

UC San Diego

UC San Diego Electronic Theses and Dissertations

Title

When and Why States Project Power /

Permalink

<https://escholarship.org/uc/item/5hr5m1gr>

Author

Markowitz, Jonathan

Publication Date

2014

Peer reviewed|Thesis/dissertation

UNIVERSITY OF CALIFORNIA, SAN DIEGO

When and Why States Project Power

A dissertation submitted in partial satisfaction
of the requirements for the degree
Doctor of Philosophy

in

Political Science

by

Jonathan Markowitz

Committee in charge:

Professor David Lake, Chair
Professor Tai Ming Cheung
Professor Erik A. Gartzke
Professor Miles Kahler
Professor Susan Shirk

2014

Copyright

Jonathan Markowitz, 2014

All rights reserved.

The Dissertation of Jonathan Markowitz is approved, and it is acceptable in quality and form for publication on microfilm and electronically:

Chair

University of California, San Diego

2014

DEDICATION

For Megan.

TABLE OF CONTENTS

Signature page	iii
Dedication	iv
Table of Contents	v
List of Figures and Tables	vi
Acknowledgements	ix
Vita	xviii
Abstract of the Dissertation	xx
Chapter 1. Introduction	1
Chapter 2. When and Why States Project Power	29
Chapter 3. When Do States Build Blue Water Navies? A Quantitative Test of the Theory of Geopolitical Competition	100
Chapter 4. The Arctic and the North Sea	149
Chapter 5. The South China Sea	280
Chapter 6. Conclusion	401

LIST OF FIGURES

Figure 2.1: Why States Project Power: A State's Choice of Foreign Policy.....	36
Figure 2.2: Ideal State Types.....	47
Figure 3.1: Competition Over Time.....	3.1
Figure 3.2: The Total Number of Capital Ships in the System each Year.....	118
Figure 3.3: Predicted Count of Capital Ships	127
Figure 3.4: Plots of the Mean Predicted Values for Capital Ships.....	128
Figure 3.5: The Proportion of Each State's Capital Ships In Each Year.....	138
Figure 3.6: Distribution of Economic Capacity.....	145

LIST OF TABLES

Table 3.1: Negative Binomial Regression of the Total Number of Capital Ships (1880-1993).....	120
Table 3.2: Negative Binomial Regression of the Total Number of Capital Ships (1880-1993)	121
Table 3.4: Negative Binomial Regression of the Total Number of Capital Ships (1880-1993).....	122
Table 3.5.: Negative Binomial Regression of the Total Number of Pre-Dreadnought Capital Ships (1880-1913)	125
Table 3.6: Negative Binomial Regression of the Total Number of Pre-Dreadnought Capital Ships (1880-1913)	142
Table 3.7: Negative Binomial Regression of the Total Number of Dreadnought Capital Ships (1906-1945).....	143
Table 3.8: Negative Binomial Regression of the Total Number of Dreadnought Capital Ships (1906-1945).....	143
Table 3.9: Negative Binomial Regression of the Total Number of Aircraft Carrier Capital Ships (1945-1993)	144
Table 3.10: Negative Binomial Regression of the Total Number of Aircraft Carrier Capital Ships (1945-1993)	144
Table 3.11: Negative Binomial Regression of the Total Number of Capital Ships (1880-1993).....	146
Table 3.12: Negative Binomial Regression of the Total Number of Capital Ships (1880-1993).....	147
Table 3.13: Model Prediction for China Aircraft Carrier Development	148
Table 4.1: Expected vs. Observed Values	158
Table 4.2: Indicators for Coding of Times	162

Table 4.3: Incidence of Norwegian F-16's Being Scrambled	219
Table 4.4: Liberal State Dispute.....	223
Table 4.5: The Extractive and Predatory States Disputes	227
Table 4.6: State Types in the North Sea	241
Table 4.7: Covariates	257
Table 5.1: Coding of State Types	299
Table 6.1: Cross-Regional Comparison	412
Table 6.2: The North Sea—Cooperative Geopolitical Environment (Control Region)	412
Table 6.3: The Arctic: Competitive Geopolitical Environment (Treatment Region)	413
Table 6.4: South China Sea: Highly Competitive Geopolitical Environment (High Dosage Treatment Region)	413

ACKNOWLEDGEMENTS

They say it takes a village, but in my case it took an army, or rather several, spread out across the globe in Los Angeles, La Jolla, Oslo and Cambridge. Without the guidance, support, criticism and camaraderie of these people, this dissertation would not have been possible. My first debt of gratitude goes to my early mentors at UCLA—John Zaller, Jim DeNardo, Marc Trachtenberg, and James Lo. These people generously gave their time, instilled in me a lifelong love of ideas and patiently began the long process of my training.

I originally decided to attend graduate school at a different school, but at the last second changed my mind and chose UCSD. The reason was David Lake. It was the most important and best professional decision of my life. I was, to put it mildly, a neurotic and high maintenance graduate student. David had early warning of this when I tracked him down during what was supposed to be the beginning of his peaceful year off at the Center for Advanced Behavioral Studies. It was the summer before my graduate school career had even begun and I was already peppering him with questions. David was then and has been for the last six years incredibly generous with his time, attentive and patient. David has read countless drafts of all of my dissertation chapters and provided me with detailed constructive criticisms and guidance on each one. During the hundreds of office hours with me he endured, David shaped my thinking more than anyone else without imposing his own views on me. David's

super-mensch status is legendary and through watching him help others and myself over the years, I learned that leadership, in large part, rests on one's ability to provide public goods. As others have noted, he truly is the "liberal hegemon" of UCSD.

David's guidance extended not just to professional matters, but also to proper work-life balance, encouraging me not to spend too much time at my desk. He gave what I think was the best advice I received in preparing for exams, which was to get out of the office and take long walks on the beach. To this day, I still do my best thinking on long walks.

Erik Gartzke was instrumental in my choice of what to study and how I approached it. My dissertation topic emerged from a discussion in one my first year classes with him. Erik and I spend hundred of hours tossing around ideas and he good-naturedly tolerated my argumentative personality and encouraged me to think creatively about international politics. These conversations stimulated not only my dissertation project, but much of my research agenda. Erik generously donated his time, brought me on to projects and helped me in anyway he could. Erik's support and advice that I would be judged not by my failures, but how I recovered from them, allowed me take bigger risks and fear failure less. Erik saw my potential and my short-comings and was an honest critic, but also helped me to see what I could contribute.

Miles Kahler provided a great deal of encouragement and feedback, especially during the crucial early stages of the project. Miles' encyclopedic knowledge of the

discipline meant that I always left his office with a long list of helpful sources to consult and theories that would shape my thinking. Miles also had a magician-like quality of being able to read my jumbled work and tell me what I was trying to say. This was especially helpful when applying to fellowships, for which Miles provided a great deal of assistance. Miles was also one of my toughest critics and I learned to never read his feedback before 5 o'clock, because I would invariably need a stiff drink afterward. His devastating critiques thickened my skin and made both me and my work better.

Susan Shirk and Tai Ming Cheung provided invaluable feedback and support. Their vast experience in the practice of international affairs beyond academia helped to ground my analysis and provided a useful check on my thinking. Both Susan and Tai read multiple drafts and provided their own unique perspectives on international affairs in Asia. Tai also helped me to attend the Hertog Summer Study and the Summer Training Workshop on the Relationship Between National Security and Technology in China, both of which proved invaluable for enriching my understanding of geopolitics of power projection in Asia. Susan and Tai were kind enough to invite me to and provide me with the financial support to attend a Track II dialogue in Dalian, China. Tai and Susan helped to facilitate meetings in Dalian and Singapore with diplomats, government officials and academics to which I would not otherwise have had access.

In addition to my committee, other faculty members at UCSD were unusually generous with their time. Jesse Driscoll met with me so many times that he was essentially a sixth member of my committee. Jesse's overwhelming onslaught of tough questions and criticism provided a much-needed bucket of ice water to my sometimes half-baked ideas. Branislav Slantchev, Christina Schneider and David Victor all read and commented on multiple chapters and were kind enough to meet with me numerous times. My dissertation also benefited from constructive criticism and helpful advice from Steph Haggard, Phil Roeder and Lawrence Broz. Outside of UCSD, I am also grateful to a number of scholars who were kind enough to provide advice and feedback on my work, including Paul Huth, John Vasquez, Barry Posen, Steve Biddle, Leo Blanken, Peter Feaver, Patricia Sullivan, Scott Bennett, Andrew Erickson, Doug Lemke and others who I am sure I am forgetting.

At the beginning of my first year, a faculty member told me that I would learn more from my fellow graduate students than I would from any professor. I didn't think that there was a chance that this was true, but in the end, I was wrong. I was lucky enough to spend time with an unusually intelligent group of graduate students both at UCSD, SIO and the Belfer Center at Harvard. First and foremost amongst these people was Ben Graham. My most important and best personal decision was to choose Ben Graham as a roommate my first year at UCSD. In making this choice, I gained a big brother who guided me through every step of graduate school. Ben provided a sounding board for my ideas, encouragement when needed and tempered my often

argumentative and difficult personality. He also prevented my life from being all work and no play, by always being up for a sunset run on the beach after a long day. Most importantly, he introduced me to my wife, whom I met on the day I moved into his apartment.

From the first class we TA'd together, Chris Fariss was my partner in crime for surviving graduate school, while seeking rents wherever we could find them. In addition to being amongst the most intelligent people I know, he is also one of the hardest-working and most generous people I have met. When training for cross-country or climbing in my younger days, I learned that it is helpful to have someone around who works smarter and is stronger than you are. Chris proved to be the ultimate training partner. I learned from Chris while working and playing. On our many beach walks and trips to Joshua Tree, I learned more from Chris about causal inference than anyone else and there are few people who have changed the way I think about the nature of social science. Chris was good-natured and patient enough to tolerate my arguments and then demonstrate why I was wrong. Finally, it is with his permission that I have included our joint work in the third chapter.

I was lucky to have so many other brilliant and helpful friends at UCSD: Dan Enemark, Steve Oliver, Micah Gell-Redman, Yon Lupu, Daniel Maliniak, Blake McMahon, Dimitar Gueorguiev, Neil Narang, Jaime Settle, Rupal Mehta, Kai Ostwald, Paul Schuler, Neil Visalvanich, Ryan Jablonski, Simon Freeman, Lauren Freeman, John Lejeune, Michael Rivera, Don Lee, Rick Barrett, Devesh Tiwari,

Cameron Brown, Ben Horne, and many others provided camaraderie, lively dinner debate and shoulders to lean on. They also suffered through many presentations and unreadable chapters and ruthlessly improved them.

Outside of UCSD, I owe a debt to a number of talented and kind individuals. The day after my prospectus defense, I flew to Oslo, Norway, where Halvard Buhaug was kind enough to take me under his wing while I began work on the Arctic and theory chapters. I look back on my time at PRIO with fond memories and I am grateful to the many kind and helpful scholars I interacted with there.

During the two years I spent at Scripps Institution of Oceanography, I benefited enormously from my interactions with the natural and social scientists there. Dick Norris, Richard Carson, Ted Groves, Joel Watson, Jeremy Jackson, Kathryn Mengerink, Myrl Hendershott, Art Miller and many other talented faculty members patiently answered my questions and helped to train me how to think about the interaction between environmental change, social science, and public policy.

Many of my summers of graduate school were spent at workshops such as the UC Public Policy and Nuclear Threats Program, the Summer Workshop on the Analysis of Military Operations and Strategy, the HERTOG Summer Study, the Institute for Qualitative and Multi-Method Research, the Development and Conflict Research Workshop, the Duke TISS New Faces Conference, and the Study of Innovation and Technology in China Summer Training Course. These workshops helped provide useful methodological and substantive training and I am grateful for

the financial support that allowed me to attend. Most importantly, I feel lucky to have met such talented and interesting individuals many who remain close friends to this day.

My final and most enjoyable two years of graduate school were spent at the Belfer Center for Science and Technology at the Harvard Kennedy School. I am eternally grateful to Meghan O' Sullivan, my adviser there, who was enormously generous with her time, kindly shielded me from additional responsibility and provided financial support for me to focus on my dissertation. Meghan's likely logged the most frequent flyer miles of anyone and always seemed to be jetting around and running the world. Yet, she still somehow found the time to read my drafts and answer my queries. She also used her extensive network and influence to help me obtain interviews with experts and officials.

At the International Security Program, Steve Walt, Steve Miller, Sean Lynn-Jones and Kelly Greenhill attended multiple presentations and job talks and provided invaluable feedback. They also helped broaden my horizons by exposing me to a different set of ideas and emphasizing the relationship between scholarship and policy relevance. Kelly Greenhill's ISP reading group provided me with a unique forum to present my work and allowed me to read and interact with a creative and diverse group of scholars. This also served as the model for our Great Powers Reading Group, which was one of the most enjoyable and useful experiences I had at Belfer.

Belfer provided me with not only a wonderful group of people to share ideas with, but also brilliant co-authors. Here, I owe a debt of gratitude to my co-authors, Paul Avey and Robert Reardon, who tolerated endless meetings and my many quirks and eccentricities. Working on our papers together has been an enlightening and enjoyable experience. I count them both as close friends and I look forward to many years of future collaborations.

However, the best part of Belfer by far was the group of fellows with whom I was lucky enough to have spent a couple of years: Jeff Friedman, Matt Waldman, Miranda Priebe, Rich Nielsen, Rachel Whitlark, Chad Levinson, Gene Gerzhoy, Marisa Porges, Scott Moore, Nathan Black, Dianne Pfundstein, Nussaibah Younis, Andrew Radin, Peter Krause, Noora Lori and countless other members of ISP read multiple drafts and watched countless presentations. I shared some of my happiest memories with these people, from engrossing debates to boisterous Belfer Happy Hours and blind-folded wine tastings. I count many of them amongst my closest friends and consider it a privilege to have spent so much time with such an intelligent and kind group of people. Finally, my quality of life in Cambridge was dramatically improved by Michael Beckley and Yuri Zhukov, two of the smartest people I have ever met and my go-to guys when trying to solve a problem or blow off a little steam after work.

My final debt of gratitude goes to my family. My journey to here began thirty years ago in Palm Springs, and it would not have turned out so well had I not had such

caring and kind parents. My uncle, aunt and father all read, commented on and edited countless drafts and gave me the love and support to see this project through. My mother nursed me back to health when I came home exhausted after completing exams or a draft and sent me care packages to make sure I did not get sick.

However, the person who deserves the most credit and to whom the biggest debt is owed is the newest member of my family, my soon-to-be wife (10 days and counting), Megan Becker. Megan was there from the beginning to hear every idea, read (and edit) every word and see me through every triumph and failure. There is no one who contributed more intellectually in terms of ideas or physically in terms of raw hours, effort and hardship than Megan. Megan moved across the country for me, endured my long hours at work and longer trips abroad, and time after time put my work and well being ahead of her own. The last six years have been both the most challenging and rewarding of my life and I could not have asked for a better partner for the journey.

In closing, I would like to thank the National Science Foundation, the UC Institute for Global Conflict and Cooperation, the University of California San Diego and the Geopolitics of Energy Project at the Belfer Center for Science and Technology for their generous financial support.

All errors and omissions are my own.

VITA

EMPLOYMENT

Assistant Professor, School of International Relations,
University of Southern California. Beginning Fall 2015.

EDUCATION

Ph.D. Political Science, University of California, San Diego, 2014
Examination Fields: International Relations, Comparative Politics
M.A. Political Science, University of California, San Diego, 2010
B.A. Political Science (Summa Cum Laude, College Honors, Departmental Honors)
University of California, Los Angeles, 2007

DISSERTATION

When and Why Leaders Project Military Power: Maritime Resource Competition and
the Return of Gunboat Diplomacy
Committee: David Lake (Chair), Miles Kahler, Erik Gartzke, Susan Shirk and Tai
Ming Cheung

FELLOWSHIPS

Postdoctoral Fellow in U.S. Foreign Policy and International Security, Dickey Center
for International Understanding, Dartmouth College: 2014-15.
Geopolitics of Energy Fellowship at the Belfer Center for Science and International
Affairs at the Harvard Kennedy School of Government, 2012-2014
Institute for Global Conflict and Cooperation Dissertation Fellow, 2012-2013 (Non
Conventional Threats: Climate Change)
National Science Foundation Integrative Graduate Education and Research
Traineeship (IGERT) at Scripps Institute of Oceanography program on “Global
Change, Marine Ecosystems and Society,” 2010-2012
Regents Scholar, University of California, Los Angeles, 2005-2007

PUBLICATIONS

Jonathan N. Markowitz and Christopher J. Fariss. "Going the Distance: The Price of
Projecting Power." *International Interactions* 39, no. 2 (2013): 119-43.

WORKING PAPERS

“Geopolitical Competition and the Rise of Naval Power” (with Christopher J. Fariss)
(Under Review)
“Fence Sitting in Foreign Policy: Log-Rolls, Compromises and U.S. Strategy in the
Pacific” (with Erik A. Gartzke) (Under Review)
“Anarchy Is Sometimes What States Make of It” (with Erik A. Gartzke)
“American Troop Presence and International Stability” (with Paul Avey and Robert
Reardon)

“Positive Sum Power Transitions: How Trade Can Help Alleviate Issues of Credible Commitment” (with Ben Horne)

NON-REFEREED PUBLICATIONS

Climate Change Multiplying Threats to National Security. A report written for and published by Scripps Institution of Oceanography. With Alyson Fleming, Emily Kelly, Summer Martin, Lauren Franck. Fall 2011.

GRANTS AND EXTERNAL FUNDING

National Science Foundation IGERT Travel Grant--Visiting Researcher Peace Research Institute Oslo.

