

**David A. Jones**

(University of Warsaw)

# **Cooperation or Confrontation? Assessing the American 'Pivot' to Asia in Context – Is It a Western 'Neo-Liberalism' Response to China's New 'Open Door' Approach to Europe?**

## **Abstract**

Much attention has surrounded 'America's Pivot to Asia', hyped in fanfare, castigated by China, welcomed by smaller Asian states in the context of wishful maritime security, all involving an air and naval pivot to Asia by the United States. Less attention has focused on a Western economic pivot to Asia, a significant American financial presence, including World Bank (WB) cooperation under American leadership with the Asia Infrastructure Investment Bank (AIIB) under Chinese leadership. Although the AIIB stands to become theoretically an antithesis of the WB, recently the AIIB changed course quietly, grounding its funding in US dollars instead of Chinese RenMinBi, itself borrowing from the WB to support derivative loans from the AIIB to developing nations! This chapter addresses the significance of what appears facially to be a 'carrot and stick' approach, focusing particularly on opportunities for Sino-American and Sino-European cooperation instead of confrontation, then forecasting ways such cooperation will promote progressive military de-escalation. Is this financial cooperation a form of 21<sup>st</sup> century 'Dollar Diplomacy' that will result in an American military pivot away from Asia? If so, it contains some hallmarks of what some might consider 'Structural Liberalism' or neo-liberalism in a neo-realist package, possibly to be labeled 'neo-liberalism'.<sup>1</sup>

**Key words:** China, 'Dollar Diplomacy', 'Neo-Liberalism', 'Open Door', 'Structural Liberalism'.

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<sup>1</sup> This paper was presented at the 12<sup>th</sup> Lodz East Asia Meeting on 2–3 June 2016 at the University of Lodz Department of East Asian Studies in Lodz, Poland, where the author coined the words 'neo-liberalism'.

## Introduction

Much attention has surrounded 'America's Pivot to Asia', hyped in fanfare and hyperbole based partially on United States (US) Presidential candidate Hillary Clinton's launch of this concept as US secretary of state in a feature article published in *Foreign Policy* on October 11, 2011, under the title of "America's Pacific Century" (Clinton 2011). That position was followed and buttressed swiftly by President Barack Obama on November 17, 2011, in a speech delivered before the Australian Parliament in which he said "Let there be no doubt: in the Asia-Pacific in the 21<sup>st</sup> century, the United States of America is all in", that this was a "deliberate and strategic decision" that America is "here to stay" (America in the Asia-Pacific, We're back 2011). That position has come under fire many times since then when it became castigated by China but welcomed by many smaller Asian states in the context of wishful maritime security, all involving a US military, including air and naval, pivot to Asia and especially into the Western Pacific. It came under fire from a European perspective, also, with former US ambassador to the North Atlantic Treaty Organisation (NATO), Kurt Volker, raising the question "where's Europe" in the wake of the US pivot to Asia (Volker 2011).

At the end of September 2016, the US announced through its defence secretary, Ashton Carter, aboard an aircraft carrier in the Western Pacific rim that soon the US "will sharpen its 'military edge' in Asia" (Burns 2016). Less attention has focused on a Western economic pivot to Asia that includes a significant American financial presence, including World Bank (WB) cooperation under American leadership, alongside of the Asia Infrastructure Investment Bank (AIIB) under Chinese leadership. As announced initially by China's President Xi Jinping, the AIIB stands to become the antithesis of the WB and International Monetary Fund (IMF) combined, with their 'Western' dominated influence that originated at the 1944 Bretton Woods Economic Conference that included a vocal presence from the Chinese Nationalist Party, the Kuomintang. More recently, the AIIB caused a 'blowback' to the US when the United Kingdom led most of Europe to become founding members of the AIIB over the objections of US President Barack Obama and many Republican members of Congress (Morley 2015). Then, very quietly, the AIIB changed course in two respects, grounding its funding in US dollars (USD) instead of Chinese RenMinBi (RMB), as announced originally (AIIB to use U.S. dollar 2015), and successfully structuring a co-financing agreement with the WB (AIIB and World Bank 2016) to support derivative loans from the

