. In 2012 China's scientific productivity was at 24% of the US but by 2019 it was 67% of the US's level. This is likely a much better level than the Soviet Union ever achieved relative to the US. In technological disciplines such as computer science and AI China is likely in even better place.

Furthermore, China has been demonstrating the ability to rapidly learn how to adapt foreign technologies and implement them in production at large scale. High-speed rail, for instance, expanded from nothing to a 30,000 km network within a decade, while pushing the technology to new limits. The US by contrast seems to have largely divested itself of the necessity of maintaining primacy in engineering and manufacturing. The US's emphasis on expensive high-tech weaponry is largely driven by military-industrial complex rent-seeking and is, at best, a gamble that would have highly uncertain returns in a hypothetical conventional battlefield.

Overall, China, while still markedly militarily inferior, has become at least an equal to the US economically and has been catching up rapidly in technology, while Russia has been counterbalancing the US militarily and diplomatically in Eurasia.

Effects of the pandemic

The pandemic has brought about Depression levels of unemployment in the US in record time and almost all countries are facing severe contraction.² Employment is unlikely to reach its pre-pandemic level for a long time and, because this is happening simultaneously around the world, there is no single large country or region that could help lift the rest of the world with its demand.

However, in relative terms China and East Asia have been less affected thus far and will continue to do so as long as they maintain a better health policy response to the pandemic.³

² For example, the US unemployment rate went from less than 4% to 14.7% within two months (February to April 2020) (<https://www.bls.gov/news.release/pdf/empst.pdf>). This has been the highest unemployment rate recorded in the US since the Great Depression and it has been achieved in record time.

³ Except for some provinces and cities early in China, there have not been few general lockdowns in East Asia like those that came later in Europe and the US. The testing, contact-tracing, quarantine systems, protection of health workers, and general mask-wearing – largely developed during the SARS epidemic – has been much more developed in East Asia than in the rest of the world, and this appear to continue. In addition to the likelihood of the pandemic having a lower direct effect in East Asia, this bodes well for East Asian economies relative to the rest of the world.

China will likely have to restructure its economy to be less dependent on existing supply chains, rapidly expand the Belt-and-Road initiative, and expand its social welfare so as to rely more on internal demand for continued growth. Nevertheless, although all predictions now can be expected to have high variance, China is likely to come out in the end economically better off relative to the US.

Other widely discussed probable effects include the strengthening of the nation-state and a retreat of globalization in production, trade, and capital movements. We can envision scenarios from a mild retreat of globalization with shorter supply chains to a full blown new Cold War with two or more separate economic blocks.

Regardless of what the medium and long run will look like, the pandemic appears to have accelerated pre-existing trends of US declining power to the extent that we cannot say that there is one superpower dictating the international politics and economics of Eurasia. China and, secondarily, Russia will have much to say about how the global political economy evolves. Under such conditions opportunities for conflict increase and institutions of conflict management become ever more important.

The Alarming Future of Conflict Management

US policy until recently was as if the liberal trade hypothesis were true and there was no chance of an adversarial relation with China in the future. That is consistent with a neoclassical economic perspective according to which more trade is always better. However, trade policy cannot be separated from security considerations when there is the possibility of insecurity (Skaperdas and Syropoulos, 2001, Garfinkel et.al., 2015). Now US policy seems to have been reversed with China being treated, not as trade partner, but effectively as an enemy.

In such a case international institutions of conflict management would be important for reducing the chance of conflict, reducing the costs of arming, and allowing for smoother trade relations; most of all, for minimizing the chance of nuclear war. Those institutions, however, have gradually atrophied or have been intentionally boycotted during the time of US dominance. Over the past two decades, for example, and contrary to previous practices the US entered a number of wars without UN Security Council resolutions (including those that it could have obtained agreement such as the Afghanistan war). The recent withdrawal from the WHO, and the series of withdrawals from arms-control agreements (ABM, INF, Open Skies, and perhaps START) are other examples of the weakening of international institutions. Perhaps this is to be expected of a world hegemon, but the unilateralism appears to have increased while US power has been decreasing and the need for future restraint on all has become more visible. The conditions appear to be leading to a “bad” equilibrium without investments in conflict management and high probability of conflict as opposed to a “good” equilibrium with investments in conflict management and low probability of conflict (Genicot and Skaperdas, 2002).

The times we are now have similarities with the pre-WWI period which combined a high degree of globalization with the absence of institutions of conflict management (instead of their atrophy

that we now have). At the time, there was a wide-spread belief that economic interdependence, and the break of that interdependence and other costs that war brings about, would by themselves guarantee peace (see, e.g., Angell, 1913). Yet war came unexpectedly and with a vengeance.

With the dismantling of previous arms control agreements, without good prospects for their replacement in the future, and the weakening of the UN and other international organizations, the risks and challenges facing the world include the following:

- Multiple-pronged arms races that go beyond hypersonic weapons to cyberweapons, autonomous weapon systems, other AI technology-enabled systems, and deployments in outer space. The costs and, most important, the multiple uncertainties that such arms races can generate are of immense risk. Highly risk averse leaders, perhaps as a result of a mistake or misunderstanding but not only so, could launch wars from which there might be no going back (Mearsheimer, 2001, Wong et. al, 2020).
- In the absence of nuclear weapons treaties, the only restraint on nuclear war is Mutual Assured Destruction (MAD). With new platforms, such as hypersonic missiles, that make possible delivery of nuclear weapons faster than it ever has been, could there be a greater temptation for a first strike (thinking that retaliation would never come)? Many examples of preconceptions, mishaps, and near-accidents from the 1950s and 60s that were not previously known (reported in Ellsberg, 2017) show how the world we are now entering is likely more dangerous than the Cold War ever was.
- A scramble for trading partners and allies across the world that could go beyond just the offering of carrots. The undermining of governments that are perceived to be unfriendly by one side and their shoring up by the other side often leads to less autonomy, externally-induced political conflicts, increased authoritarianism, and not infrequently to outright civil war. The danger of many countries in Eurasia, Africa, and Latin America becoming battlegrounds for continual proxy conflicts between the superpowers is increasing.

Since we avoided a nuclear catastrophe during the Cold War we can at least begin by mimicking some of the conflict-management practices that developed during that time and also draw some lessons about great power behavior. First, increased adherence to the letter of the UN Charter and of other international organizations and agreements. That's the only "rule of law" that we have for international relations among sovereign states. It is meager but it is better than what existed in 1914 and it can be gradually improved. Adhering to it would preclude adventures such the US invasion of Iraq.

Second, develop a framework and understandings about military aid and other interventions to third countries so as to limit those and reduce the harm to them. Lessons from the Cold War era would include that outright military interventions by great powers, such as those of the US in Vietnam and the Soviet Union in Afghanistan, are often not to the advantage of the intervener.

Third, the US, China, Russia as well as others need to urgently engage in multi-pronged diplomacy to develop treaties on nuclear weapons, the use of weapons in space, cyberweapons, and other new weapons and platforms. It's a long list but the absence of a any serious diplomatic movement makes the most worrisome aspect of the new international order that we are facing. While the Cold-War era treaties provide some guidance, the task is bigger than that faced by the then two superpowers, because there are more independent players that need to be involved, the issues have a greater number of dimensions, and doing so in a time window that would prevent potentially uncontrollable developments.

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