National Science Foundation IGERT Mini-Grant--Funding for Arctic field work in Oslo, Norway and Svalbard.

UC Institute for Global Conflict and Cooperation Travel Grant--Funding for travel to China and Singapore for field work on the South China Sea.

Academic Senate Research Award, “War, Peace, and Nuclear Weapons,” (with Erik Gartzke, Jeffrey Kaplow and Rupal Mehta), 2012.

INVITED TALKS

Fall 2013: New Faces Conference, Triangle Institute for Security Studies, Chapel Hill, NC.

Spring 2013: Belfer International Security Program, Belfer Center for Science and International Affairs, Harvard University John F. Kennedy School of Government, Cambridge, MA.

Fall 2012: Rich Region, Strong State Conference, La Jolla, CA

Summer 2011: Peace Research Institute of Oslo, Oslo, Norway.

ADDITIONAL TRAINING AND EXPERIENCE

Summer 2013: SITC Summer Training Workshop on the Relationship Between National Security and Technology in China, Institute on Global Conflict and Cooperation, UC San Diego

Summer 2012: Summer Workshop on Analysis of Military Operations and Strategy, Saltzman Institute of War and Peace Studies, Columbia University

Summer 2012: Hertog Summer Study, U.S.-China Relations, Paul H. Nitze School of Advanced International Studies, Johns Hopkins University

Summer 2011: Visiting Researcher at Peace Research Institute Oslo (PRIO), Affiliated with the CSCW Environmental Factors and Civil War program

Summer 2010: Center for Marine Biodiversity and Conservation, 10 Week Interdisciplinary Course on Climate Change, Scripps Institution of Oceanography

Summer 2009: Public Policy and Nuclear Threats Program, Institute on Global Conflict and Cooperation, UC San Diego

ABSTRACT OF THE DISSERTATION

When and Why States Project Power

by

Jonathan Markowitz

Doctor of Philosophy in Political Science

University of California, San Diego, 2014

Professor David A. Lake Chair

Why do some economically powerful states build and project military force while others do not? This dissertation argues that domestic institutions and economic interests influence *why* states project power to compete over resources or access to markets. It proposes that a state's level of interest compatibility with other powerful states determine *when* she projects power. The theory is tested using a large-N time series cross-sectional design as well as through case studies that analyze how states reacted to a set of exogenous environmental and technological shocks that exposed resources in the Arctic, the North Sea and the South China Sea. The findings have

implications for rising powers in Asia, the political effects of climate change in the Arctic, and global energy security.

The research design tackles the questions of *when* and *why* states project power through case studies that utilize environmental and technological shocks that exogenously expose maritime energy resources and large-N cross-sectional time series analysis. A combination of case studies and quantitative analysis represents the best way to uncover concepts that are difficult to operationalize, such as a state's foreign policy objectives. The quantitative analysis (Chapter 3) hones in on the question of *when* states build power projection capabilities and the case studies (Chapters 4-5) focus both on *when* and *why* states project power.

In closing, this dissertation provides an explanation for *when and why* states project power. The primary contribution of the theory is that it allows us to make ex ante theoretical predictions regarding which states are most likely to project power and what types of objectives they are likely to project power to secure. The central finding is that state type and interest compatibility conditions whether states choose to convert economic power into power projection capabilities. This finding informs the debate over the relationship between economic and military power. The implications of these findings suggest that the United States should more strongly reorient its forces away from Europe and the Western Hemisphere, which are likely to remain cooperative geopolitical environments, and more strongly pivot to Asia.

Chapter 1

Introduction

Introduction

Why do some economically powerful states build and deploy military force to pursue their foreign policy objectives, while others do not? For centuries, economically powerful states, such as the Portuguese, Spanish, Dutch, French and British deployed armies and armadas around the world to conquer territory and secure trade routes. During the late 19th and 20th centuries, a new group of rising economic powers—the United States, Germany, Japan and Russia—plunged their newfound wealth into building battle fleets and networks of foreign bases. However, the past 68 years have witnessed a remarkable decline in the number of wealthy states building and projecting power.

In Europe, economic development and integration has generally been associated with states gradually abandoning their ability to project power. The degradation of Europe's power projection capabilities was made painfully clear during the military campaign against Libya in 2011. The battlespace in this campaign was so close to Europe (just across the Mediterranean), that it was reachable by the rowed warships of the Roman Empire, yet European states found that they could not sustain military operations without American assistance. To illustrate Europe's lack of support for maintaining power projection capabilities, due to budgetary pressure, the British government has opted to go without carriers since 2011. This state of affairs is likely to remain static until new carriers are operational, which is not expected until at least 2020. Britannia, the state that used to rule waves, currently has no aircraft carriers, and

concerns over budget over-runs plague the two that are under construction.¹ Contrast this with developments in Asia, where China and India just put carriers to sea, and are currently building additional carriers, as well other power projection assets.²

The decline in the perceived relative value of hard military power has led some to conclude that violent interstate coercion and war are becoming obsolete.³ Others have argued that the era of great political-military powers is over and that states seek wealth through trade and productivity and not military power.⁴ However, just as European powers are relinquishing their global military reach, a new group of rising powers are investing in their ability to project power. The same economic forces of integration and development that have been associated with military decline in Europe are providing the wherewithal for states in Asia to increase their power projection capabilities. In terms of the distribution of economic power, both regions are effectively economically multipolar, with multiple states possessing the economic capacity to choose to build and project military power. So why is it that most European states are decreasing their ability to project power, while states in Asia are

¹ "Keeping America Safe: Why U.S. Bases in Europe Remain Vital," Luke Coffey, accessed April 23, 2014 <http://www.heritage.org/research/reports/2012/07/keeping-america-safe-why-us-bases-in-europe-remain-vital>

² Brian Crishner and Mark Souva, "Power at Sea: A Naval Power Dataset, 1865-2011," *International Interactions* (Forthcoming).

³ John Mueller, *Retreat from Doomsday: The Obsolescence of Major War*. (New York: Basic Books, 1989); Evan Luard, *Conflict and peace in the modern international system: A study of the principles of international order* (1988).

⁴ Richard N. Rosecrance, *The Rise of the Trading State: Commerce and Conquest in the Modern World* (New York: Basic Books, 1986).

⁵ The distance that that these states can deploy force over is still highly limited, yet their investments have already increased the range and area over which they can maintain a military presence and exercise coercive leverage.

increasing their power projection capabilities?⁵ This dissertation seeks to find an answer to this puzzle.

If the distribution of economic power cannot explain this puzzle, then perhaps the distribution of interests can. Structural realists like Walt might argue that states in Asia find their neighbors to be threatening, while states in Europe do not, and therefore Asian states have chosen to balance against threat by engaging in internal balancing and developing power projection capabilities. But, this begs the question of why some states have incompatible interests and find each other threatening, while others do not. In short, what explains the distribution of interests? Advocates of the democratic peace have suggested that democratic states will have more compatible interests and be less threatening to one another because they possess weaker incentives to pursue expansionist foreign policies.⁶ However, a closer look at the empirical record shows that democratic states, such as the U.S. and Britain, have projected power at longer distances and with greater frequency and intensity than most of their autocratic counterparts.⁷ While it is undoubtedly true that democracies do not fight one another, this empirical finding cannot explain why some states project power while others do not.

⁶ David A. Lake, "Powerful Pacifists: Democratic States and War," *The American Political Science Review* 86, no. 1 (1992).

⁷ Bruce Bueno de Mesquita et al., *The Logic of Political Survival* (Cambridge, MA: MIT Press, 2003).

Although the U.S. has projected more military power around the globe than any other state, at least for the past century, it has been less rent-seeking than previous hegemons and in general it has not sought to generate rents by appropriating territory or restricting access to markets.⁸ For example, the American military has maintained a presence in the Middle East for over forty years, but the U.S. has not attempted to directly control the land rents there or exclude others states from buying or investing in Middle East energy.⁹ Washington has left these rents on the table, despite their tremendous value and its ability to appropriate them. The behavior of the U.S. highlights a second puzzle: why has the U.S. projected so much military power, despite being democratic, and why has it not used this power to appropriate territory and redistribute land rents to its citizens? Advocates of hegemonic stability theory have argued that the U.S. is a liberal hegemon and that it has an “all-encompassing interest” in projecting power to uphold a liberal order and provide public goods.¹⁰ Following this tradition, Ikenberry has argued that the U.S. projected power as the foundation for a liberal institutional order that preserves its long-term power and protects its interests.¹¹ These explanations might be able to explain why the U.S. projected so much power given its interests, but they cannot explain why it has these

⁸ For examples of rent-seeking hegemons, see the Portuguese, Spanish, Dutch and early British empires. These states all sought to dominate and maintain exclusive access to trade routes and direct control of land rents.

⁹ Eugene Gholz and Daryl Press, "Protecting The Prize: Oil and the US National Interest," *Security Studies* 19, no. 3 (2010).

¹⁰ Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981).

¹¹ John G. Ikenberry, *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order after Major Wars* (Princeton, NJ: Princeton University Press, 2001).

interests in the first place. In addition, these explanations cannot account for why the U.S. shifted from being an extractive state with an interest in territorial aggrandizement to a liberal hegemon bent on upholding free markets and providing global public goods.

Core Argument

My research question is why do states project power and when do they build the capabilities to do so? This is a two-part question and requires a two-part answer. The answer to the first question is that states project power to secure goods for their citizens. These goods may be security, wealth or some non-material objective, but the set of goods they are interested pursuing will be influenced by their domestic political institutions and economic interests. This set of goods represents a state's foreign policy interests. In short, states project power to pursue their foreign policy interests and their interests are determined by the set of goods their domestic political supporters seek to secure.

The answer to the second question (when?) is that states build power projection capabilities when their ability to secure goods for their citizens is threatened. This threat is a function of their relative power, geographic proximity and level of interest compatibility with other powerful states. States that possess compatible interests will be free to pursue goods for their citizens without fear of military coercion being employed to prevent them from doing so. Thus, if a state has compatible interests with all powerful and proximate states it will be less likely to

build power projection capabilities. This is because the state can pursue goods without the costly burden of maintaining a deployable military force. However, if states possess incompatible interest, then states will be more likely to build power projection capabilities in order to protect and further their interests (maximizing their consumption of a preferred set of goods).

Domestic political institutions and economic interests influence the set of goods states are interested in securing and the nature of these goods determines the degree to which their pursuit will be characterized by competition or cooperation. I build a typology that produces ideal state types that are derived and identified *ex ante* from the interaction of domestic political institutions and economic interests. These ideal state types represent preferences to pursue different foreign policy interests. My theory predicts that autocratic states that are economically dependent on the physical control of territory will have the strongest interest in projecting power to appropriate territory because of its value as a source of land rents. Thus, all else equal, we should observe them being more likely to do so. Borrowing from the comparative politics literature, I call these predatory states.

The opposite type are called liberal states. These states are democratic and rely not on territory, but manufactured goods and services to generate wealth. Thus, the goods these states are most interested in are access to markets and secure sea-lanes. These states will have the weakest interest in projecting power to secure rents, and therefore, all else equal, we should observe them being less likely to do so. Finally, the

hybrid types are autocratic states that are economically dependent on manufactured goods and services, which I call opportunistic states, and democratic states that rely on the physical control of territory to generate wealth, which I call extractive states. These states should have stronger incentives to project power to pursue rents than liberal states, but weaker incentives than predatory states. This is because opportunistic states possess autocratic political institutions, which provides them with a stronger incentive to seek rents than their democratic counterparts. However, democratic states that are economically dependent on the physical control of territory to generate wealth (i.e. extractive types) will possess stronger incentives to project power to compete over the control of land rents, than their democratic market-oriented counterparts.

My theory of foreign policy explains why states will have a stronger preference to pursue one set of goods over another once they have already developed power projection capabilities. My theory of geopolitical competition predicts when states will choose to build power projection capabilities. I argue that more competitive a state's geopolitical environment, the more likely they will be to build power projection capabilities. Conversely, the less competitive or more cooperative a state's geopolitical environment, the less likely they will be to build power projection capabilities. This is because states seek to maximize their consumption of a particular set of goods, and if the pursuit of those goods is threatened by actors with incompatible interests, then states will be more likely to build power projection

capabilities to protect and further their interests. Conversely, if the geopolitical environment is cooperative and states can maximize their interests without engaging in military coercion, then states will have little use for building expensive power projection capabilities.

The geopolitical environment will be cooperative when states have compatible interests and this is most likely to be the case when it is populated by liberal states. Liberal states have fairly compatible interests with other liberal states—the pursuit of their own interests is not threatening and is often mutually beneficial. Thus, liberal states have little use for employing military coercion against one another and thus it becomes a costly burden rather than a useful tool. However, the world is not populated by only liberal states and there exist a number of types of states whose domestic political institutions and economic interests incentivize them to pursue foreign policies that are threatening to the interests of liberal states. These non-liberal states are either autocratic and/or are economically dependent on the physical control of territory to generate wealth. For these reasons, they still possess stronger incentives to engage in rent-seeking, either through territorial aggrandizement or using military coercion to restrict economic competition. The implication of their preferences is that these states have incompatible interests with all other states regarding the distribution of rents. This will incentivize them to build and project power to maximize their leverage when engaging in coercive bargaining over the distribution of rents.

Liberal states have interests that can be pursued without the aid of military power. However, they will only do so when the geopolitical environment is populated by other states with compatible interests. This is most likely to be the case when a liberal state's geopolitical environment is populated by other liberal states. Liberal states have compatible interests because they are more likely to maximize their consumption of goods without harming the ability of other liberals to do the same. This is because liberal states have a stronger preference for pursuing non-rival goods and benefits that result from gains from trade. Thus, liberal states have compatible interests and are less likely to be able to benefit from using military coercion to bargain with one another. However, if non-liberal states are present, then even liberal states will be forced to build power projection capabilities to protect their interests from those who seek to appropriate their territory or restrict their access to markets.

In summary, I argue that states project power to secure goods for their political supporters and the set of goods they are interested in pursuing is a function of their domestic political institutions and economic interests. A state's decision of whether to build power projection capabilities is based on the nature of their geopolitical environment and the degree to which it threatens their interests. In the following section, I outline my principal theoretical competitors for my theories of foreign policy and geopolitical competition.

Literature Review: Competing Explanations

Completing Explanations of Why States Project Power

In reviewing the competing explanations, I divide them into competing explanations for my questions of when and why states project power. For the question of why states project power, the principal competing explanations that I seek to deal with are power-based explanations and theories of the rent-seeking state. Power-based explanations assert that powerful states project power because they can and for the purpose of deterring or suppressing potential challengers.¹² Various schools of realism suggest that states seek power or security, but are otherwise relatively silent on the basket of goods that states should choose to project power to pursue.

Theories of the rent-seeking state argue that states project power to capture rents.¹³ Others have amended this theory to propose that although all states seek rents, democracies should be less rent-seeking than autocracies.¹⁴ This explanation serves as both as a complement and competitor to my own theory. I agree that all states seek rents and that democracies should be less rent-seeking than autocracies. However, I add an additional variable—the economic interests of the state—to explain why some states are more interested in pursuing land rents than others.

If power-based explanations are correct, then we should observe the powerful states projecting the most power. If theories of the rent-seeking state are accurate, then

¹² John Mearsheimer, *The Tragedy of Great Power Politics* (WW Norton & Company, 2001).

¹³ Frederic C. Lane, *Profits from power: Readings in protection rent and violence-controlling enterprises* (Albany: SUNY Press, 1979).

¹⁴ Lake, "Powerful Pacifists: Democratic States and War."

we should observe all states projecting power to secure rents, with democracies being less rent-seeking than autocracies. However, if my theory is correct, then each state's economic interests should interact with their domestic political institutions to determine the degree to which they project power to secure rents. I select my cases to deal with these competing explanations by matching on the relevant covariates and biasing the cases in favor of my competitors and against my own explanation.¹⁵

Competing Explanations of When States Project Power

I briefly review existing explanations of why most states stopped projecting military power after 1945 and why some are starting again. Largely, these theories base their conclusions on the obsolescence of military power or the distribution of power in the international system. I then describe why these explanations cannot account for why states stopped building power projection capabilities and why they are starting again.

Military Power is Obsolete

Some have argued that states stopped projecting military power because they can no longer seize the means to generate wealth via force.¹⁶ This insight provides one possible explanation for why states stopped projecting military power. For this school of thought, the answer to the puzzle of why states stopped projecting military is

¹⁵ See Research Design in Chapter Two.

¹⁶ Rosecrance, *The Rise of the Trading State: Commerce and Conquest in the Modern World*.

simple: military force was no longer useful for acquiring wealth. Rosecrance argues that states no longer face incentives to build and project military power because they no longer rely on controlling territory to generate wealth.

Other scholars suggest that war has largely become obsolete as a means for states to deal with their disputes. According to Mueller, public opinion has so strongly turned against war that its initiation is considered unthinkable by virtually all economically-developed powerful states.¹⁷ It seems reasonable to suggest that if war has become obsolete, then this can explain why states no longer build and project military power. However, this set of explanations cannot explain why the United States projects so much power or why states in Asia are starting to build and project military power again.

Structural Explanations

Structural realism is founded on a powerful axiom, that state behavior is largely a function of the distribution of power. Realists have argued that the puzzle of why states start and stop building and projecting power can be explained by shifts in the distribution of power. Adherents to the power preponderance school of thought argue that hegemony creates stability. Gilpin has argued that the hegemonic power of the United States not only deters other states from projecting power, but also allows weaker powers to free ride off of the public goods provided by the hegemon.¹⁸ Both

¹⁷ Mueller, *Retreat from Doomsday: The Obsolescence of Major War*.