AIIB to developing nations. This paper addresses the significance of what appears facially to be a 'carrot and stick' approach, focusing particularly on opportunities for Sino-American and Sino-European cooperation instead of confrontation, and also forecasting ways in which such cooperation is likely to diffuse an already existing and escalating confrontation in the East and South China Seas and elsewhere, by progressive de-escalation. Is this financial cooperation a form of 21<sup>st</sup> century 'Dollar Diplomacy' that will result in a US military pivot away from Asia? If so, it contains some hallmarks of what one might construe to be 'Structural Liberalism' akin to 'Structural Realism' (Mearsheimer 2006, pp. 71–88) or, said differently, neo-liberalism<sup>2</sup> in a neo-realist<sup>3</sup> package, possibly to be labeled 'Neo-Liber-Realism' or more conveniently 'neo-liberalism', where nations subscribing to this paradigm will assess each other in terms of economic instead of military capability, and each will predict the future course of its competitor economically in addition to, if not actually in the stead of, militarily.

This chapter endeavours to explore two seemingly current phenomena: an 'open door' in Europe to Asian (as well as other) foreign direct investment (FDI), that includes an 'open door' in Russia to Western FDI, coupled with a 'closing door' in China to FDI, at least to unrestricted FDI from the West. It is almost a horizontal 'hour glass' effect, as Europe opens, Asia closes. More than merely that, in many ways Europe is de-militarising (except for Ukraine) just as Asia is re-militarising, especially, but not only, in the South China Sea region. Such comparison must be addressed directly as in this paper and undoubtedly will be implemented into foreign policy by the incoming US President Donald J. Trump, evidenced by his nomination of Exxon Mobil chief executive Rex W. Tillerson as secretary of state, forecasting an emerging 'Dollar Diplomacy' unwitnessed since the administration of President William Howard Taft, 1909–1913, with the US government turning to global private enterprises to invest dollars into strategically important areas of the world to purchase peace through calculated FDI. On this score, the US will be trailing the lead taken already by China and its AIIB, particularly across West

<sup>2</sup> To review Neo-Liberalism, see Keohane, Robert O. & Joseph S., Nye, Jr., 2011, *Power and Interdependence*, 4<sup>th</sup> ed., Pearson Longman Classics in Political Science, Boston.

<sup>3</sup> Neo-Realism has been divided into two types: defensive and offensive. To review 'defensive' Neo-Realism, see Waltz, Kenneth N., 2001, 'Structural Realism after the Cold War', *International Security*, vol. 25, no. 1, pp. 5–41, especially 5, n.1. To review 'offensive' Neo-Realism, see Mearsheimer, John J., 1994, 'The False Promise of International Institutions', *International Security*, vol. 19, no. 3, pp. 5–49.

Asia and extreme Eastern Europe, undoubtedly frustrating to the Russian Federation that appointed itself as the successor to the Soviet Union, and that designated EurAsia as being a largely Russian protectorate sector.

## Europe's 'Open Door'

Europe generally, and the European Union (EU) in particular, is an 'Open Door' environment for Asian businesses. China's international investment position increased steadily from 2004 through 2011, as Figure 1 below reflects, impressing some global partners with a sense of opportunity through cooperation with Chinese businesses (Kolstad & Wiig 2012, p. 26), creating its own 'open door' in Europe in reverse from the way some European countries did in China across the second half of the 19<sup>th</sup> century. Undoubtedly, this has been startling to other global actors, particularly Russia, as they witness China rising economically and seeking to invest its newly acquired wealth in countries or territories with poor institutions but vast natural resources. An expansion of what one might term Europe's 'Open Door' policy toward Chinese enterprises, both the large and heavily subsidized state-owned enterprises (SOEs) and the often under-capitalised private sector small- to medium-size enterprises (SMEs), has provoked some signs of backlash, more in some European countries such as England and France than in others, such as the Netherlands (Meunier, Burgoon & Jacoby 2014).

Europe generally, the EU in particular, have extended an 'Open Door' policy effectively, inviting Asian countries and China especially to invest in Europe. This is quite evident in Poland, from word of mouth as well as online advertisements by Central and Eastern European Countries (Second Contact 2014), most notably by the Polish Agency for Information and International Investment (PAIiIZ), reflected in its newsletters (PAIiIZ Newsletter 504 2016). In reality, Europe craves Chinese investment although it is surrounded by many issues including corruption and human rights violations inside of China and money laundering globally. Europe's apparent desire for Chinese investment does not mean, necessarily, that the US shares that objective. In fact, it is opposed even within Europe, perhaps spearheaded by University of Leeds scholars in England who have expressed concern that foreign investors from China that largely is unregulated have been unprepared for the burdens of doing business in the over-regulated environment of Europe

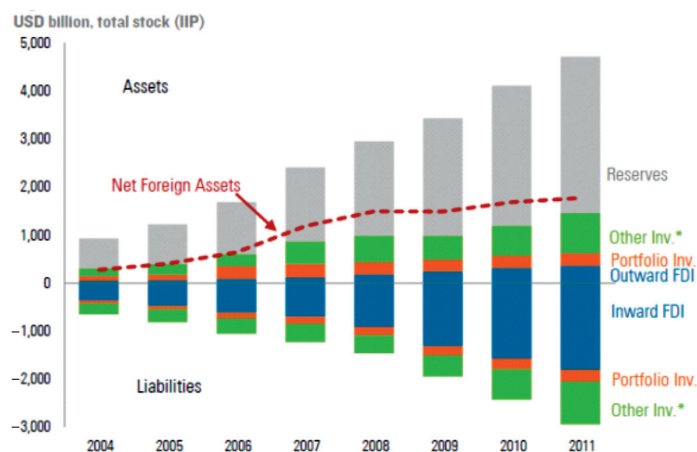


Figure 1. China's International Investment Position (2004–2011)

\* Other Investment category includes trade credit, loans, currency and deposits and other investment.

Source: PBOC, SAFE, RHG.

(Clegg & Voss 2012), and that many Chinese SMEs operating in Europe tend to 'round top' by seeking European locations for their outward FDI (OFDI) operations as tax havens, but ending up as business failures (Buckley et al. 2014). Does this evidence European, especially Western European, protectionism in the light of data documenting that most of China's OFDI since 2010 has been earmarked to Europe? For example, since 2010 Chinese OFDI in Europe has increased 102% in comparison to 74% in the US and only 15% in emerging economies (Godement 2012, p. 1), with Chinese OFDI in Europe increasing geometrically from slightly more than €6.1 billion in 2010 to €27 billion in 2012 (Hansakul & Levinger 2014), a four time increase in only two years. Accordingly, this huge influx of Chinese OFDI in Europe has divided Europe East from West and within Western Europe, with far more Dutch supporting it and French opposing it, facially on a protectionist basis (Meunier, Burgoon & Jacoby 2014), although such fears have been criticised as being overblown (Nicolas 2014). Different perceptions by the Dutch and French could be accounted for by different degrees of competition in manufacturing. That alone would not explain German support for Chinese OFDI in Europe. An explanation might be that China is investing more OFDI in Germany than in any other non-Asian country except the US, more in Germany than elsewhere in the EU, more in the Netherlands than in the United Kingdom or France (Hoffman 2014). An additional explanation

may be that in 2012 China surpassed France to become Germany's largest trading partner (Chinese Ministry of Commerce 2012). Overall, this portrait appears to be accurate, although statistical details vary, with Chinese statistics being at odds with European statistics frequently. Confounding this measurement is the fact that some (possibly much) of China's OFDI tends to leave China through Hong Kong, some of what reaches Luxembourg tends to end up elsewhere in Europe, not always earmarked as having come from China originally.

Derivatively, does it signal a potential explanation for the US pivot to Asia, arguably at the behest of European voices that disagree with Europe's burgeoning China imports, or equally arguable in its own interests, as a combination of both US and European interests, or as one in the context of a pretext for another, or is this pivot only a pretense? Increased Chinese OFDI (by Deal Value, Mergers and Acquisitions only) from 2012 to 2013, clearly in the immediate aftermath of the US's pivot to Asia, documents the benefits the US has received and Europe has lost, seemingly the one's gain at the other's expense:

Europe	
Industry	3,813,000,000 5,034,000,000
Resources	3,064,000,000 4,430,000,000
Services	5,689,000,000 1,028,000,000
North America	
Industry	1,700,000,000 7,179,000,000
Resources	5,847,000,000 18,706,000,000
Services	3,013,000,000 300,000,000
Asia	
Industry	979,000,000 1,225,000,000
Resources	80,000,000 5,425,000,000
Services	5,689,000,000 3,841,000,000