¹⁸ Gilpin, *War and Change in World Politics*.

of these mechanisms reduce the incentives of states to project power. According to this school, states stopped projecting military power because weaker powers either realized that they could not stand up to the hegemonic power of the United States or they felt no need to balance against its power.¹⁹

This is a compelling explanation of why non-hegemonic states stopped building and projecting military power. However, as the world has shifted away from economic unipolarity towards economic multipolarity, states have started developing power projection capabilities, especially blue water naval capabilities. Adherents to balance of power theories of international relations argue that they have predicted this all along and that the rise of Asian military power only confirms the validity of their theoretical expectations.²⁰ For this school of realism, capabilities drive intentions and as power shifts to a new set of states, they too will build power projection capabilities.²¹ However, balance of power theories cannot explain why states in Asia are arming, but states in Europe are not, despite that fact that states in both regions possess the military potential to do so and face a multipolar environment.

My Contribution to the Literature

¹⁹ See William C. Wohlforth, "The stability of a unipolar world," *International Security* 24, no. 1 (1999). For a compelling argument about why states have not chosen to balance against the United States see John G. Ikenberry, "Why Export Democracy?: The Hidden Grand Strategy of American Foreign Policy," *The Wilson Quarterly* 23, no. 2 (1999).

²⁰ John Mearsheimer, "The Gathering Storm: China's Challenge to US Power in Asia," *The Chinese Journal of International Politics* 3, no. 4 (2010).

²¹ Hans J. Morgenthau, *Politics Among Nations: The Struggle for Power and Peace*. (New York: Knopf, 1973 [1948]); Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Power from 1500 to 2000* (New York: Random House, 1987); Mearsheimer, *The Tragedy of Great Power Politics*.

Structural explanations represent both a competing and complementary explanation to my own theory of geopolitical competition. I agree that the distribution of power influences a state's choice of when to build power projection capabilities, but I disagree that changes in the distribution of power alone are sufficient to explain this choice. I argue that to explain this choice we must understand how shifts in the distribution of power will affect states' interests. This requires a theory of states' foreign policy interests and the degree to which they will have compatible or incompatible interests with one another. In order to do this, I incorporate the state types derived from my theory of foreign policy into my theory of geopolitical competition.

Structural realists rely on the security dilemma to explain why states have no choice but to arm against one another. The trouble with the way that structural realism conceptualizes the security dilemma is that it greatly over-predicts arming by states against one another. For example, the logic of the security dilemma implies that contemporary Western European states should fear one another, when that certainly does not appear to be the case. Overall, these systemic explanations cannot tell us why multipolar distributions of power produce geopolitical environments that are threatening and associated with military competition in some regions, but not others. Put another way, structural realism cannot explain when and why states that are powerful and proximate find each other threatening. In the neoclassical realist model,

states that are powerful and proximate always find each other threatening and this is why economic multipolarity generally leads to greater military multipolarity.

What is needed is a theory that explains when the nature of the geopolitical environment will be threatening to the interests of each individual state and when it will not. Note that I assume that threat is a function of geopolitical competition. Geopolitical competition obtains when states possess the opportunity (economic power or military potential) and willingness (divergent preferences) to compete over and therefore threaten each other's interests. These are both necessary conditions. For a state's interests to be threatened, an opponent must have both the capabilities and intentions to compete over their interests. Capability or opportunity is a product of two interrelated factors: states must be able to reach one another (i.e. geographic proximity) and states must have the capacity to acquire and deploy military force. The second necessary condition is willingness to compete over interests --- states must have strong incompatible interests (i.e. some incentive to use military coercion against one another). If any of these conditions are absent, then there will be no geopolitical competition and no security dilemma. My theory offers a counter-point to neoclassical theory, which focuses principally on opportunity (i.e. power and proximity) and theories of the democratic peace that privilege willingness (i.e. regime type) and ignores the distribution of power and geography. I incorporate insights from both schools of thought and develop a theory of threat that begins with a state's assessment

of the economic power and geographic proximity of other states and is conditioned by their state type.

Previous attempts to theorize about the nature of the geopolitical environment focused principally on the distribution of power.²² However, more nuanced attempts to operationalize the degree to which the strategic environment is threatening to a state's interests can be found in the literature. Walt, in his seminal work on alliance behavior, argues that states do not balance against power, but rather threat. Walt conceptualizes threat as a combination of aggregate power, distance and threatening intentions.²³

I think that Walt's concept is theoretically sound, but I find difficulties in its practical application. First, Walt's concept of aggregate capabilities takes into account state military capabilities and offensive power. Explaining why states arm in the first place is part of the puzzle, which consequently makes this measure inadequate for the task at hand. Any measure of aggregate power that already includes military expenditures does not allow us to account for a state's choice to invest in actual military capabilities vis-a-vis other types of power. This is because we cannot know the degree to which the measure of power is capturing military potential or military expenditures. This is obviously problematic if we are trying to explain a state's choice to convert their nation's economic power or military potential into military capabilities.

²² Kenneth N. Waltz, *Theory of International Politics* (Reading, MA: Addison-Wesley, 1979).

²³ Stephen M. Walt, *The Origins of Alliances* (Ithaca, NY: Cornell University Press, 1987).

Second, Walt's notion of threatening intentions is impossible to operationalize *ex ante*. We only know if states are threatening after they have behaved in a threatening manner. This makes it impossible to theorize about the origins of the threat or why states are threatening one another. We simply know that they previously observed them threatening one another and therefore they must be threatening. This measure of threat is true by tautology and therefore not useful for explaining variation in the level of threat. In terms of explaining the origins of threat, the concept of rivalry, although useful, has similar limitations. We only know if states are rivals after they have engaged in a certain number of Militarized Interstate Disputes within a given number of years.²⁴

I argue instead that states infer the intentions of other states by looking at how domestic politics condition their foreign policy interests. The principal advantage to my approach is that allows us to operationalize the degree to which states will have competing interests *ex ante*, rather than after we have observed them behaving in a threatening manner. My theory of foreign policy provides an explanation for the origins of state interests or preferences.

²⁴Gary Goertz and Paul F. Diehl, "Enduring rivalries: Theoretical constructs and empirical patterns," *International Studies Quarterly* (1993); Gary Goertz and Paul F. Diehl, "The Volcano Model and Other Patterns in the Evolution of Enduring Rivalries," in *The Dynamics of Enduring Rivalries*, ed. Paul F. Diehl (Urbana: University of Illinois Press, 1998).

This theory adds to a growing body of research on the role of domestic politics in shaping states' foreign policy preferences on issues involving military coercion.²⁵ In particular my theory builds on previous research on how societal economic interests influence how the state generates wealth²⁶, and theories of how domestic political institutions condition how that wealth is distributed.²⁷ Stimulated by the pioneering work of Snyder (1991) and Solingen (1998), who theorized about the role of domestic political coalitions and their economic interests to explain states foreign policy choices, I have sought to interact societal economic interests and the state's domestic political institutions to deduce a state's foreign policy interests.²⁸ In theorizing about how a society's relative economic dependence on territory influences the interests of

²⁵ See Lake, "Powerful Pacifists: Democratic States and War."; David D'Lugo and Ronald Rogowski, "The Anglo-German Naval Race as a study in Grand Strategy," in *The Domestic Bases of Grand Strategy*, ed. Richard Rosecrance and Arthur A. Stein (Ithaca, NY: Cornell University Press, 1993); Bueno de Mesquita et al., *The Logic of Political Survival*; Taylor M. Fravel, *Strong borders, secure nation : Cooperation and conflict in China's territorial disputes*, Princeton studies in international history and politics (Princeton: Princeton University Press, 2008); Leo J. Blanken, *Rational Empires: Institutional Incentives and Imperial Expansion* (Chicago: University of Chicago Press, 2012); Jessica Weeks, "Strongmen and Straw Men: Authoritarian Regimes and the Initiation of International Conflict," *American Political Science Review* 106, no. 2 (2012); Michael Tomz and Jessica L Weeks, "Public Opinion and the Democratic Peace," *American Political Science Review* (2013).

²⁶ For two classic works on how economic interests condition state economic policy see Ronald Rogowski, *Commerce and Coalitions: How Trade Affects Domestic Political Alignments* (Princeton, NJ: Princeton University Press, 1989); Peter Gourevitch, *Politics in Hard Times: Comparative Responses to International Economic Crises* (Ithaca: Cornell University Press, 1986).

²⁷ For work on domestic political institutions condition the distribution of wealth in society see Lake, "Powerful Pacifists: Democratic States and War."; Susan L. Shirk, *The Political Logic of Economic Reform in China* (University of California Press, 1993); Philip G. Roeder, *Red Sunset: The Failure of Soviet Politics* (Princeton, NJ: Princeton University Press, 1993).

²⁸ Jack L. Snyder, *Myths of Empire: Domestic Politics and International Ambition* (Ithaca: Cornell University Press, 1991); Etel Solingen, *Regional Orders at Century's Dawn: Global and Domestic Influences on Grand Strategy* (Princeton: Princeton University Press, 1998); Bueno de Mesquita et al., *The Logic of Political Survival*.

the state, I have borrowed from work in comparative politics on the rentier state.²⁹

Using this work has allowed me to build a bridge between states' relative economic dependence on land rents and their foreign policy preferences. This innovation has allowed me make theoretical predictions regarding the degree to which states should have more or less compatible interests and how they will react to changes in their geopolitical environment. Additionally, by illuminating the links between land rents and states' foreign policy preferences, my theory can predict how states should react to changes in the accessibility of contestable land rents caused by climate change or technological innovation.

My theory of geopolitical competition seeks to improve on purely structural explanations by incorporating variation in state preferences. Specifically, I use state type to identify the degree to which states have compatible or incompatible interests. By incorporating three of the most powerful explanations in international and comparative politics --- structural realism, the democratic peace and theories of the rentier state, I am able to develop a theory of geopolitical competition that is capable of making state-specific predictions about the likelihood of nations building power projection capabilities and the types of objectives they will use those capabilities to

²⁹ For a list of some of most important works on the resource curse and the relationship between territory and wealth, see Thad Dunning, "Resource Dependence, Economic Performance, and Political Stability," *Journal of Conflict Resolution* 49, no. 4 (2005); Michael L. Ross, "Does Oil Hinder Democracy?," *World Politics* 53, no. 3 (2001); Daron Acemoglu and James A. Robinson, *Why Nations Fail: The origins of power, prosperity and poverty*, 1st ed. (New York: Crown Publishers, 2012); Thad Dunning, *Crude democracy: Natural resource wealth and political regimes* (Cambridge University Press Cambridge, 2008); Michael L. Ross, *The oil curse: how petroleum wealth shapes the development of nations* (Princeton University Press, 2012); Stephen Haber and Victor Menaldo, "Do Natural Resources Fuel Authoritarianism? A Reappraisal of the Resource Curse," *American Political Science Review* (2011); Kevin M. Morrison, "Oil, Nontax Revenue, and the Redistributive Foundations of Regime Stability," *International Organization* 63, no. 01 (2009).

pursue. A theory that is capable of making predictions regarding the behavior of individual states (instead of dyads or the system as a whole) will be useful for both scholars and policymakers alike.

Structure of the Book—Chapter by Chapter Summary

The dissertation proceeds as follows. Chapter two builds the foundation of the theory of power projection. I develop a theory of foreign policy that explains why states project power and a theory of geopolitical competition to explain when states build power projection capabilities. The theory of foreign policy explains the links between a state's economic orientation and domestic political institutions and the foreign policy they project power to pursue. I argue that when states are autocratic and/or economically dependent on the control of territory, they will have a stronger preference to pursue exclusionary foreign policies. Exclusionary foreign policies are designed to secure rents through territorial acquisition or restricting economic competition by excluding others from accessing markets. In contrast, democratic market-oriented states will have a preference to pursue open foreign policies. Open foreign policies are designed to generate benefits through facilitating trade and access to markets. The theory of foreign policy also generates predictions regarding the compatibility of states' foreign policy preferences, which are incorporated into my theory of geopolitical competition. This theory explains how the distribution of interests interacts with geography and the distribution of power to influence the level

of geopolitical competition that each state faces. It argues that the more competitive a state's geopolitical environment, the more likely they will be to build power projection capabilities. A state's geopolitical environment is more competitive when other states with incompatible interests are powerful and geographically proximate. Conversely, it will be less competitive when others have compatible interests and/or are less powerful and proximate.

The second part of chapter two lays out a research strategy that utilizes both quantitative and qualitative methods. To test my theory of foreign policy, I select a set of qualitative case studies that utilize technological and environmental shocks and trends that expose maritime sea-bed resources in the Arctic, North Sea and South China Sea. These shocks and trends exogenously manipulate states' incentives to compete over territory. This allows me to test my predictions regarding states' preferences by observing how states reacted in term of their choice of foreign policy and whether they chose to project power to compete over the control of territory and resources. I test my theory of geopolitical competition using both the case studies and a separate quantitative test that is explained below. Within the cases studies, my theoretical predictions are tested by observing how states behaved in competitive geopolitical environments (the Arctic and the South China Sea) vs. a cooperative geopolitical political environment the (the North Sea).

Chapter three consists of a quantitative test of my theory of geopolitical competition. This chapter develops and constructs a measure of geopolitical

competition for each individual state. This measure takes into account the relative power, distance and interest compatibility between the state in question and every other state in the system. This, in effect, produces a unique geopolitical environment or system for every state in the world. The measure is then used to test whether states are more likely to build power projection capabilities as the level of geopolitical competition they face increases. The valued added to this approach is that it is capable of making individual point predictions regarding whether an individual state will be likely to build power projection capabilities. The test covers all states in the international system from 1880-1993. The results are consistent with the predictions of the theory and suggest that as the level of geopolitical competition increases, states will be more likely to build power projection capabilities.

Chapter four focuses on how states reacted to decreases in the level of Arctic ice in the summer of 2007 that exposed an immense store of sea-bed energy resources. This exogenous shock resulted from climate change, which produced unprecedented and rapid retreat in the level of Arctic ice that vastly exceeded the expectations of even the most pessimistic climate models. Specifically, this chapter assess whether non-liberal states—countries that were economically dependent on resources (Norway) and/or autocratic (Russia)—were more likely to project power to compete over Arctic resources, in comparison to liberal states (market-oriented democracies). I find that both Norway and Russia chose to project more power to compete over Arctic resources than any of the liberal states, despite being much less powerful than a liberal

state like the U.S. The second half of the chapter compares the behavior of states in the Arctic to states in the North Sea. In the North Sea, resources are similarly exogenously exposed (in this case due to innovations in off-shore drilling technology), but the key difference between the regions is that here all the states are liberal types. In contrast to the Arctic, in the North Sea I find that all states settled their disputes over maritime sea-bed resources via bilateral agreements without projecting power to engage in coercive bargaining.

Chapter five provides an out-of-sample test of my theory by observing how states reacted to the exposure of resources in the South China Sea. The South China Sea should be the most competitive of the three regions examined because it is populated by state types that have highly incompatible interests. With the exception of Taiwan and the Philippines, all other states (China, Vietnam, Malaysia and Indonesia) are non-liberal types and therefore should have stronger incentives to compete over South China Sea resources. I find that autocratic China pursues an exclusionary foreign policy and seeks to both limit other states access to the South China Sea and control over the maritime sea-bed resources. I also find that Vietnam, an autocratic and resource-dependent state, pursued a particularly assertive and exclusionary foreign policy, regarding both its claims to South China Sea resources and its willingness to project force, despite its relative weakness. Both liberal states, Taiwan and the Philippines, are comparatively restrained in terms of their willingness to project force to compete over resources. Curiously for my theory, I find that Malaysia, Indonesia

and Brunei are somewhat less assertive than I would expect, although in general, I find that the behavior of most of the states is consistent with my theoretical predictions.

Finally, Chapter six, the concluding chapter, provides a cross-regional comparison of the three regions and assesses the degree to which the behavior of the states in each region is consistent with my theory of geopolitical competition. The second half comprises the conclusion of the dissertation and discusses the theoretical and empirical contributions and limitations and suggests directions for future research. I close with some implications for policy derived from my argument and findings.

References

- Acemoglu, Daron, and James A. Robinson. *Why Nations Fail : The Origins of Power, Prosperity and Poverty*. 1st ed. New York: Crown Publishers, 2012.
- Blanken, Leo J. *Rational Empires: Institutional Incentives and Imperial Expansion*. Chicago: University of Chicago Press, 2012.
- Bueno de Mesquita, Bruce, Alastair Smith, Randolph M. Siverson, and James D. Morrow. *The Logic of Political Survival*. Cambridge, MA: MIT Press, 2003.
- "Keeping America Safe: Why U.S. Bases in Europe Remain Vital," Coffey, Luke, accessed April 23, 2014 <http://www.heritage.org/research/reports/2012/07/keeping-america-safe-why-us-bases-in-europe-remain-vital>
- Crishner, Brian, and Mark Souva. "Power at Sea: A Naval Power Dataset, 1865-2011." *International Interactions* (Forthcoming).
- D'Lugo, David, and Ronald Rogowski. "The Anglo-German Naval Race as a Study in Grand Strategy." In *The Domestic Bases of Grand Strategy*, edited by Richard Rosecrance and Arthur A. Stein. Ithaca, NY: Cornell University Press, 1993.
- Dunning, Thad. *Crude Democracy: Natural Resource Wealth and Political Regimes*. Cambridge University Press Cambridge, 2008.
- Dunning, Thad. "Resource Dependence, Economic Performance, and Political Stability." *Journal of Conflict Resolution* 49, no. 4 (2005): 451--82.
- Fravel, Taylor M. *Strong Borders, Secure Nation : Cooperation and Conflict in China's Territorial Disputes*, Princeton Studies in International History and Politics. Princeton: Princeton University Press, 2008.
- Gholz, Eugene, and Daryl Press. "Protecting the Prize: Oil and the Us National Interest." *Security Studies* 19, no. 3 (2010): 453-85.
- Gilpin, Robert. *War and Change in World Politics*. Cambridge: Cambridge University Press, 1981.
- Goertz, Gary, and Paul F Diehl. "Enduring Rivalries: Theoretical Constructs and Empirical Patterns." *International Studies Quarterly* (1993): 147-71.

- Goertz, Gary, and Paul F. Diehl. "The Volcano Model and Other Patterns in the Evolution of Enduring Rivalries." In *The Dynamics of Enduring Rivalries*, edited by Paul F. Diehl, 98--125. Urbana: University of Illinois Press, 1998.
- Gourevitch, Peter. *Politics in Hard Times: Comparative Responses to International Economic Crises*. Ithaca: Cornell University Press, 1986.
- Haber, Stephen, and Victor Menaldo. "Do Natural Resources Fuel Authoritarianism? A Reappraisal of the Resource Curse." *American Political Science Review* (2011).
- Ikenberry, John G. *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order after Major Wars*. Princeton, NJ: Princeton University Press, 2001.
- Ikenberry, John G. "Why Export Democracy?: The Hidden Grand Strategy of American Foreign Policy." *The Wilson Quarterly* 23, no. 2 (1999): 56--65.
- Kennedy, Paul. *The Rise and Fall of the Great Powers: Economic Change and Military Power from 1500 to 2000*. New York: Random House, 1987.
- Lake, David A. "Powerful Pacifists: Democratic States and War." *The American Political Science Review* 86, no. 1 (1992): 24-37.
- Lane, Frederic C. *Profits from Power: Readings in Protection Rent and Violence-Controlling Enterprises*. Albany: SUNY Press, 1979.
- Luard, Evan. *Conflict and Peace in the Modern International System: A Study of the Principles of International Order* 1988.
- Mearsheimer, John. "The Gathering Storm: China's Challenge to US Power in Asia." *The Chinese Journal of International Politics* 3, no. 4 (2010): 381.
- Mearsheimer, John. *The Tragedy of Great Power Politics*: WW Norton & Company, 2001.
- Morgenthau, Hans J. *Politics among Nations: The Struggle for Power and Peace*. New York: Knopf, 1973 [1948].
- Morrison, Kevin M. "Oil, Nontax Revenue, and the Redistributive Foundations of Regime Stability." *International Organization* 63, no. 01 (2009): 107-38.
- Mueller, John. *Retreat from Doomsday: The Obsolescence of Major War*. New York: Basic Books, 1989.

- Roeder, Philip G. *Red Sunset: The Failure of Soviet Politics*. Princeton, NJ: Princeton University Press, 1993.
- Rogowski, Ronald. *Commerce and Coalitions: How Trade Affects Domestic Political Alignments*. Princeton, NJ: Princeton University Press, 1989.
- Rosecrance, Richard N. *The Rise of the Trading State: Commerce and Conquest in the Modern World*. New York: Basic Books, 1986.
- Ross, Michael L. *The Oil Curse: How Petroleum Wealth Shapes the Development of Nations*. Princeton University Press, 2012.
- Ross, Michael L. "Does Oil Hinder Democracy?" *World Politics* 53, no. 3 (2001): 325--61.
- Shirk, Susan L. *The Political Logic of Economic Reform in China*. University of California Press, 1993.
- Snyder, Jack L. *Myths of Empire: Domestic Politics and International Ambition*. Ithaca: Cornell University Press, 1991.
- Solingen, Etel. *Regional Orders at Century's Dawn: Global and Domestic Influences on Grand Strategy*. Princeton: Princeton University Press, 1998.
- Tomz, Michael, and Jessica L Weeks. "Public Opinion and the Democratic Peace." *American Political Science Review* (2013).
- Walt, Stephen M. *The Origins of Alliances*. Ithaca, NY: Cornell University Press, 1987.
- Waltz, Kenneth N. *Theory of International Politics*. Reading, MA: Addison-Wesley, 1979.
- Weeks, Jessica. "Strongmen and Straw Men: Authoritarian Regimes and the Initiation of International Conflict." *American Political Science Review* 106, no. 2 (2012).
- Wohlforth, William C. "The Stability of a Unipolar World." *International Security* 24, no. 1 (1999): 5-41.

Chapter 2

When and Why States Project Power

Introduction

The dissertation is structured around two interrelated, but analytically distinct questions: when and why do states project power? The question of when states project power is connected to a state's choice to build power projection capabilities. The question of why states project power is linked to their choice of foreign policy. I define power projection as the deployment of military forces beyond a state's borders. My unit of analysis is the state. My first dependent variable is a state's choice of foreign policy, whether it chooses to pursue access to trade or appropriate territory. My second dependent variable is a state's choice to build power projection capabilities.³⁰ Power projection capabilities are defined as the force structure required to deploy military force over distance. My theory is designed to explain variation in these two dependent variables.

The Argument in Brief

The type of foreign policy a state projects power to pursue is driven by the characteristics of her domestic political coalition. Building on theoretical work in comparative politics, I propose that her foreign policy interests are a product of domestic political institutions and the economic interests of the individuals in her

³⁰ Previous realist and rationalist explanations of war have conflated the questions of why states build power projection capabilities, why states project power, and why states fight or go to war. If we are to understand these inter-related but distinct processes, we must disentangle them, because each represents a separate dependent variable with potentially different causes. Thus, in order to acquire clear identification on what is causing the variation in each of my outcomes of interest, I must separate and define each of my dependent variables.

coalition.³¹ In essence, coalition type determines why (for what objective) she projects power.

Correspondingly, her decision regarding when to project power is a function of her geopolitical environment and the degree to which it threatens or facilitates her interests. In short, all politics is local, but all policy is global. The nature of the geopolitical environment (i.e. the level of competition or cooperation) is a product of the distribution of power and the compatibility of the interests of the states in the region. If the region is not dominated by a hegemon, the ability of the states to cooperate will be a function of the compatibility of their interests. The more market-oriented and democratic states are, the more compatible their interests. Because of the interests of their coalitions, these market-oriented democratic states will have a strong interest in cooperating to facilitate access to trade and produce club goods (like secure sea-lanes). In contrast, states that are less market-oriented and/or more autocratic will have more incompatible interests, because their winning coalitions require them to limit economic competition in order to extract rents and produce private goods. Thus, the type of states in the region and the compatibility of their interests determine the level of geopolitical competition. I propose that if the geopolitical environment is characterized by cooperation, then states will be less likely to build and project power. In contrast, if the geopolitical environment is competitive, then states will be more

³¹ Peter Gourevitch, *Politics in Hard Times: Comparative Responses to International Economic Crises* (Ithaca: Cornell University Press, 1986); David A. Lake, "Powerful Pacifists: Democratic States and War," *The American Political Science Review* 86, no. 1 (1992); Bruce Bueno de Mesquita et al., *The Logic of Political Survival* (Cambridge, MA: MIT Press, 2003).

likely to build and project power.

Road Map of Theory Chapter

The chapter proceeds by developing three individual pillars that provide the theoretical foundations for my argument. First, I argue that states project power to secure goods. In pursuing goods, states are sensitive to the costs and benefits associated with pursuing one set of goods over another. The higher the payoffs for pursuing rents, the more likely it is that she will project power to pursue exclusionary foreign policies. The greater the gains for facilitating commerce and access to trade, the more likely it is that she will select open foreign policies. In this section, I define and develop the concept of open and exclusionary foreign policies and the different types of goods they are designed to secure.

Second, state type determines her preference to pursue one set of goods over another. I construct a theory of foreign policy interests to explain why some states are more or less sensitive to costs and benefits associated with pursuing open vs. exclusionary foreign policies. I argue that states possess stronger preferences for exclusionary foreign policies when one or both of two conditions hold: the state has 1) autocratic political institutions and/or 2) land-oriented economic interests. States that govern societies that meet either of these conditions will be more likely to project power to pursue exclusionary foreign policies because they will enjoy lower costs or higher benefits when doing so.

Third, a state's type and her level of interest compatibility interact with system structure to determine the level of competition in her geopolitical environment. I develop a theory of geopolitical competition that incorporates the compatibility of a state's preferences with others' to explain when she projects power. The net impact of states with exclusionary foreign policy preferences is to decrease the level of interest compatibility and increase the level of geopolitical competition in the international system. All else being equal, the greater the level of geopolitical competition that states face, the more likely it is that they are to build power projection capabilities. Conversely, the less competitive a state's geopolitical environment is, the less likely states (within a region) will be to build and project power. States under these conditions will be more likely to handle their disputes purely within the confines of international institutions.

After laying out the theory and corresponding hypotheses in the first half of this chapter, the second half focuses on operationalizing my concepts and setting up the research design to test each set of hypotheses. My cases are designed to test my hypotheses of why states project power, and the large-N chapter is designed to test my theory of when states project power. I conclude with some policy implications for both policy and international relations theory.

Part I: A Theory of Foreign Policy

My theory of foreign policy offers an explanation for variation in states'

interests. The advantage of this approach is that it allows us to explain why states make tradeoffs between pursuing different sets of goods such as guns or butter or territory or trade. Put simply, power is useful as a means to maximize some set of interests, but it is not in itself an interest.³² My goal is to explain why states project military power to maximize one set of goods over another.

The first pillar of my argument is that states project power to pursue goods. The set of goods they are interested in pursuing depends on their sources of domestic political support. Some states have a stronger interest in projecting power to appropriate territory and resources. Other states are incentivized to project power to access or control trade. Foreign policies produce three different types of goods: public, club and private. Public goods are defined as goods that are non-rival, non-excludable, like clean air.³³ Club goods are defined as goods that are non-rival but excludable such as secure sea-lanes or access to markets.³⁴ Finally, private goods are rival and excludable (i.e. resources and territory). The types of goods states seek to produce inform the kind of policies they seek to pursue.'

Broadly defined, states choose one of two ideal types of foreign policies—open or exclusionary. Open foreign policies are designed to facilitate trade through

³² For a slightly different perspective on this point, see James D. Fearon, "Two States, Two Types, Two Actions," *Security Studies* 20, no. 3 (2011).

³³ For more on public goods, see Paul A. Samuelson, "The Pure Theory of Public Expenditure," *The Review of Economics and Statistics* 36, no. 4 (1954). Note that rival means that the good dissipates as more people enjoy its consumptions. Excludable means an individual can exclude others from consuming the good. Clean air is non-rival and non-excludable because it does not dissipate as more individuals consume it and its consumption cannot be excluded.

³⁴ For more on club goods see Todd Sandler, *Collective Action: Theory and Applications*. (Ann Arbor: University of Michigan Press, 1992), 62.

activities such as securing sea-lanes and access to markets. Such policies generally produce club or public goods that are enjoyed broadly by a nation's citizens.³⁵ An alternative method of generating benefits is to produce rents by limiting economic competition, known in the economics literature as rent-seeking.³⁶ Rent-seeking is the pursuit of super-normal profits by limiting economic competition rather than producing a superior product or service. In perfect competition, there are no rents. Military force is one tool that can be used to limit economic competition and produce rents.³⁷ Exclusionary foreign policies are designed to secure rents. States can choose to pursue exclusionary foreign policies through expansionist or mercantilist policies. Expansionist policies involve projecting military power to appropriate territory, thus securing land rents. Alternatively, states can project military power to pursue a mercantilist policy of limiting access to markets or resources, thus producing monopoly or oligopoly rents. Both types of exclusionary policies generate rents, the first through appropriating land rents and the second through limiting economic competition and generating monopoly rents.

Broadly speaking, my theory of why states project power is designed to explain why states deploy military force to pursue club or public goods such as market

³⁵ This is not to argue that such policies will not have distributional consequences within society, but simply that the benefit of market access is one that is generally non-rival in that all citizens *can* enjoy the benefits of access to imported goods and foreign markets.

³⁶ Gordon Tullock, "Rent Seeking As A Zero-Sum Game," in *Toward a Theory of the Rent-Seeking Society*, ed. James M. Buchanan, Robert D. Tollison, and Gordon Tullock (College Station, Texas: Texas A & M University Press, 1980).

³⁷ Frederic C. Lane, *Profits from power: Readings in protection rent and violence-controlling enterprises* (Albany: SUNY Press, 1979), 15.

access through open policies, or private goods and rents through exclusionary foreign policies.³⁸ This is captured in the diagram below.

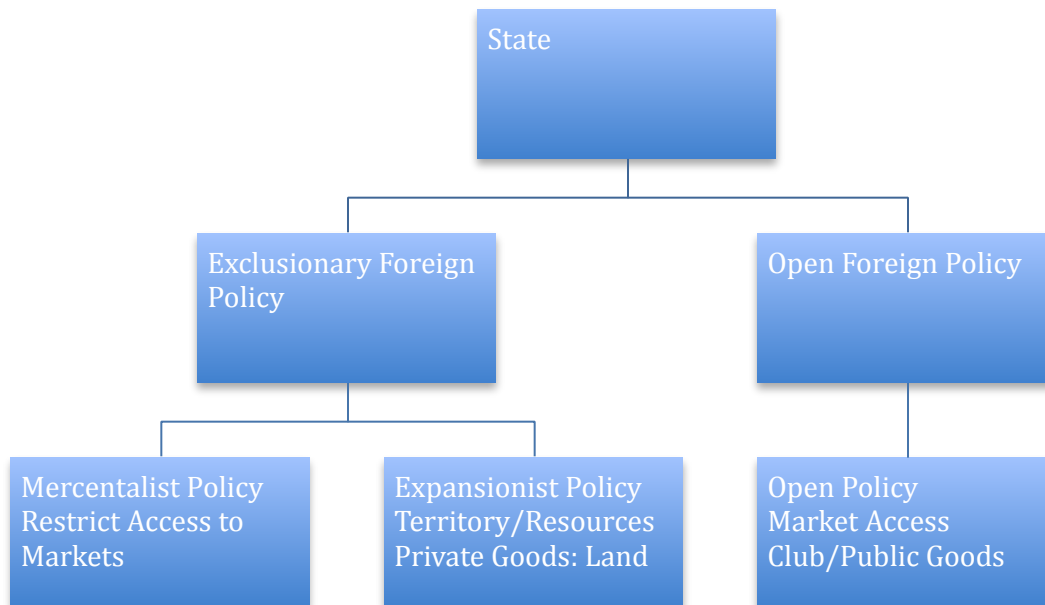


Figure 2.1: Why States Project Power: A State's Choice of Foreign Policy

States want to remain in power, and thus seek to maximize the amount of goods flowing to their domestic political supporters or winning coalition.³⁹ A state's winning coalition is the group of individuals whose support the state relies upon to stay in power. From here forward, I refer to the winning coalition as W. I assume that all individuals in W seek to maximize their consumption of goods. For this reason, states prefer to secure more goods rather than fewer goods.

³⁸ I borrow the concept of open and exclusionary foreign policies from Leo Blanken (2012). For more, see Leo J. Blanken, *Rational Empires: Institutional Incentives and Imperial Expansion* (Chicago: University of Chicago Press, 2012).

³⁹ Bueno de Mesquita et al., *The Logic of Political Survival*.

Therefore, I expect states' policy decisions to be largely governed by their beliefs about which policies will generate or secure the largest pool of goods. States' foreign policy decisions and, more importantly for my purposes, their decisions regarding the construction and deployment of military force should also be guided by this logic. Thus, the larger the pool of goods that can be captured or generated via the projection of military force, the greater the likelihood that states should build and project power to secure those goods.

Historically, land rents (rents derived from the control of territory) have been particularly attractive sources of goods. States who seized fertile land could extract rent from the agrarian surplus that was produced. Today, the largest source of land rents is likely resource rents in the form of oil, gas, coal and minerals. For example, in the Middle East, where the cost of producing a barrel of oil is estimated to have remained steady at \$5 and it sells on the market for \$100 a barrel, the rent (or supernormal profit) per barrel is \$95. If oil sells at just \$55 per barrel, economists have estimated that the potential profits that could be gleaned from Middle East energy reserves would reach \$75 trillion.⁴⁰ This makes the territory where these reserves exist particularly valuable. The more valuable the territory or the lower the costs of pursuing it, the more likely states will be to project military power to compete over that territory. A number of different factors affect the relative costs and benefits

⁴⁰ Duane Chapman, "Gulf Oil and international security," in *Energy security and Global Politics: the Militarization of Resource Management*, ed. D. Moran and J.A. Russell (Taylor & Francis, 2008), 87.

associated with projecting military power to secure territory.⁴¹ Collectively, these costs and benefits determine the gains associated with projecting military power to pursue expansionist foreign policies. In the next section, I develop a theory of foreign policy interests to explain why some states face lower costs and higher payoffs for pursuing these gains.