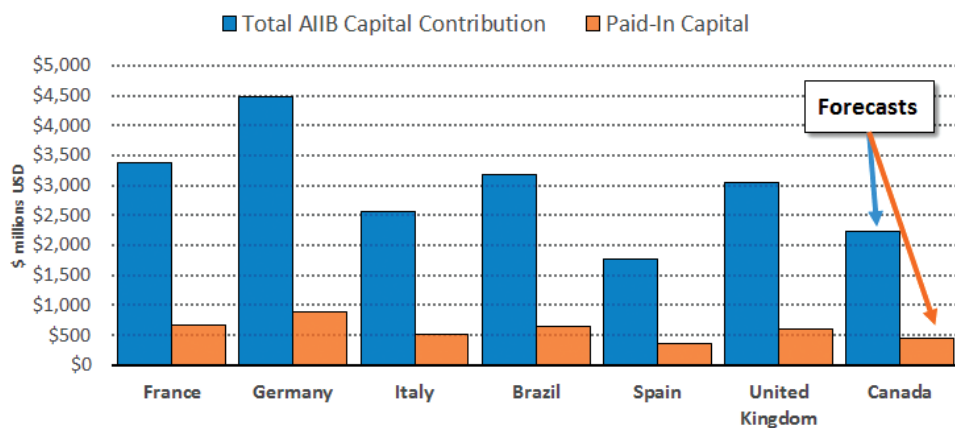
**Figure 2.** Chinese OFDI, 2012 and 2013 Compared (USD, by Deal Value, Mergers and Acquisitions only). 2012 2013

Source: A Capital 2014, p. 1.

As Figure 2 reflects, Europe improved slightly on Chinese industrial and resources investment, lost heavily to Asia on Chinese services investment. More startling, in a single year the Chinese investment in North American industrials rose by a factor of four to USD 7,179 billion, and Chinese investment in North American resources increased threefold to USD 18,706 billion, making it difficult not to notice that

most North American gains came at the expense of European losses (A Capital 2014, p. 4), most heavily at the expense of the United Kingdom, with Chinese OFDI by reason of mergers and acquisitions dropping from USD 5.150 billion in 2012 to USD 1.410 billion in 2013 (A Capital 2014, p. 6). Chinese investment in North American services fell by a factor of 10 to USD 300 million, and Asia appears to have picked up some of the Chinese investment in services that fell off in both North America and Europe.

What appears to have increased are the European together with Brazilian and Canadian contributions to the AIIB, or more accurately their promised contributions that have been far less than actual contributions, as Figure 3 below reflects, obviating additional 'blowbacks'. Without actual contributions, the AIIB must fund the loans it plans to disburse from some other source(s), either Chinese sovereign wealth or, as has come to pass recently, from the AIIB itself borrowing from the WB, the latter creating a 'blowback' for China or for the US, depending upon the viewpoint. Is the US pleased to be the de facto source of AIIB funding, either for the control this may impart, or for the damage it may cause to China's global prestige?



**Figure 3.** AIIB Capital Contributions, Total and Paid, Selected Countries

Source: Tombe & Treavor 2016, 'How much will the Asian Infrastructure Investment Bank Cost Canada?', *Maclean's*, 08 Sep, <http://www.macleans.ca/economy/economicanalysis/how-much-will-the-asian-infrastructure-investment-bank-cost-canada/>.



## Russia's Open Door

Much as Europe seems to have extended an 'open door' to China, Russia appears to have done so even more, although most visibly within its energy sector. On May 30 and 31, 2016, China's Vice Premier Zhang Geoli visited the Russian Federation to attend the 13<sup>th</sup> China–Russia Energy Cooperation Meeting and the 2<sup>nd</sup> Forum on China–Russia Small- and Medium-sized Companies, at which Russia's Deputy Prime Minister Arkady Dvorkovich observed that China is Russia's main trading partner, and that "[a]t the meeting on energy cooperation, we plan to discuss all the issues that are at the center of our attention, namely the interaction and implementation of projects in the fields of oil, gas, electric energy, nuclear power, coal and some others" (Energy Cooperation 2016). On the horizon for Sino-Russian cooperation, according to Konstantin Simonov, director of the National Energy Security Foundation in Moscow, China's desire to source Russian energy supplies from Western fields then transport them to its Eastern regions is costly, although the price of energy has plummeted, and that this will come on top of the 30-year Sino-Russian agreement signed in May 2014 allowing China to take energy from along Russia's 'Power of Siberia' route that will generate an annual gas supply of 38 billion cubic metres from 2018, adding to the 42.43 million metric tonnes of petroleum products Russia exported to China in 2015, up 28% from the year before once China became Russia's leading oil supplier, overtaking Germany (Energy Cooperation 2016).