The second pillar of my argument is the assumption that states' preferences for pursuing one set of goods over another are a function of their foreign policy interests. My theory of foreign policy interests has two goals: 1) to create a stronger micro-foundational explanation for why some states possess different interests than others and 2) to explain how variation in states' interests influence their foreign policy choices. I argue that states' foreign policy interests are driven by the characteristics of each particular state's winning coalition. The characteristics of *W* are determined by two variables: first, the size of *W*, as in the number of individuals who populate *W*; and second, the composition of *W*, which I conceptualize as the economic interests of the members of *W*. The size or number of individuals in *W* can theoretically be measured continuously; however, for simplicity's sake, I refer to winning coalitions as being either large or small. States with large winning coalitions must rely on the support of a large fraction of individuals in their societies to stay in power. In contrast, states with small winning coalitions only need the support of a small number of individuals. The size of *W* matters because it affects the types of goods that states are

⁴¹ For a review of these factors see David Lake and Angela O'Mahony, "The Incredible Shrinking State: Explaining the Territorial Size of Countries," *Journal of Conflict Resolution* 48, no. 5 (2004).

interested in pursuing. Following selectorate theory, states with a small W will prefer the production of private goods because it is the most efficient means of maximizing the flow of goods to their supporters.^{42,43} Conversely, states with a large W will prefer the production of club or public goods because their consumption is non-rival and/or because they seek to provide broad benefits to society.⁴⁴ Thus, the benefits will not dilute as they are distributed to a larger number of supporters.⁴⁵

States with large winning coalitions should face weaker incentives to secure private goods because the payoffs from such goods will rapidly dilute when redistributed to a large number of individuals in the winning coalition. Therefore, I would expect states with large winning coalitions to either project power for non-rival goods (such as club or public goods) or to be more restrained than states with small winning coalitions when projecting power for private goods. Additionally, I would

⁴² Phillip Roeder, *Red Sunset: The Failure of Soviet politics* (Princeton University Press, 1993); Susan L. Shirk, *The Political Logic of Economic Reform in China* (University of California Press, 1993).

⁴³ Note that I depart from selectorate theory in that I use the term “state” rather than “leader” to denote the ultimate decision making body. This does not change the predictions of the theory. I do this to distinguish my explanation, which deals with how the characteristics of the state’s coalition affects its foreign policy preferences, from explanations that utilize attributes of individual leaders to explain a state’s foreign policy behavior. For examples of such explanations, see Deborah Welch Larson, *Origins of Containment A Psychological Explanation* (Princeton, NJ: Princeton University Press, 1985). Jeff D. Colgan, “Oil and Revolutionary Governments: Fuel for International Conflict,” *International Organization* 64, no. 04 (2010); Michael Horowitz and Allan Stam, “How Prior Military Experience Influences The Future Militarized Behavior Of Leaders,” *International Organization* (Forthcoming).

⁴⁴ For more on the link between democracy and public goods provision, see David A. Lake and Matthew A. Baum, “The Invisible Hand of Democracy: Political Control and the Provision of Public Services,” *Comparative Political Studies* 34, no. 6 (2001); Matthew A. Baum and David A. Lake, “The Political Economy of Growth: Democracy and Human Capital,” *American Journal of Political Science* 47, no. 2 (2003); Bueno de Mesquita et al., *The Logic of Political Survival*.

⁴⁵ I will generally use the term club goods rather than public goods, because most goods that states provide can in fact be excluded. Pure club goods are truly non-rival, and excludable, but this a theoretical ideal type that rarely exists in the real world. My use of the term club goods is meant to denote a good that can be broadly enjoyed by society at large. Secure sea-lanes represent a club good because once it is provided it can be enjoyed by society at large, but a state could choose to exclude others from its provision.

expect states with large winning coalitions to be more likely to cooperate with other states over the provision of non-rival goods because they are inherently easier to share.

Beyond the size of the winning coalition, it is also imperative to understand the actors in the coalition and what their interests may be.⁴⁶ States must take into account not only the number of individuals they rely on for support, but also what those individuals want. Winning coalitions that are more economically dependent on the production and trade of manufactured goods and services will naturally possess different economic interests than those coalitions that rely primarily on the extraction of wealth from land—such as oil, gas, coal, minerals, timber and agricultural commodities. Steve Coll succinctly highlights the difference between the two models of wealth generation, noting that:

Unlike Walmart or Google (to name two other multi-national corporations that would rise after 1989 to global influence), the object of Exxon's business model lay buried beneath the earth. Exxon drilled holes in the ground and then operated its oil and gas wells for many years, and so its business imperatives were linked to the control of physical territory. Increasingly, the oil and gas Exxon produced was located in poor or unstable countries.⁴⁷

In terms of economic interests, there are two ideal types of winning coalitions: winning coalitions that are totally dependent on trade in manufactured goods and services, which I will call market-oriented coalitions, and winning coalitions that are

⁴⁶ Jessica Weeks, "Strongmen and Straw Men: Authoritarian Regimes and the Initiation of International Conflict," *American Political Science Review* 106, no. 2 (2012).

⁴⁷ Steve Coll, *Private Empire : ExxonMobil and American power* (New York: Penguin Press, 2012), 20.

dependent on extracting wealth derived from the control of land, which I will call land-oriented coalitions. This is, of course, a simplification of reality made for reasons of theoretical parsimony and empirical operationalization. Obviously, no W will be wholly dependent on the trade of goods and services or completely reliant on extracting wealth from land, and therefore all states will possess coalitions that fall somewhere along this continuum.⁴⁸

States who rely on revenues resulting from the control of land should be more likely to project power to pursue territory and resources. In contrast, states who rely more on manufactured goods and services should be more restrained in the pursuit of territory and resources and more interested in pursuing access to markets. But why can't states who rely on land substitute and invest in manufactured goods and services? They can, but it is costly for three reasons: entrenched interests, the cost of substitution and political benefits associated with resource wealth. Each of these theoretical mechanisms makes it more difficult for states to diversify the groups in the winning coalition.

One of the principal functions of political coalitions is to protect and further the common economic interests of those individuals in the coalition. Governing coalitions generally create rules and institutions that solidify their hold on politics, limit the profitability and power of the political opposition, and increase their own

⁴⁸ I recognize that land-oriented coalitions still need to trade their commodities on global markets. However, there is work that suggests that trade in commodities does not have the same liberalizing and pacifying effects as trade in manufactured goods and services. See Han Dorussen, "Heterogeneous Trade Interests and Conflict: What You Trade Matters," *Journal of Conflict Resolution* 50, no. 1 (2006).

profits. They then re-invest the profits gleaned from these investments into securing additional political influence, thus solidifying their hold on power. This is how interests become entrenched or vested. Once these interests are entrenched, they bend policy further in their favor and use the resources of the state to make investments in infrastructure and policy that further increase their profits and solidify their hold on power. This is one reason why states cannot easily switch their winning coalitions and pursue policies that might maximize gains to society as a whole, but harm the entrenched interests in their winning coalition. States considering substituting investment in land-oriented industries to manufacturing and services must consider how these entrenched interests in their coalition will respond to their choice. States who choose poorly may be removed from power. The inability to easily switch winning coalitions informs the expected costs associated with substituting forms of wealth generation.

Just as these entrenched interests skew domestic policies, they also seek to bend foreign policy to facilitate their economic interests. Coalitions dependent on trade in manufactured goods and services rely on access to foreign markets. Thus, market-oriented coalitions will seek foreign policies that allow them to access foreign markets. American manufacturing interests in the late 19th and early 20th century, lobbying to build a battle fleet capable of keeping markets open in Asia, illustrates this mechanism.⁴⁹ In contrast, coalitions dependent on wealth extracted from land have a

⁴⁹ Benjamin Fordham, "The Domestic Politics of World Power: Explaining Debates over the United States Battleship Fleet, 1890-91," *Working Paper* (2010).

stronger interest in securing additional territory because the stocks of wealth that lie within territory generally become depleted through extraction. Thus, land-oriented coalitions must either secure additional territory or find a new source of wealth.

States and members of their coalitions also face the costs of substitution.

Coalitions that are dependent on manufactured goods and services will select policies that increase the returns in their sector of the economy (i.e. intellectual property rights, universities, and investment in basic research and development). In contrast, states that generate wealth from the control of territory will be more likely to invest in building the infrastructure required to extract that wealth and bring it to market (i.e. pipelines, refineries, LNG terminals). Subsequently, land-oriented coalitions will be more likely to under-invest in the infrastructure required to create wealth through producing goods and services.⁵⁰ The implication of these policies is an undeveloped manufacturing and services sector.⁵¹ This underdevelopment makes it more costly to substitute investments from land to manufacturing and services for two reasons: first, because of high fixed costs (i.e. investment in infrastructure and education); second, because of the opportunity costs associated with the time until returns are realized.

Furthermore, substitution requires the coalition to shift away from the areas in which they have developed a comparative advantage (the extraction of commodities from territory). For an illustration, one need look no further than Russia's recent

⁵⁰ Kenneth L. Sokoloff and Stanley L. Engerman, "History Lessons: Institutions, Factors Endowments, and Paths of Development in the New World," *The Journal of Economic Perspectives* 14, no. 3 (2000).

⁵¹ For an example of how oil rents retarded the development of a service sector see Nimah Mazaheri, *Oil States, the Private Sector, and the Political Economy of Policy Reform* (PhD Dissertation, University of Washington, 2011).

difficulties in building its own Silicon Valley.⁵² Having spent years under-investing in education, basic research and development, Russian companies cannot simply flip a switch and begin deriving wealth from innovation in science and technology. In short, the cost of substitution is the infrastructure and human capital that must be built in order for a country to derive wealth from manufacturing and services.

The third, and final mechanism concerns the political benefits associated with land rents. A burgeoning literature on the relationship between resource rents and regime types suggests that incidence of autocracies and petro-states are highly correlated. Proponents of the resource curse have suggested that oil retards the transition to democracy.⁵³ Others have argued that perhaps it is not that oil causes autocracy, but rather that autocracies have a stronger preference for pursuing oil resources.⁵⁴ Land rents may be more attractive to autocracies as a source of revenue for three reasons: first, many autocracies lack the state capacity to effectively tax their citizens;⁵⁵ second, land rents are appropriable goods and therefore their production can be controlled through coercion; and third, land rents are private goods that can be targeted to supporters and denied to opponents.⁵⁶ This suggests that predatory

⁵² The Economist, "Can Russia create a new Silicon Valley?," *The Economist*, July 14, 2012, 2012.

⁵³ Michael L. Ross, "The Political Economy of the Resource Curse," *World Politics* 51, no. 2 (1999); Kristopher W. Ramsay, "Revisiting the Resource Curse: Natural Disasters, the Price of Oil, and Democracy," *International Organization* (2011).

⁵⁴ Victor Menaldo, "The Institutions Curse: The Theory and Evidence of Oil in Weak States," *Working Paper* (N.D.).

⁵⁵ *ibid*

⁵⁶ Daron Acemoglu and James A. Robinson, *Why Nations Fail : The origins of power, prosperity and poverty*, 1st ed. (New York: Crown Publishers, 2012); Stephen Brooks, *Producing Security: Multinational Corporations, Globalization, and the Changing Calculus of Conflict* (Princeton, NJ: Princeton University Press, 2005).

(autocratic land-oriented) states disproportionately benefit from land rents. Thus, for authoritarian regimes in particular, the transition from a land-oriented economy to a manufacturing and, particularly, a service-based economy, generally involves the relinquishing of some degree of political control over the means of production. It is easier for authoritarian regimes to control and redistribute land rents in comparison to other forms of wealth generation that generally necessitate greater freedoms and rights. Thus, because all states seek to remain in power above all else, authoritarian regimes face a higher marginal political cost for prioritizing investment in other sectors of the economy that generate wealth that is more difficult to control politically.⁵⁷

In short, land rents are more valuable for authoritarian regimes because they are easier to control militarily and redistribute as political patronage. This makes land-oriented authoritarian states even more willing to project military power to secure territory than their land-oriented democratic counterparts, who can more easily substitute and invest in other forms of wealth generation. It also means that democratic states should be able to transition more easily from a land-oriented economy to a manufacturing and service-based economy, and this should decrease their desire to take territory.

⁵⁷ For more on this see the vast literature on the resource curse Michael L. Ross, "Does Oil Hinder Democracy?," *World Politics* 53, no. 3 (2001); Ramsay, "Revisiting the Resource Curse: Natural Disasters, the Price of Oil, and Democracy."; Jeff Colgan, *Petro-aggression : When Oil Causes War* (Cambridge: Cambridge University Press, 2013).

Deriving States' Interests from Ideal Types

The size and composition of the winning coalition interact to determine the states' interests regarding what foreign policy packages to pursue. When making foreign policy decisions the state makes two basic choices: 1) whether to produce a basket of goods that is primarily filled with private or club goods; and 2) whether to produce these goods through open policies (facilitating international trade of manufactured goods and services) or exclusionary policies (appropriating territory or restricting economic competition).⁵⁸ States' choices regarding which foreign policies to pursue are conditioned by the size and composition of their winning coalitions.

I characterize all winning coalitions as being large or small, and market-oriented or land-oriented. Thus, there are four ideal types of coalitions and corresponding state types (See figure below).

⁵⁸ Policies that facilitate international trade may be used to produce both club and/or private goods. For example, the United States could pursue policies that facilitate access to trade in Asia for all American citizens (a club good) or negotiate access for individual American firms (a private good). Conversely, exclusionary policies can be used to produce club or broadly distributed private goods. For example, the U.S. chose to engage in territorial expansion throughout the 19th century; however the goods from such policies were broadly redistributed throughout society. For example, any man who moved west was famously given forty acres and a mule.

	Small Winning Coalition	Large Winning Coalition
Land-Oriented	Predatory States	Extractive States
Market-Oriented	Opportunistic States	Liberal States

Figure 2.2: Ideal State Types

In essence, deriving states' interests from the preferences of their winning coalitions allows me to make more precise inferences regarding their interests, and this facilitates more accurate predictions about their policy choices.

Predatory States

Winning coalitions that are small in size and comprised of individuals with land-oriented economic interests produce predatory states. The label “predatory” is borrowed from work in comparative politics and used here to denote their preferred method of maintaining power through extracting land rents and redistributing these gains to a narrow elite.⁵⁹ Like all the labels used here, it is not intended to confer a

⁵⁹ For other work on predatory behavior and various definitions of a predatory states see Margaret Levi, *Of Rule and Revenue* (Berkeley, CA: University of California Press, 1988); Peter B Evans, "Predatory, developmental, and other apparatuses: A comparative political economy perspective on the Third World state," *Sociological Forum* 4, no. 4 (1989). See also James A Robinson, "When is a state predatory?," (University of Southern California, 1997); Gary W Cox, "Predatory states and the market for protection," in Working Paper (2010); Thad Dunning, "Resource Dependence, Economic Performance, and Political Stability," *Journal of Conflict Resolution* 49, no. 4 (2005).

normative value. It is also not intended to describe their foreign policy behavior. Although predatory states possess stronger incentives to pursue territory, this is because of the characteristics of their coalitions and not because they are inherently aggressive individuals.

Because predatory states depend on a small number of political supporters who rely on the control of territory to generate wealth, they possess strong incentives to pursue additional territory. Appropriating additional territory allows predatory states to extract and redistribute private goods to their political supporters and buy off their political opposition. Thus, I expect predatory states to pursue exclusionary foreign policies. In short, the business model for predatory states is to control territory, extract wealth, and redistribute this wealth in exchange for the political support needed to retain power. Because the political supporters of predatory states are land-oriented interests, the most efficient means of delivering benefits to them is to pursue foreign policies that maximize the control of territory and increase the value of resources already controlled by the state.

History is replete with examples of predatory states that survived simply because of their ability to provide their support group with a steady supply of private goods that they produced through conquering territory and extracting rents from that territory. The Spanish, Portuguese, and Russian empires were all examples predatory states and ruled during their heyday by extracting land rents through the control of territory. The Portuguese and Spanish empires were noteworthy for the amount of

coercion they used and their focus on extracting tribute and raw materials rather than facilitating trade.⁶⁰ These states projected military power around the globe, not because they sought to ensure open access to markets, but because they were hunting for new lands to conquer in order to extract land rents. The Spanish and Portuguese empires in Latin America generated wealth by looting or constructing extractive institutions to generate land rents from their control of land.⁶¹ When these empires did engage in trade, they did so by restricting access to markets, controlling trade routes in order to extricate monopoly rents.

More modern examples of predatory types are autocratic petro or rentier states that rely primarily on the physical control of territory (more specifically, the resource reserves that lie within the territory) to generate the wealth required to keep themselves in power. There is empirical evidence to suggest petro-states have been more willing to act as the aggressor in Militarized Interstate Disputes and that they are more likely to engage in conflict than their non-petro state counterparts.⁶² For examples one need look no further than the Iran-Iraq war or Iraq's annexation of Kuwait.

Thus, I expect predatory states to be the most aggressive in projecting power to take territory/resources and exclude other states from accessing trade.

⁶⁰ Charles Tilly, *Coercion, Capital, and European States, AD 990-1990* (Cambridge, MA: Basil Blackwell, 1990).

⁶¹ For more on the extractive institutions in Latin America see Sokoloff and Engerman, "History Lessons: Institutions, Factors Endowments, and Paths of Development in the New World." And Acemoglu Daron, Johnson Simon, and James A. Robinson, "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution," *The Quarterly Journal of Economics* 117, no. 4 (2002).

⁶² For evidence of this empirical pattern, see Colgan, *Petro-aggression : When Oil Causes War*: 8.

H1: Predatory states will be the most likely to project power to pursue expansionist policies.

Liberal States: Large Winning Coalitions and Market-Oriented

Winning coalitions that are large and trade oriented produce liberal states.