On the other hand, what the Russian Federation needs much more is an end to sanctions and an improvement of trade with the West, and almost certainly that is what Russia can expect to receive from the Trump administration. Western, particularly US, FDI must be welcomed into Russia, such that the Russian Federation diminishes exporting raw materials and commences to manufacture finished products for sale abroad much more so than it has done. This should be possible, given that from 2014 the Russian Federation became the third most attractive nation for FDI after the US and China, in first and second positions respectively (UNCTAD 2014, p. 6, Figure 5), clearly evidencing its own 'opening', but also forecasting an increase in its competition with China and other Asian countries.



## Asia's Closing Door

If as appears at least facially that Europe's and Russia's doors are opening to Chinese OFDI, Asia's door is closing one way or another to non-Chinese interests. According to China, the West is attempting to 'encircle' it by infringing on its traditional prerogative of acting as *primus inter pares* in the region. Vietnamese historian Tran Duc Anh Son discovered maps that have reposed for more than a century at Yale University and the US Library of Congress in Washington that seem to confirm Vietnam's traditional sovereignty over the islands in the South China Sea that Vietnam calls *Truong Sa* and *Hoang Sa* but that others call the Spratly and Paracel islands (Daiss 2016). This raises questions why China is grasping at straws? According to Japan, China is attempting to curtail free trade on the high seas by constructing a 'strategic triangle' of island fortresses across its 'nine-dash line' in the East and South China Seas region, waterways upon which Japan relies upon for importing energy and other necessary commodities from Africa and the Middle East, and for exporting its finished products to Europe (Mollman 2016). In response, the Chinese leadership contends that the rock islands in the East and South China Seas traditionally have belonged to China, that it is merely reclaiming them, an argument the United Nations (UN) Permanent Arbitration Court sitting in The Hague rejected unanimously on July 12, 2016, in the landmark international law case of *The Philippines vs. China* in which Vietnam joined but that China refuses to recognise (Ku 2016).<sup>4</sup>

To some Western countries and most Asian countries besides China, the Western Pacific rim is closing as China strives to become the dominant force along much of the East and South China Sea region, with China's navy, coast guard, and 'maritime militia' operating together to enforce 'air defence identification zones' that extend far beyond Chinese territorial waters, even demanding that the US 'keep away' (Sridharan 2016). This behavior by China stands in violation of international laws including the United Nations Convention on the Law of the Sea (UNCLOS) in particular (Chan 2016). If the waters along the Western Pacific rim are closing to other Asian nations and to the West, they appear to be staying open to the Russian Federation, partially, if not largely,

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<sup>4</sup> Case No. 2013–19, also captioned as "The South China Sea Arbitration", filed on January 22, 2013, and in which Vietnam joined on December 11, 2014, that was argued on July 7, 2015, and decided on July 16, 2016, unanimously.

because China requires Russian energy products in large quantities, and Russia is desperate for cash that can be realized from selling its energy supplies. Russia's public position on the East and South China Seas is that nations from outside the region should steer clear because their involvement "will only hurt the resolution of these issues [...] [and] is detrimental and counterproductive" (Thayer 2016), a posture that may contain some merit hypothetically. On the matter of the UN arbitration decision in *The Philippines vs. China*, Russia has voiced support for China's position. By so doing, Russia has been adopting a peculiar and meretricious posture that the decision is non-binding because China boycotted the case as it was being argued and determined in The Hague at the Court of Arbitration. As lawyers and graduates of Leningrad (now St. Petersburg) State University, Russia's oldest, both President Vladimir Putin and Premier Dmitry Medvedev should understand clearly that procedures established pursuant to Annex VII to Article 9 of UNCLOS, definitively recite that the "absence of a party or failure of a party to defend its case shall not constitute a bar to the proceedings." Evidently, the Russian Federation desires to improve its 'structural' relations with China economically in addition to militarily, presumably to corral China as its energy market.

In 2013, former US Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell and former White House Aide Brian Andrews explained US objectives with its 'pivot' to Asia, criticising officials who have "mistakenly described the rebalance as a 'return' to Asia" by noting that "nothing could be further from the truth because, in reality, the United States had never left. It is, however, a vast and dynamic increase in US focus and depth of engagement in the region" (Campbell & Andrews 2013, p. 2). Going further, they went on to portray the US as striving with its allies "to create a stable security order that builds strategic confidence within the region and provides the context for states to build closer ties with each other" by pointing to India, Japan, and Thailand, emphasizing that the latter is America's 'oldest alliance in Asia' (Campbell & Andrews 2013, pp. 3–4), boasting that the US has positioned itself to 'play a pivotal role' across the 21<sup>st</sup> century in Asia (Campbell & Andrews 2013, p. 8). However, it seems that it is more the opposite that is true from the evidence. An analysis in the prestigious magazine *The Atlantic* suggested that "[s] imply put, the pivot is meant to be a strategic 're-balancing' of U.S. interests from Europe and the Middle East toward East Asia" and so "in a way

the 'Pivot to Asia' is just placing a name on a trend that has been going on for years" because the US has done very little substantively apart from deploying 2,500 marines to Northern Australia, annoying China (Schiavenza 2013). Another analysis, from the CATO Institute, reckoned that the Obama administration could not figure out whether neo-realist 'dragon slayers' or neo-liberal 'panda huggers' accurately forecasted the consequence of an economic rise by China (Logan 2013, p. 3), so they charted a course midway between perceptions of each camp, firmly resolving to construct a "China policy with three major components: economic engagement; military containment; and using U.S. deployments, diplomatic reassurance about American security guarantees, and Washington's own military spending to prevent U.S. allies from taking more control over their defense policies" (Logan 2013, p. 6). By this account, the US has done nearly everything it could do wrong, actually weakening its longtime alliances by triggering a drop in security assistance to them (America's Pivot to Asia 2016).

Whatever be one's perspective, America's pivot to Asia has not brought significant security assistance gains to most Asian countries, and both Europe and the Middle East have continued to be larger recipients of the US's largesse, as Figure 4 and Figure 5 below reflect, notwithstanding concerns voiced by Ambassador Volker and others. Most economic assistance increases from the US to Asian countries since the US's pivot to Asia have been to Vietnam, followed by smaller increases to Laos and Myanmar (Burma), with huge reductions to once key allies such as the Philippines falling by nearly 9% and Thailand falling by almost 80% since 2010 (America Pivots to Asia 2016). It should not be startling therefore when actors such as Philippine President Rodrigo Duterte jump ship, cursing President Obama, grudgingly honouring but functionally repudiating an "Agreement on Enhanced Defense Cooperation" (AEDC) that his predecessor negotiated with the US (Ople 2014), then admonishing that the 2016 joint maneuvers with US naval forces will mark the last for his country (VOA 2016). Such drama makes it difficult to realise Zbigniew Brzezinski's 2012 'Grand Strategy' envisioning the US "Balancing the East, Upgrading the West", and more likely prove his alternative forecast to be correct: "the West and the East cannot keep aloof from each other: their relationship can only be either reciprocally cooperative or mutually damaging."

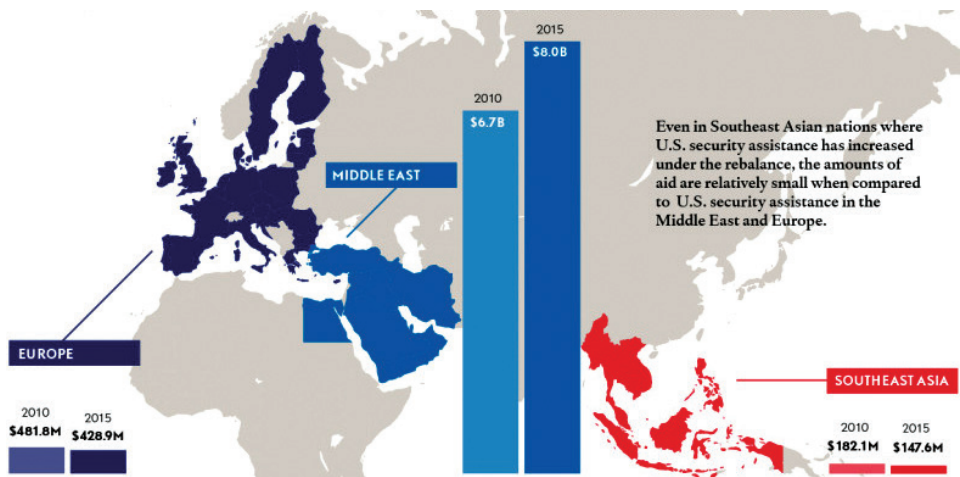


Figure 4. U.S. Assistance to Europe and the Middle East Dwarfs Aid to Southeast Asia

Source: America Pivots to Asia 2016.