Liberal states should have an interest in pursuing trade-oriented club-regarded policies. Liberal states will be incentivized to pursue policies that facilitate trade in a club-regarded manner due to the large size and market-oriented characteristics of their winning coalition. I am not arguing that liberal states will only produce club goods, but rather that the basket of goods they produce will be biased in favor of club goods (which due to their non-rival nature are a more efficient means of delivering benefits to a large number of individuals). In addition, although I expect liberal states will generally facilitate access to trade, this does not mean that they will not also sometimes pursue exclusionary policies. However, on balance, liberal states should be more restrained in their pursuit of exclusionary policies because the characteristics of their winning coalition will make such policies costly. Pursuing exclusionary policies will be costly because trade-oriented states are generally more economically interdependent and therefore their interests are more sensitive to retaliation from other states. Additionally, liberal states should be more restrained in pursuing private-regarded policies because their large winning coalitions should make such policies

inefficient in terms of the production of goods. Finally, liberal states should be more restrained in their pursuit of rents because democratic political institutions allow citizens to punish states for pursuing societally sub-optimal policies.

In terms of the generation of wealth, territory has become dramatically less valuable to the members of the U.S. winning coalition. Today, the vast majority (nearly 80%) of the U.S. economy is derived from the production of services (activities that do not produce material goods).⁶³ Agriculture accounts for only 1.2% of GDP with the remaining 19.2 percent being classified as being industry (manufacturing, mining, energy production and construction).

More importantly, the service sector generates wealth through innovation rather than territorial control. To generate wealth, most American firms (and by extension U.S. citizens) do not rely primarily on the control of land, but on increasing innovation and the economic productivity of their employees. A quick appraisal of the 25 largest American companies by revenue shows that only four are energy companies and none are mining or agricultural companies. The vast majority of the largest American companies by revenue are banks (Bank of America and Citigroup), technology companies (Apple and HP), health care companies (United Health Group) and retailers (Walmart).⁶⁴ None of these companies rely on the physical control of territory to generate wealth. If we expanded the list to the Fortune 100, we would only include an

⁶³ "The United States," CIA-Factbook, 2012 <https://www.cia.gov/library/publications/the-world-factbook/geos/us.html>

⁶⁴ "Fortune 500 " Fortune Magazine, <http://money.cnn.com/magazines/fortune/fortune500/>

additional 5 energy companies.⁶⁵

As the United States moved from an economy that was heavily dependent on territory to one that was dependent on industry and services, its government shifted the type of investments it made to facilitate returns to the service and innovation sectors of the economy. It started investing in intellectual property rights (i.e. a patent system and copyright laws), universities and public education. In foreign policy, instead of focusing on the control of territory, the U.S. focused on producing club goods that facilitated its citizens' economic interests, such as secure sea-lanes and access to markets.⁶⁶ Market access can be interpreted broadly to encompass many types of foreign policy behavior, from lowering barriers to trade to ensuring that no actor uses military power to threaten the market-based mechanisms for distributing resources.

For states who are more interested in maintaining rather than excluding access to goods, military force is principally useful for deterring and defending against other states who seek to limit their access. Since the United States built the Great White

⁶⁵ Although there are U.S. energy companies whose economic interests are dependent on the control of territory, U.S. officials have been generally unwilling to militarily intervene on their behalf. This is because U.S. officials are not elected by companies like ExxonMobil, but rather by the American electorate at large. See Stephen D. Krasner, *Defending the national interest: Raw materials investments and US foreign policy* (Princeton University Press, 1978). To illustrate this fact, ExxonMobil consistently ranks in the top three U.S. companies who spend the most on direct lobbying in Washington, yet, when Exxon lobbies for the U.S. to militarily protect their territorial assets in foreign countries, they are consistently rebuffed by U.S. officials. A telling example occurred when ExxonMobil appealed to the U.S. military to help them secure their energy against rebels in Nigeria. The American military's response was, "You need to work out the arrangement with that sovereign nation to your satisfaction. And if you can't, you might want to reconsider your investment. We are not the guarantor of their security." (Coll 2012;475). The interests of companies like ExxonMobil, who would benefit from the U.S. military intervening to protect their territorial investments, are balanced and generally dominated by other interest groups whose economic interests would be harmed if the U.S. were to militarily project power on the behalf of American oil companies. Additionally, the American citizens would have to foot the bill for any such military intervention, but would not necessarily reap the economic rewards.

⁶⁶ I emphasize *its* citizens to highlight how my theory differs from hegemonic stability theory. In my explanation, states seek to produce secure sea-lanes and open markets for their citizens, *not* because they have an all-encompassing interest in providing global public goods. Often the provision of these goods for their *own* citizens results in a positive externality that produces a de-facto global public good, but global public goods provision is *not* their goal.

Fleet, the United States has primarily projected military power to maintain open access to markets for its citizens. Maintaining access to markets is what galvanized U.S. manufacturing interests to build a battle fleet to support the U.S. open door policy in Asia.⁶⁷ Additionally, one of the principal objectives of Kennan's doctrine of containment was deterring threats to U.S. market access in Europe and Asia.⁶⁸ The Carter doctrine of threatening the use of military force to deter threats to the "free movement of Middle East oil" illustrates the continuation of this policy.⁶⁹ The United States has now projected military power into the Middle East for over 40 years, but it has never sought to directly control the land rents, despite their enormous value.⁷⁰

U.S. foreign policy interests are shaped by democratic political institutions and the characteristics of her economic interests. The shift from a largely agrarian nation with land-oriented interests to a manufacturing and then service-oriented economy meant that, from the early 20th century on, the U.S. has been less interested in taking

⁶⁷ Fordham, "The Domestic Politics of World Power: Explaining Debates over the United States Battleship Fleet, 1890-91." See also, Walter LaFeber, *The Clash: U.S.-Japanese Relations Throughout History* (New York: W. W. Norton, 1997), 63.

⁶⁸ George F. Kennan, "The Sources of Soviet Conduct," *Foreign Affairs* (1947)., John Lewis Gaddis, *The Cold War: A New History* (New York: Penguin, 2005), 278.

⁶⁹ For more on U.S. policy in the Middle East, see Eugene Gholz and Daryl Press, "Protecting The Prize: Oil and the US National Interest," *Security Studies* 19, no. 3 (2010).

⁷⁰ Even in cases where the U.S. military provides protection to oil-rich allies, American energy companies do not necessarily benefit disproportionately. For example, take the case of the UAE, which is wholly dependent on U.S. military protection, but American energy companies have only "13% of the foreign participation available to international majors; European and British firms had 60 percent." (Coll 2012; 322). For this reason, contemporary U.S. officials have shown relatively little interest in directly controlling territory or resources because pursuing such goods is costly and provides few public goods for U.S. citizens.

territory and more interested in maintaining an open international economic order in which its citizens can freely invest and trade.⁷¹

I expect liberal states to project power for different objectives than non-liberal states. Recall from my theory of foreign policy that liberal states have an interest in the production of club goods and facilitating access to trade. Thus, if the geopolitical environment is competitive, I expect to observe liberal states projecting power to secure sea-lanes, access to markets and property rights. It will be in the interest of liberal states to secure these objectives because they represent the foundation on which trade is maintained and therefore the lifeblood of their large trade-dependent winning coalitions. In addition, I would expect liberal states to cooperate with other liberal states in pursuit of these objectives as they can be pursued in a club-regarded manner and thus the benefits will be non-rival and simultaneously enjoyed by both parties. I hypothesize that:

H2: Liberal states will be more likely to project power to pursue open (trade-oriented, club-regarded) policies.

H3: Liberal states will be more likely to cooperate with other liberal states in

⁷¹ It is worth noting that the U.S. had a strong interest in gaining access to foreign markets in the 19th century as well. See Walter LaFeber, *The New Empire: An Interpretation of American Expansion* (Ithaca, NY: Cornell University Press, 1963); Fordham, "The Domestic Politics of World Power: Explaining Debates over the United States Battleship Fleet, 1890-91." What I am suggesting is that market access rather than formal territorial acquisition became the central purpose of U.S. foreign policy. Also, it has been argued that U.S. interest in the Philippines was principally about gaining a base from which to project power into Asia in order to maintain access to markets in Asia.

producing club goods, such as secure sea lanes and access to trade.

H4: Liberal states will be less likely to project power to pursue exclusionary (rents-oriented, private-regarded) policies.

Extractive States

Large winning coalitions with land-oriented economic interests should produce extractive states. These states generate goods for their winning coalition by extracting rents from the control of territory and converting these rents into club or public goods to be enjoyed by large winning coalitions. Extractive states should be more restrained than predatory states in securing additional land rents through territorial aggrandizement for two reasons. First, the rents (private goods) produced through controlling territory should be rapidly diluted through redistribution to a larger number of individuals in the winning coalition.⁷² Second, democratic political institutions facilitate the punishment of states who pursue expansionary policies that only enrich the elite.⁷³ Thus, extractive states should pursue less expansionist foreign policies than predatory states because they will endure higher costs and smaller benefits for engaging in territorial aggrandizement. I am not arguing that extractive states will never engage in territorial aggrandizement, but only that they will be more restrained than predatory states.

⁷² Bueno de Mesquita et al., *The Logic of Political Survival*.

⁷³ Lake, "Powerful Pacifists: Democratic States and War."

An illustrative example of the extractive type is the United States in the 19th century. During this time period, the principal means by which U.S. citizens generated wealth was through the control of land. If we look at the historical record, we can see that there has been a long-term shift away from land as the principal means of generating wealth and toward the production of services. In 1840 agriculture accounted for 50% of the U.S. GDP and 70% of the labor force.⁷⁴ It is not surprising that the United States engaged in a great deal of territorial expansion during this period. The cost of expansion was low and controlling land was still a relatively attractive means of generating wealth relative to investing in other sectors of the economy. During this period, the U.S. fought the Mexican-American War, in which it conquered 55% of Mexico's territory, including a large part of contemporary Texas, California, New Mexico, Nevada, Arizona, Utah and Colorado.⁷⁵ By the early 20th century, the United States transitioned from a land-oriented economy to a manufacturing economy. In 1910, agriculture had fallen to a little over 10% of the output of the U.S. economy and the U.S. stopped seeking additional territory, with the Philippines being the last major territorial acquisition of the United States in the late 19th century. As U.S. economic interests shifted from being land-oriented to market-oriented, so did its foreign policy interests. Increasingly, the U.S. generated additional wealth through ensuring open access to markets in Asia and Europe and its foreign

⁷⁴ 1840–1900: Robert E. Gallman and Thomas J. Weiss. "The Service Industries in the Nineteenth Century." *In Production and Productivity in the Service Industries*, ed. Victor R. Fuchs, 287-352. New York: Columbia University Press (for NBER), 1969.

⁷⁵ "Treaty of Guadalupe Hidalgo (1848)," ourdocuments.gov, accessed May 14, 2014 <http://www.ourdocuments.gov/doc.php?flash=true&doc=26>

policy preferences changed to reflect this difference. This shift prioritized securing sea lines of communication and access to foreign markets, rather than territorial acquisition, and led to the construction of the Great White Fleet ⁷⁶

When extractive states project power, I expect them to do so in a club-regarded, but expansionary manner. Extractive states should look to secure territory and resources for their large, land-oriented winning coalitions.

H5: Extractive states should be more likely to project power to pursue expansionist policies than liberal states, but less likely than predatory states.

Opportunistic States

In contrast, winning coalitions whose members are dependent on trade but small in size produce opportunistic states. The small size of her winning coalition should incentivize her to pursue private goods. The market-oriented economic interests of the individuals in her coalition motivate her to produce these private goods through applying state power to help facilitate trade for narrow interests or firms in the winning coalition. Therefore, we would expect an opportunistic state to pursue more mercantilist trade and investment policies designed to limit other states access to international trade and resources. Mercantilist policies produce monopoly rents, which

⁷⁶ My interpretation of American foreign policy is largely consistent with that of the Wisconsin school. For several interpretations from this school, see LaFeber, *The New Empire: An Interpretation of American Expansion*; William Appleman Williams, *The Tragedy of American Diplomacy*, Second Revised and Enlarged Edition ed. (New York: Dell Publishing, 1972). For a review of the Wisconsin school see Joseph A. Fry, "From Open Door to World Systems: Economic Interpretations of Late Nineteenth Century American Foreign Relations," *Pacific Historical Review* 65, no. 2 (1996).

can be redistributed back to individuals in the winning coalition.

A historical example of an opportunistic state would be the 17th century Netherlands. The Dutch relied on a small number of individuals to stay in power who were also highly dependent on trade. For this reason, Dutch foreign policy was aimed at facilitating access to trade for the United Netherlands Chartered East India Company or VOC (Dutch abbreviation).⁷⁷ The VOC had a monopoly on all Dutch trade, a private good that individuals in the winning coalition enjoyed at the expense of others in society. In addition, the Netherlands pursued a foreign policy designed to exclude other states from accessing trade.⁷⁸ Thus, Dutch foreign policy was designed to facilitate the production of private goods that flowed to a small number of individuals in the winning coalition. A more contemporary example of an opportunistic state is China. China's winning coalition is small and trade dependent, and it pursues mercantilist foreign policies in Africa and Central Asia that are designed to secure access to resources for individual Chinese companies.⁷⁹

Opportunistic states should also project power to pursue trade-oriented policies, but they should do so in a more private-regarded manner. Thus, opportunistic states might project power to protect the property rights or market access of individual firms in the winning coalition, but not for all the citizens of the state. In addition,

⁷⁷ Charles Ralph Boxer, *The Dutch Seaborne Empire, 1600-1800* (London: Knopf, 1965), 11.

⁷⁸ D.R. Churches Hainsworth, Christine Hainsworth Roger, *The Anglo-Dutch Naval Wars 1652-1674* (Gloucestershire: Sutton Publishing Limited, 1998), 13.

⁷⁹ Erica Downs, "The Fact and Fiction of Sino-African Energy Relations," *China Security* 3, no. 42-86 (2007); Debroah Brautigam and Tang Xiaoyang, "African Shenzhen: China's Special Economic Zones in Africa," *The Journal of Modern African Studies* 49, no. 01 (2011): 34.

opportunistic states should be less restrained in pursuing private goods because of the small size of their winning coalition. For this reason, I would expect to observe opportunistic states being more willing to engage in exclusionary foreign policies to maximize the production of private goods for the members of their winning coalition. However, because of their market-oriented winning coalitions, I would generally expect opportunistic states to be more likely to pursue mercantilist foreign policies rather than expansionist policies. Both mercantilist and expansionist policies are exclusionary policies in that they are principally designed to generate rents or private goods through restricting competition. The difference is that expansionist policies restrict competition by directly appropriating territory and resources, whereas mercantilism is more interested in securing exclusive or, at least, preferential access to markets or goods. I am not arguing that opportunistic states will not opportunistically pursue expansionist policies when the cost is low and the benefits are high. I simply contend that of the two types of exclusionary policies, expansionist vs. mercantilist, they will generally prefer mercantilism because of their market-oriented coalitions.

H6: Opportunistic states will be more likely to project power to facilitate trade for firms and individuals in their winning coalition.

H7: In comparison to liberal states, opportunistic states will be more likely to project power to pursue mercantilist (trade-oriented, private-regarded) policies.

H8: In comparison to predatory states, opportunistic states will be less likely to pursue expansionist policies (territorial aggrandizement).

Why is this Framework Useful?

This framework adds to our understanding of foreign policy and international politics in two ways: 1) it allows us to identify ex ante different types of winning coalitions and their corresponding states; 2) we can now deduce states' interests from the characteristics of their winning coalitions. In the research design section I will elaborate on how these ideal types can be operationalized. This is an improvement over existing theories that incorporate either domestic coalitions or ideal types to state behavior. Previous research such as Schweller's work on revisionist states, utilize differences in ideal types to explain foreign policy behavior.⁸⁰ Schweller made an important contribution by refocusing attention on variation in state preferences. Solingen examines the role of domestic political coalitions in establishing states' interests. Solingen's statist vs. internationalist coalitions advances our understanding of how a state's domestic political coalitions shape their grand strategic ambitions and foreign policy objectives.⁸¹ The shortcoming associated with these previous approaches is that the coalition or state type cannot be identified ex ante and thus is of

⁸⁰ Randall L. Schweller, "Bandwagoning for Profit: Bringing the Revisionist State Back In," *International Security* 19, no. 1 (1994).

⁸¹ Etel Solingen, *Regional Orders at Century's Dawn: Global and Domestic Influences on Grand Strategy* (Princeton: Princeton University Press, 1998). For another major contribution in this area, see Jack L. Snyder, *Myths of Empire: Domestic Politics and International Ambition* (Ithaca: Cornell University Press, 1991).

limited value in making strong predictions about state behavior. For example, we only know if a state is revisionist if it has behaved in a revisionist manner. This is a problem both for theory testing and for policy makers who must anticipate how states are likely to behave and do not have the luxury of waiting until after they have behaved aggressively. My framework allows us to deduce states' interests from the characteristics of their winning coalitions and allows us to identify state type *ex ante*. This is an improvement because it allows us to make strong predictions regarding how domestic politics shapes states' interests and foreign policy objectives.

A Theory of Geopolitical Competition

The third pillar of my argument is that a state's interest compatibility with other powerful state determines the level of geopolitical competition she faces. Her relative economic power and the level of geopolitical competition she confronts influence when she projects power (i.e. when she builds power projection capabilities). The higher the level of geopolitical competition, the more threatening the environment is to a state's interests and the more likely she will be to build power projection capabilities. The lower of the level of competition, the less likely she will be to build power projection capabilities.

The level of geopolitical competition she encounters is determined by the nature of her geopolitical environment. This is a function of the distribution of economic power, geographic proximity and her level of interest compatibility with

other states in the system. Every state possesses some willingness to project power; however, states with incompatible interests will face stronger incentives to project power to protect and further their interests. The compatibility of a state's interests with other powerful states is determined by the distribution of state types in the region or system. If a state is liberal and all the states in the region or system are liberal types, then the level of interest compatibility will be high and all states will be less willing to build power projection capabilities. However, if non-liberal type states are present, then the level of interest compatibility will be low and states will be more willing to build power projection capabilities.