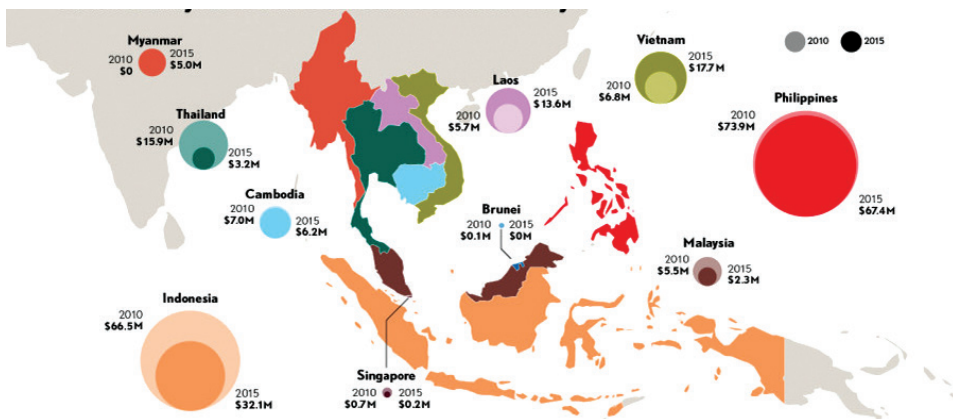


Figure 5. US Security Assistance to Southeast Asia: Only Three Countries Received a Rise in Aid

Source: America Pivots to Asia 2016.

On the other hand, over the past half decade India has offered a divided perspective, at once welcoming an increased or at least an increasingly visible US presence in Asia, but all the while wishing to steer clear of a potential Sino-American ‘cold war’, and fearing that the US pivot to Asia may serve as a pretext for a premature US withdrawal from Afghanistan, viewed by India as being unhelpful (Hathaway 2012). Meanwhile, ASEAN

bloc countries have turned to Latin America, half a world away, and become interested in the Trans-Pacific Partnership (TPP) (Meacham 2013). More ominously for the West, China and Russia have at least used the pivot to Asia by the US as a pretext for forging closer Sino-Russian ties (RT 2016).

### **'Neo-Liberalism' Follows 'Neo-Realism' in 'Structure'**

When he articulated the concept of 'neo-realism' in 1977, Kenneth N. Waltz termed it as 'structural' realism to contrast it from 'classical' realism and alliances in the context of Thucydides or from modern 'political' realism and power as advanced by Morgenthau and others earlier in the 20<sup>th</sup> century. An important and even seminal difference between 'neo-realism' and other interpretations of realism is the concept of 'structure' that Waltz articulated exists in a world of international anarchy: "States do not willingly place themselves in situations of increased dependence. In a self-help system, considerations of security subordinate economic gain to political interest" (Waltz 1979, p. 107). That dependence is thrust upon states by their relative weakness or strength in relation to other states existing at the time. To this, Alexander Wendt added that identities and interests of states are socially constructed by the states themselves: "self-help and power politics are institutions, and not essential features of anarchy. Anarchy is what states make of it" (Wendt 1987, p. 395), adding a 'constructivist' approach. Whatever the nomenclature, in neo-realism a limited number of states share world domination, usually one state controls a region. This falls at the root of conflict in the East and South China Seas as China, demanding over East Asia and the Western Pacific region, concedes that at the moment the US dominates the world as a 'hegemon'.

Then comes international trade, and an effort to introduce 'structure' to it as well. In 1977, also, Robert O. Keohane and Joseph S. Nye, Jr. advanced the theory of 'neo-liberalism' by expanding a 1930s-era notion in Austrian liberal economic theory (Mirowski & Plehwe 2009). Across the last part of the 20<sup>th</sup> century from the collapse of the Soviet Union in 1989 together with the first decade and a half of the 21<sup>st</sup> century, economic considerations have exceeded state security considerations in most international relations, with China and the West (the EU, US) becoming each other's largest trade partner. That is changing currently, and not for the better. Part of the problem is that China is bent on closing

Asian shoreline waterways along the Pacific rim to free access without its oversight. Another part is the effort to manage trade globally, especially trans-continental (to Europe) and trans-oceanic (to the Americas) trade with Asia, as China is constructing its 'New Silk Road' and 'New Maritime Silk Route' across Eurasia, and as various partners of the US, led by the latter, have tried to form the TPP. Less critical but related to this paradigm is an effort led by the United Kingdom to form a Transatlantic Trade and Investment Partnership (TTIP), primarily between the US and Europe. Such 'partnership' agreements are forms of 'structure' aimed at managing trade much in the same ways that NATO and similar alliances have managed or tried to manage state security cooperation in the post-1945 period.