The distribution of economic power and geographic proximity determine the degree to which states can build the power projection capabilities to threaten each other's interests. For each individual state, the geopolitical environment is a product of the distribution of economic power, the relative distance of economically powerful (potentially threatening) states, and the types of states in the environment. Each of these variables is a necessary, although, taken alone, not a sufficient condition for producing a competitive geopolitical environment. However, when taken together, they produce the conditions that are both necessary and sufficient for a competitive geopolitical environment. A competitive geopolitical environment is one in which the following conditions are met: 1) more than one state has the economic power with which to build and project power (two or more poles); 2) each of those states are capable of reaching one another militarily (geographical proximity); and 3) states have

incompatible interests, that is, at least one of the states has an interest in pursuing exclusionary policies (i.e. a non-liberal type). If the distribution of economic power is multipolar and states are geographically proximate, then the level of interest compatibility plays the key causal role in determining the level of geopolitical competition. Below, I explicate how each factor operates to affect the level of geopolitical competition in the international system.

Building and projecting military power is an expensive proposition and therefore only states that possess a certain level of scale and wealth are capable of doing so. Although I define power projection as the deployment of military force beyond a state's borders, the substantive phenomenon that I am interested in is when states choose to build regional or global power projection capabilities. Estimating the precise level of wealth that is necessary to project power is difficult; however, with rare exception, only states among the world's largest economies have the capability to successfully build and project military power globally. My theory is designed to explain the willingness of states with medium to large economies—those that actually have a choice in the matter—to project power. States with small economies do not project power, as even if they had the willingness, they lack the ability. In moving towards a theory of power projection, my goal is to go beyond the intuitive insight that as states become more powerful, they tend to project power at greater distances.⁸² I

⁸² For an empirical test of Kenneth Boulding, *Conflict and Defense* (New York: Harper and Brothers, 1962). see Jonathan N. Markowitz and Christopher J. Fariss, "Going the Distance: The Price of Projecting Power," *International Interactions* 39, no. 2 (2013).

want to explain not just the general relationship between power and distance, but also why some powerful states develop power projection capabilities while others do not.

Theoretical Constructs of Geopolitical Competition

The Distribution of Economic Power

In order for the geopolitical environment to be competitive, the distribution of power must be one in which states possess the economic power to build and project military power. For example, if the distribution of economic power is hegemonic and only one state possesses the economic power to build and project military power, then the geopolitical environment cannot be competitive.

A necessary condition for a competitive geopolitical environment is a non-hegemonic or a multipolar distribution of economic power (i.e. more than one pole). However, this is not a sufficient condition, as economic multipolarity does not necessarily result in military multipolarity. A shift from economic unipolarity to economic multipolarity is generally the result of other states catching up economically and is not a strategic choice, as most states are striving to maximize economic growth. In contrast, a shift from military unipolarity to military multipolarity represents a strategic choice by other states to convert their newfound wealth into military capabilities. Today, although the international system is increasingly economically multipolar, European states have not chosen to convert their economic wealth into the development of additional military capability. In fact, the average percentage of GDP

that European states have dedicated to maintaining their military forces has steadily decreased, much to the lament of their American allies. Asia, which is also economically multipolar, is increasingly also militarily multipolar. Economic multipolarity is part of the structure of the system, but military multipolarity is a product of the choices of the actors in the system.

Geographic Proximity

Distance matters in the international system because it determines the degree to which states must be wary of the interests and capabilities of other states in the international system.⁸³ Much of the previous research on military competition and conflict has focused on the importance of geographic proximity and conflict.⁸⁴ Because of the loss of strength gradient,⁸⁵ as the distance over which states seek to project power changes, so does relative power. As Russett and Oneal (2001) empirically demonstrate, "distance is the most important constraint" on power projection.⁸⁶ For this reason, geographic proximity conditions the effect of the distribution of power. States that are geographically proximate to one another should

⁸³ Boulding, Conflict and Defense; Halvard Buhaug and Nils Peter Gleditsch, "The Death of Distance? The Globalization of Armed Conflict," in *Territoriality and Conflict in an Era of Globalization*, ed. Miles Kahler and Barbara Walter (Cambridge: Cambridge University Press, 2006).

⁸⁴ Harvey Starr and Benjamin A. Most, "The Substance and Study of Borders in International Relations Research," *International Studies Quarterly* 20(1976). Randolph M. Siverson and Harvey Starr, "Opportunity, Willingness, and the Diffusion of War," *American Political Science Review* 84, no. 1 (1990); John A. Vasquez, "Why Do Neighbors Fight -- Proximity, Interactions, or Territoriality?," *Journal of Peace Research* 32(1995); David .B. Carter, "The Strategy of Territorial Conflict," *American Journal of Political Science* 54, no. 4 (2010).

⁸⁵ Boulding, Conflict and Defense.

⁸⁶ Bruce Russett and John R. Oneal, *Triangulating Peace: Democracy, Interdependence, and International Organizations* (New York: W. W. Norton, 2001), 87.

be more concerned about each other's interests and intentions.⁸⁷ For example, the rise of German economic power in the 19th-century was threatening to Britain because it increasingly placed British economic and strategic interests within reach of Germany's power. If Germany chose to build power projection capabilities (as it eventually did), then it would be able to threaten British access to sea-lanes (the economic lifeline to its vast trading empire). The rise of Japan posed less of a threat to Britain's core interests because it was geographically distant from Britain. Japan might have been able to threaten some of Britain's distant colonies, but it could not mount a blockade of the British Isles. Therefore, Britain built a naval force structure designed to counter Germany's rising power rather than that of Japan.⁸⁸ All else equal, the closer states are, the more potentially threatening they are, and the more they factor into each state's assessment of the level of competition in their geopolitical environment.

State Type

Third, in order for the geopolitical environment to be competitive, it must be populated by states that possess dissimilar or incompatible interests over the international order or the distribution of resources. States will have little use for expensive power projection capabilities if all the states in the system possess high levels of interest compatibility. So what explains variation in states' interests? I

⁸⁷ Stephen M. Walt, *The Origins of Alliances* (Ithaca, NY: Cornell University Press, 1987).

⁸⁸ Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Power from 1500 to 2000* (New York: Random House, 1987).

incorporate my theory of foreign policy interests to explain variation in the compatibility of states' interests.

My theory of foreign policy interests suggests that liberal states should have strong incentives to produce club goods through pursuing open foreign policies designed to facilitate trade through securing sea-lanes and access to markets. Because these goods are inherently non-rival they are easier to share. Therefore, because liberal states have strong incentives to cooperate over the provision of these goods and weaker incentives to exclude one another, they possess compatible interests. In effect, this means that liberal states do not find one another threatening to each other's interests. Economic multipolarity will not result in military competition between these states because liberal states have compatible interests. Moreover, liberal states do not possess strong interests in the exclusion of others from accessing markets or sea-lanes and, importantly, disagreements between such states are not efficiently addressed by using military force. Liberal states will be more likely to handle their disputes with one another using international legal norms and within the confines of existing international institutions.

In contrast, non-liberal states (predatory, opportunistic and extractive states) possess stronger incentives to pursue exclusionary foreign policies and these types of policies are inherently threatening to all other states. States whose domestic political institutions and/or whose economic interests lead them to exclude one another from accessing markets, sea-lanes or resources pose a far greater threat to the interests of all

other states. Therefore, the presence of non-liberal states in the system increases the incentives of all states to arm.

Thus, if liberal type states are the only powerful states in the region, then the geopolitical environment should be less threatening to other liberal type states. This is because liberal types are less likely to employ military force to seek to exclude one another from accessing territory, markets and resources.⁸⁹ For these liberal type states, if no other state seeks to limit access to goods, then maintaining power projection capabilities will be a costly burden rather than a valuable asset for achieving their objectives. Because of their high level of interest compatibility, European powers do not find each other, or the U.S., threatening. They are happy to free-ride off the security provided by Washington, rather than building their own capabilities. Most of the goods (i.e. secure sea-lanes and market access) that European states want are already being provided by Washington. When these states do have disputes they are likely to handle them through international institutions, without threatening military coercion. This is why a return economic multi-polarity in Europe is not associated with states arming.

In summary, the geopolitical environment will be most competitive when there is economic multipolarity, when the poles are geographically proximate and when the

⁸⁹ There is a large literature on why distance and liberal intentions make the United States a relatively less threatening state. See G. John Ikenberry, *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order after Major Wars* (Princeton, NJ: Princeton University Press, 2001)., Jack S. Levy and William R. Thompson, "Balancing on Land and at Sea: Do States Ally against the Leading Global Power?," *International Security* 35, no. 1 (2010).

poles have high levels of interest incompatibility. From this set of suppositions, I arrive at the following hypothesis:

H9: The more competitive a state's geopolitical environment, the more likely she will be to build military power projection capabilities.

Conclusion to Hypotheses

In summary, my theory of geopolitical competition predicts that states will be most likely to project power when the geopolitical environment is competitive. My theory of foreign policy predicts that states will project power to secure goods, and that the set of goods they are interested in (their foreign policy objectives) will be conditioned by the characteristics of their winning coalitions. When, where and why states project power is a function of the characteristics of their winning coalitions and the nature of their geopolitical environment.

Part II Research Design

I begin by laying out the design for Chapter 3 (the quantitative analysis), which tests the hypothesis that the level of geopolitical competition explains when states build and project power. I then set up the design for Chapters 4 and 5, which test the hypotheses that domestic political institutions and economic interests explain why states project power. I justify my selection of cases and explain the role of exogenous

shocks in my identification strategy. Next, I operationalize my concepts of interest. I conclude the chapter with a summary of the theory and its implications.

Large-N Research Design

Chapter 3 develops an observational design of time-series cross-sectional data to assess the behavior of states from 1885-1993. The behavior or dependent variable of interest is a state's choice to build power projection capabilities, which is operationalized using Modelski and Thomson's (1987) data on naval forces from 1880-1993.⁹⁰ Additional data are currently being assembled to perform an out-of-sample test from 1993-2013. To test the hypothesis that the level of geopolitical competition explains when states develop power projection capabilities, an annual measure of geopolitical competition is constructed for each state in the system. The measure operationalizes how each state experiences geopolitical competition in the international system each year. The variable takes into account the relative economic power of all other states in the system, their state type (i.e. the compatibility of their interests) and their relative distance from the state in question. Economic power is operationalized as a state's gross domestic product (GDP) as measured by purchasing power parity (PPP) in 1990 US dollars. Coding and interacting a state's domestic political institutions and the economic interests of her political supporters allow me to operationalize state type (see Operationalizing State Type in the following section).

⁹⁰ George Modelski and William R. Thompson, *Seapower in Global Politics, 1494--1993* (Seattle, WA: University of Washington Press, 1988).

The distance between each state is captured using data from the Distance Between Capitals data set.⁹¹

The measure of geopolitical competition solves two challenges associated with previous attempts to test the impact of system structure on state behavior. The first being that there is limited variation in the independent variable and a small number of observations. This is because the structure of the international system changes infrequently and therefore there are a limited number of periods of multipolarity, bipolarity or unipolarity for scholars to examine. Constructing a measure of geopolitical competition for each state in the system alleviates the first problem by dramatically increasing the variation in the independent variable and the number of observations. The second challenge is that states experience the impact of changes in the structure of the system differently depending on their geographic position in the system.⁹² The measure solves the second issue by taking geographic proximity into account so that it can estimate how different states experience changes in structure of the international system depending on their geographic position relative to other states in the system.

The measure of geopolitical competition is used in a regression to explain when states build power projection capabilities. Though the model is estimated with

⁹¹ Kristian Skrede Gleditsch, "Distance between Capital Cities," (n.d.); Kristian S. Gleditsch and Michael D. Ward, "Measuring Space: A Minimum Distance Data Set," *Journal of Peace Research* 38, no. 4 (2001).

⁹² The shift to multipolarity in the late 19th century likely had a different impact on France than the United States due to the fact that France was geographically closer to rising powers like Germany. For a discussion of this problem, see Doug Lemke, *Regions of War and Peace* (Cambridge: Cambridge University Press, 2002); Walt, *The Origins of Alliances*.

historical data (1880-1993), it also allows for the prediction of power projection behavior by contemporary states. Comparing the predictions of the model against the actual choices of states to build power projection capabilities provides an additional test of the theory. The findings from the fitted model and the out-of-sample test both support the theoretical prediction that states are more likely to build power projection capabilities when the level of geopolitical competition is higher and less likely when it is lower. The results also suggest that states are not only sensitive to distribution of economic power, but also to their level of interest compatibility with other states in the system. The predictions of the model also outperform existing structural explanations, which only incorporate the distribution of power and not state type.

This test also allows us to test the predictions of the theory over a long time period (1880-1993). The trade-off associated with this choice is that I lack data on the composition of the winning coalition and therefore can only assess the degree to which the size of the coalition (operationalized as regime type) affects the level of interest compatibility between states. Future tests can incorporate the composition of the winning coalition into this measure, however, until there is greater data availability, we will only be able to test the theory's predictions after 1970. Given that there is limited variation in the structure of the system after 1970, we chose to extend the time period covered back to 1880. I made this choice because we felt it was vital to test the theory's predictions over a longer period of time in order to ensure that our results were not being driven by short-term technological or structural changes. For example,

were I only able to test my model's predictions after 1945, then it might be that a state's calculus of whether to build power projection capabilities was driven by technological change (such as nuclear weapons or the massive scale economies required to build fleet carriers). Testing the degree to which my model can predict the behavior of states before and after 1945 helps to alleviate this problem.

Case Study Research Design

Case Selection

For the cases that test my hypotheses regarding why states project power, I selected three regions and corresponding time periods in which states are faced with the exogenous exposure of maritime energy resources due to climate change or technological innovation: The Arctic, the North Sea and the South China Sea. The units of analysis will be the state within each region. As is explained in more detail below, I observe three indicators that capture variation in my dependent variable: 1) their maritime sea-bed claims, 2) their military force structure and 3) their force deployments.

For the Arctic and North Sea this is a time series cross-sectional design, as I am comparing across units over time. Each of the states' types is constant over the period of interest and therefore there is no within-unit variation. It is important to justify why I am exploiting cross-national, rather than within-case variation. There is a tradeoff associated with using this approach, in that it is not possible to directly test

the impact of the casual mechanisms of either the size or composition of a state's winning coalition on their foreign policy preferences. Such a design would require that I observe how a state's behavior changed before and after a change in the characteristics of his winning coalition. The advantage of my chosen design is that, by holding state type constant before and after the exogenous shock, I am able to estimate the causal impact of state type on how a state chooses to react to the exogenous exposure of potential private goods. As my theory produces expectations about how each state should react to the exogenous exposure of resources, this design allows me to test my theoretical expectations against the observed behavior of the actual states. This would not be possible if the state types varied across the period of analysis. The selection of three regions also allows me to engage in a cross-regional comparison of how the level of geopolitical competition conditioned how states reacted to exposure of resources.

I operationalize the level of geopolitical competition in each region by assessing the distribution of economic power, the geographic proximity of the states, and type of states in the region. In the Arctic, the North Sea, and the South China Sea, all the states are coded as geographically proximate and the distribution of economic power is coded as multipolar, given that there are multiple states capable of building and projecting military power against one another. Thus, for the purposes of comparison these variables are effectively held constant. However, the type of states that populate each region does vary. Only liberal state types populate the North Sea,

whereas liberal and non-liberal type states populate the South China Sea and the Arctic. Thus, states in the South China Sea and Arctic have conflicting interests and incentives to compete. I code the South China Sea and the Arctic as being competitive geopolitical environments. Because the North Sea is populated only by liberal states, I code the geopolitical environment as being cooperative.

The Arctic 1992-2007 and 2007-2012

I select the Arctic as a case in order to utilize the exogenous shock of climate change. This shock allows me to test theories of why states project power by exposing resources in a region that held little interest for states prior to the shock. This allows me to make cleaner inferences about why states were projecting power.

The temporal range of analysis for this case is the pre-shock period from 1992-2006 and the post-shock period from 2007-2012. The pre-shock period starts in 1992 because I can safely assume that the Cold War has ended at that point and therefore any activity in the Arctic cannot be attributable to strategic competition in the U.S. and the Soviet Union. The shock is the revelation of information in 2007 that the Arctic was melting even faster than projected by even the most aggressive climate models. In that year, the Arctic experienced a record loss of Arctic ice and the Northwest Passage became ice-free for the first time in recorded history. Even the most dire climate models, which predicted that the Arctic would be ice-free during the summer in the 2030's rather than the previously predicted 2100, did not predict this

event.⁹³ The effect of this shock was a dramatic decrease in the expected cost of exploiting the Arctic environment for both resource extraction and international shipping routes.

Two additional exogenous trends occur during the time period. While not specific to the Arctic region, they certainly increased the expected payoff for pursuing Arctic resources. First, the average price of energy in real terms was historically low during the pre-shock period from 1992-2006, at least until prices begin to pick up sharply in 2004.⁹⁴ Second, both deep-sea drilling and energy exploration technology made major, rapid advancements during this period.⁹⁵ The technological shock was in large part the product of exponentially increasing computational power that allowed energy companies to successfully render three-dimensional images of oil fields beneath the ocean floor.⁹⁶ To provide some scale, by 2010 energy companies could process 3,000 times more data than they could in 2000.⁹⁷ This computational power is so central to finding new energy reserves that BP recently built the world's largest

⁹³ For more on why the climate models severely underestimated the rate at which Arctic ice would melt, see P. Rampal et al., "IPCC climate models do not capture Arctic sea ice drift acceleration: Consequences in terms of projected sea ice thinning and decline," *Journal of Geophysical Research* 116(2011).