By deliberately excluding China from participation, the originators of the TPP and TTIP have precipitated what may be called a form of 'negative constructivism' that will prove soon to be, as Wendt observed in the context of neo-realist state security, "what states make of it" (Wendt 1987, p. 395). This form of trade management is dividing the United States on non-traditional axes, with Democratic Party financial stalwarts such as 'Big Labor' joining both 2016 Presidential candidates opposing the partnerships, leaving the Barack Obama administration supporting them. An end result may be chaotic, but for the moment another theory of international relations appears to be emerging: 'neo-liberalism', with both the East and West desiring not to interrupt the free flow of trade upon which each relies economically, while China makes an effort to flex its muscles across Asia in the guise of state security, with the US joined by other Asian nations determined to hold China back militarily without undermining it economically, or undermining themselves also economically in the process. At the end of September 2016, China warned that the US that if it deploys its Terminal High Altitude Area Defense (THAAD) anti-missile system as planned in the Republic of Korea, the US will 'pay the price' in the form of a 'counter attack' because "[l]ike any other country, China can neither be vague nor indifferent on security matters that affect its core interests, [...] [and] [t]he deployment will severely damage regional strategic security interests and harm the regional strategic balance" (Blanchard 2016). Does this mean that increased military cooperation between the West and its Asian Allies will be followed by a decrease in Chinese economic cooperation? It does seem to underscore the accuracy of Waltz when he wrote in 1979: "In a self-help system, considerations of security subordinate economic gain to political interest" (Waltz 1979, p. 107), because, said differently, it means that in a more rational system, considerations of economic gain



should come ahead of political interest. In a sense, this means that mutual economic interests create political interest, and this is what is meant by 'Liberalism'. Will it mean additionally that economic cooperation between China and the Russian Federation with China and Russia as a captive buyer and captive seller respectively of Russian energy take precedence over their mutual security fears born in mutual distrust along their long and intermittently unstable common border?

## Conclusion

The US's pivot to Asia on balance in the ultimate analysis has harmed traditional Allies of the West along the Western Pacific Rim, largely by spawning resurgence of an earlier Sino-Russian alliance that had remained dormant. By providing key Asian allies of the West with an excuse for complacency, the US encouraged countries of the EU to depend on the US and NATO instead of upon themselves for defence, as well as by cutting security-related financial assistance even by almost 80% to the US's oldest Asian ally, Thailand, the US has harmed its Asian allies as well. The US has attempted to hedge between neo-realism security concerns and neo-liberal trade prosperity, functionally trying to have its proverbial cake and eat it also. That seldom will work. It has not worked in this context very well. Neo-realist security traditions appear to have been blurred with neo-liberal trade temptations, the result forming a 'neo-liberalism' paradigm that could work if it contained the best ingredients of each, appears more to contain some of the worst elements of each, making it difficult to prosper. Confrontation more than cooperation seems to have become the unwanted end result. Either the US's next president will have to increase the military commitment substantially to the Western Pacific Rim or turn tail and 'pivot' away to somewhere else. If Asia is becoming a 'closing door' to the West, then Europe's door of opportunity to China will have to close in response, proportionally if feasible. Better that 'doors' to both Asia and Europe remain open. With all that said, strength fosters peace, as President Ronald W. Reagan showed the world with his Strategic Defense Initiative, and the momentary confrontation in the East and South China Seas may yet inspire cooperation between China on the one hand and its Asian neighbours in partnership with the West on the other. If so, the risk and tribulations will be worth the cost eventually. Only time will tell, but this should be evident within the first one thousand days of the Trump administration.



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DAVID A. JONES, Ph.D., D.Jur., M.B.A. is Professor of International Law, International Management, and Foreign Policy at University of Warsaw Institute of The Americas and Europe, where also he holds appointments at the Faculty of Political Science Institute of International Relations, and at the Faculty of Management International Business Programme. He serves as Senior Graduate Lecturer at Norwich University, the Military Academy of the State of Vermont, United States where he has offered a course Intercultural Management in the International System multiple terms each year since 2006, and occasionally its capstone course, Global Corporate Diplomacy. Professor Jones is the author of a recent book, *Four Eagles and a Dragon: Successes and Failures of Quixotic Encirclement in Foreign Policy, An Analysis* (London: Bloomsbury Publishing, Plc. & New Delhi: Bloomsbury Publishing India, Pvt. Ltd. 2015).