⁹⁴ For a graphical representation of energy prices see Nadejda Victor and Inna Sayfer, "Gazprom: the struggle for power," in *Oil and governance : state-owned enterprises and the world energy supply*, ed. David R. Hulst, Mark C. Thurber, and David G. Victor (Cambridge: Cambridge University Press, 2012), 666.

⁹⁵ Both sets of shocks are plausibly exogenous since no one Arctic state is capable of unilaterally altering, or anticipating, the global spike in the price of energy.

⁹⁶ {The Economist}, "Plumbing the depths Inside story: A recent wave of advances is enabling oil companies to detect and recover offshore oil in ever more difficult places," *The Economist* (May 4th 2010).

⁹⁷ Ibid.

super-computing complex.⁹⁸ Additionally, new offshore mobile rigs, such as spar platforms, allowed firms to drill up to 10,000 feet beneath the ocean's surface, twice as deep as they could have drilled only ten years earlier.⁹⁹

Because companies could now find the oil and gas and reach it due to improved deep sea-drilling technology, they vastly increased deep-sea extraction of oil. In 2000, only 1.5 billion barrels of oil were produced from deep-sea fields (roughly 2% of global production), but by 2009 that number was 5.5 billion barrels (roughly 6% of global production).¹⁰⁰ The additional exogenous influence of energy prices and technological innovation increased the impact of the Arctic climate change because it made Arctic seabed resources both easier to find and less costly to extract (due to technology) and more profitable (due to price).

The primary actors of interest are those states that can make claims to Arctic seabed resources and potentially project military power to compete over those claims. There are five states that border the Arctic Ocean and can legally make claims to Arctic seabed resources: Norway, Denmark, Canada, the United States and Russia. Although there are other actors of interest in the Arctic such as Finland, Sweden, Iceland, China, South Korea, Singapore and a number of EU countries, none of these states are able to make formal claims on Arctic territory. Therefore, because I am

⁹⁸ "BP builds world's largest supercomputing complex for exploration applications," Offshore Magazine, accessed 12/11, 2012 <http://www.offshore-mag.com/articles/2012/12/bp-builds-worlds-largest-supercomputing-complex.html>

⁹⁹ Collin Reed, *BP and the Macondo Spill* (New York: Palgrave Macmillan, 2011), 102.

¹⁰⁰ "IHS CERA: The Role of Deepwater Production in Global Oil Supply," Cambridge Energy Research Associate, accessed December 11, 2012, <http://press.ihs.com/press-release/energy-power/ihs-cera-role-d...>

interested in how states reacted to exposure of resources in terms of whether they chose to further their claims by projecting military power, I will focus principally on the behavior of the five Arctic states able to make formal Arctic claims.

The North Sea

In the North Sea, resources were exogenously exposed as the technology for discovering and extracting energy became more sophisticated. It was not until 1947 that it was demonstrated to be technologically feasible to drill offshore, out-of-sight of land.¹⁰¹ Exploration of the North Sea for oil and gas began in the 1950's, but it was not until 1963 that oil companies began to realize the size of the reserves there.¹⁰²

As in the Arctic and the South China Sea case, the unit of analysis is the state. The states claiming a share of North Sea resources were Western Germany, the Netherlands, the United Kingdom, Denmark, Belgium, France and Norway. All of these states were governed by liberal states and therefore there is no variation amongst the state types. However, there is cross-regional variation when we compare the set of states and nature of the geopolitical environment in the North Sea with that in the Arctic and the South China Sea. In the North Sea, the geopolitical environment is cooperative, as all of the states are liberal types. In comparison, the Arctic and the South China Sea are both competitive geopolitical environments because they are

¹⁰¹ Economist}, "Plumbing the depths Inside story: A recent wave of advances is enabling oil companies to detect and recover offshore oil in ever more difficult places."

¹⁰² K.W. Glennie, *Petroleum geology of the North Sea: basic concepts and recent advances* (Wiley-Blackwell, 1998).

populated by non-liberal type states. Thus, comparing the Arctic and the North Sea allows us to observe how liberal states' strategies for competing over resources varied when the geopolitical environment was competitive (the Arctic) vs. cooperative (the North Sea).

The North Sea Case is one of a dog that did not bark. Despite the exogenous exposure of a large supply of private goods in the form of energy reserves, states did not build and project power to compete over these goods. Military coercion did not enter into the bargains over the resources. Instead, the arbitration of the dispute over the division of ocean bed resources was handled through the use of international institutions such as the ICJ (International Court of Justice) and peaceful bilateral agreements.¹⁰³ This is consistent with the expectations of my theory that suggests that liberal states should generally be less interested in private goods than their non-liberal counterparts and should be more likely to cooperate over the provision of club goods such as secure sea-lanes.

The South China Sea

The South China Sea represents a highly competitive geopolitical environment, as the distribution of economic power is multipolar and the environment is made up of mostly non-liberal states—Vietnam, China, Malaysia, Indonesia,—and only two liberal states—Taiwan and the Philippines. This region stands in contrast to the North

¹⁰³ Dana D. Fischer, "Decisions to Use the International Court of Justice: Four Recent Cases," *International Studies Quarterly* 26, no. 2 (1982).

Sea, which is populated by only liberal states, and the Arctic, where the majority of states are liberal. The case is particularly informative from a theoretical perspective, as it allows me observe how states reacted to the exposure of resources in a region in which nearly all states had incompatible interests. Just as in the North Sea and the Arctic, technology has dramatically increased the expected size and value of the resources believed to be found under the sea-bed. It should be noted that the estimates of the total size of the energy reserves in the South China Sea vary tremendously. The USGS estimates that there are only 28 billion barrels that can be extracted, whereas the Chinese estimates range as high as 210 billion barrels.¹⁰⁴ To place this in perspective, if the Chinese estimate is correct, then the South China Sea is home to reserves that contain nearly 80% of the size of Saudi Arabia's oil reserves. My theory suggests that non-liberal states should react to the exposure of resources by projecting power to advance their maritime resource claims. Because the region is comprised of mainly non-liberal states, the theory predicts that the level of geopolitical competition in the South China Sea should be higher than in the North Sea or the Arctic. Therefore, all states in the region should be more likely to build power projection capabilities. I find evidence for both sets of hypotheses. Virtually all states reacted to their highly competitive geopolitical environment by building power projection capabilities. Non-liberal states projected power with greater frequency and intensity to compete over those resources.

¹⁰⁴ Mark Landler, "A New Era of Gunboat Diplomacy," *New York Times*, November 12, 2011, 2011, <http://www.nytimes.com/2011/11/13/sunday-review/a-new-era-of-gunboat-diplomacy.html>.

Identification Strategy: How Exogenous Shocks Allow Us to Estimate the Impact of States' Preferences on Foreign Policy Choice

The size of the pool of appropriable goods has been rapidly increasing since the mid-1990's when large scale energy reserves were found. Before the mid-1990's, it was thought that profitable drilling past six hundred meters of water was technologically infeasible.¹⁰⁵ However, technological advances in surveying techniques, driven by massive advances in 3D-imaging and exponential improvement in computational power, have allowed companies to profitably find and extract energy at much greater depths. By 2000, the maximum operational depth was over 1,000 meters and by 2010 it was up to 3,000 meters beneath the ocean surface.¹⁰⁶ This technological shock has opened up deep-sea energy deposits in places like the South China Sea where drilling was previously believed to be impossible.

The trouble with using the assumption of revealed preferences to infer actors' interests is that we do not know the degree to which their actions are dictated by their preferences or the constraints and opportunities within their environment. Exogenous shocks that externally and rapidly manipulate the actors' environment in ways that cannot be anticipated by the actors *ex ante* can help us deal with this issue. Under these circumstances, I can plausibly use the assumption of revealed preferences to

¹⁰⁵ Economist}, "Plumbing the depths Inside story: A recent wave of advances is enabling oil companies to detect and recover offshore oil in ever more difficult places."

¹⁰⁶ Ibid.

assess states' foreign policy preferences by observing how they reacted to the shock. This allows me to identify the impact of variation in states' preferences for pursuing private goods on their foreign policy choices by observing how they react to the exposure of resources.

The exposure of private goods acts as a moderator variable because it manipulates the size of the payoff for pursuing a particular type of goods in a way that actors cannot control.¹⁰⁷ The manipulation of the moderator variable (the accessibility of private goods) should increase the incentives of all states to project military power to compete over private goods; however, it should make non-liberal states even more likely to project power in comparison to liberal states. The moderator variable is private goods, the independent variable is state type, and the dependent variable is the projection of military power. Specifically, I examine the level of intensity or aggressiveness with which states projected military power to compete over a pool of resources (or private goods) that was exogenously exposed.

Operationalizing the Dependent Variable

My dependent variable is a state's choice to project power to pursue a type of foreign policy. Specifically in my cases, I am interested in explaining why states choose to project power to pursue exclusionary foreign policies. Deploying military force to bargain over control of territory and resources or sea-lanes is an observable

¹⁰⁷ For more on the use of moderator and mediator variables see Reuben M. Baron and David A. Kenny, "The Moderator-Mediator Variable Distinction in Social Psychological Research: Conceptual, Strategic, and Statistical Considerations," *Journal of Personality and Social Psychology* 51, no. 6 (1986).

behavior associated with the choice to project power to pursue an exclusionary foreign policy. My theory suggests that if private goods are exogenously exposed in a region with only liberal states, then they should be less likely to pursue those goods through deploying their military forces in an aggressive and competitive manner. Furthermore, I expect liberal states to be more likely to bargain within the confines of international institutions and less likely to bargain with one another by deploying military force. In contrast, I expect non-liberal (predatory, opportunistic, and extractive) states to generally be more interested in private goods or territory than their liberal counterparts. Therefore, if a set of private goods are exogenously exposed, I expect non-liberal states to more aggressively pursue policies designed to secure those goods. Following Colgan (2013), I define aggression as “a propensity to try and revise the status quo in ways that are contrary to the preferences of other actors.”¹⁰⁸ I cannot directly observe states’ interests or objectives, but I can observe how they react to exogenous change and more plausibly assess their true interests or objectives. Specifically, I assess the nature of maritime resource claims, and whether and how states built and projected military power to bargain over those claims.

To assess states’ claims, I note whether they have made formal (i.e. submitted a claim to the International Seabed Authority to extend their Exclusive Economic Zone) or informal claims (claims not submitted to the ISA) regarding the control of territory or sea-lanes. I operationalize a state’s choice to build power projection capabilities by assessing their announcements, policy papers and any changes in the allocation of the

¹⁰⁸ Colgan, *Petro-aggression : When Oil Causes War*: 44.

military budgets and force structure. Because talk is often cheap (i.e. states often promise to build a submarine, but never deliver), the most salient indicators are changes in the budget and the actual construction of military hardware, units and bases. I operationalize a state's choice to project power by observing when, where and how states choose to deploy their military forces. I observe what types of military units or forces were deployed (i.e. heavily armed bombers or unarmed reconnaissance aircraft). I assess where states have chosen to deploy their forces, such as within their borders as part of a training exercise or outside of their exclusive economic zone (EEZ) and into another state's airspace or area where there are overlapping maritime claims. I also observe the frequency and intensity (how many units and what kind of firepower) with which states chose to deploy their military forces into the area of contested resources.

From these observable behaviors, I can infer how states reacted to the exogenous exposure of resources. If states chose to make expansive claims and to back those claims by building geographically-specific military forces (i.e. bases or icebreakers) and projecting military force to areas under dispute, this tells us that they chose to pursue an exclusionary policy with regards to control over the resources. These indicators will be most informative in the North Sea and Arctic where there was relatively little military activity before exposure of resources. In the South China Sea, this will be more difficult, as the region had experienced a great deal of military competition before the exposure of maritime resources. Therefore, greater caution will

be taken with the interpretation of the indicators in the case of the South China Sea and it may be that alternative hypotheses cannot be ruled out. However, in all cases, if states demonstrate restraint in terms of their claims and do not back their claims by building and projecting military power, then I can infer that they did not choose to pursue an exclusionary policy regarding the exposure of resources.

What is of particular interest is whether states projected military force to bargain over maritime resources claims that fell beyond their EEZ. Projecting power to bargain over the control of resources that fall outside of the projecting state's EEZ is an observable indicator of a state's choice to employ coercion to revise the status quo. The status quo under international law is that each state owns the resources that fall within their EEZ.¹⁰⁹ If states have overlapping EEZs, then the legal precedent of using the median line (the equidistant line between two land masses) represents the status quo. If states project military power in order to get other states to recognize a division other than the median line, then this would present aggressive actions to revise the status quo.

Operationalizing State Type

Identifying the Size of the Winning Coalition

I use a combination of quantitative and qualitative indicators to code the states' types in my cases. Because I cannot directly observe the size of a state's domestic

¹⁰⁹ Those states that have signed and ratified the United Nations Convention on the Law of the Sea (UNCLOS) may submit an application to extend their EEZ to the Commission on the Limit of the Continental Shelf if they have evidence that their continental shelf extends beyond their EEZ.

political coalition, I rely on measures of regime type that should co-vary with the size of the coalition. For this proxy measure of regime type, I rely primarily on the codings used in the Polity IV dataset. Following standard approaches in the literature, I code a state with score of 7 or higher on the Polity scale as a democracy. I use the Democracy and Dictatorship dataset as a robustness check on the qualitative assessments of area specialists.¹¹⁰ I rely on these measures rather than Bueno De Mesquita et al's 2003 measure of *W* in order to avoid some of the measurement issues associated with that particular measure of the winning coalition.¹¹¹

Identifying the Composition of the Winning Coalition

Identifying the composition of the winning coalition is difficult in that I cannot directly observe *ex ante* which individuals are in or out of the coalition. Therefore, when coding the economic interests of the individuals in the winning coalition, I use proxy measures that should co-vary with the economic interests inside the winning coalition. To measure the degree to which the economic interests of the coalition are reliant on land or manufactured goods and services, I utilize indicators such as the percentages of GDP and state revenue that are derived from land (energy, minerals and agriculture) vs. manufactured goods and services. I obtained this data from the World

¹¹⁰ For more on these data sets see Marshall G. Marshall, Keith. Jagers, and Ted R. Gurr, "Political Regime Characteristics and Transitions 1800-2010," ed. University of Maryland. Data retrieved from www.systemicpeace.org/inscr/inscr.htm Polity IV Project (2011). For the Democracy and Dictatorship dataset, see Antonio Jose Cheibub, Jennifer Gandhi, and James Raymond Vreeland, "Democracy and Dictatorship Revisited," *Public Choice* 143, no. 2-1 (2010).

¹¹¹ For a critique of Bueno De Mesquita et al's measure of *W*, see Kevin Clarke and Randall Stone, "Democracy and the Logic of Political Survival," *American Political Science Review* 102, no. 2 (2008).

Bank's World Development Indicators and the CIA Factbook. The key assumption here is that there is a relatively tight relationship between the means by which wealth is generated and political representation within the state's winning coalition. If a society derives a high share of its wealth from land, then those land-oriented interests will have strong political representation within the state's winning coalition.¹¹² As a robustness check on these quantitative indicators, I also rely on qualitative assessments of area specialists regarding the economic interests of the individuals in the winning coalition.

In order to establish a cutoff as to what constitutes a state with land-oriented interests, I follow Collier and Hoffer's definition of high-rent states as: "countries with a natural resource rent percentage of ten or higher."¹¹³ This means that at least 10% of a given state's total GDP is derived from resource rents. Like Collier and Hoeffler, I use data on resource rents as a percentage of GDP from the World Bank Development Indicators.¹¹⁴

Why consider energy resources as land rents? Historically, the principal good produced via land rents was likely fertile agrarian land and metals, such iron, gold and silver. More recently, the principal source of land rents has become energy resources

¹¹² This is a relatively standard assumption that has been used in previous work that examined how states' domestic economic coalitions have influenced their foreign economic policy. See Ronald Rogowski, *Commerce and Coalitions: How Trade Affects Domestic Political Alignments* (Princeton, NJ: Princeton University Press, 1989).

¹¹³ Paul Collier and Anke Hoeffler, "Testing the neocon agenda: Democracy in Resource-Rich Societies," *European Economic Review* 53, no. 3 (2009), 18.

¹¹⁴ For access to the data on resource rents as percentage of GDP see "Total natural resources rents (% of GDP)," World Bank, accessed August 16, 2013 <http://data.worldbank.org/indicator/NY.GDP.TOTL.RT.ZS>. For information on how the data was coded see World Bank, *The Changing Wealth of Nations: Measuring Sustainable Development in the New Millennium* (World Bank, 2011).

in the form of coal, oil and natural gas. Today, these resources dwarf the value of agrarian goods and thus the principal competition over land rents has shifted from control of agrarian land to resource rents. To provide some perspective, according to World Bank estimates, in 1970 agriculture accounted for 9.7% of the value added to global GDP.¹¹⁵ By 2010, this figure had fallen to 3.2% percent. In contrast, in 1970, the World Bank estimates that resource rents as a percentage of global GDP were roughly 1.7%, but by 2010 this figure increased to roughly 5%. This comparison understates the true magnitude of the difference, in that rents only capture supernormal profits rather than the entire value added of resources, which would by definition be larger. A more appropriate comparison would be agrarian rents as a percentage of GDP; however, these estimates do not exist. The central point is that resource rents have become the most valuable flow of wealth that emanates from the physical control of territory. When states own territory, they control, not only the flow of wealth, but also the stocks. For this reason, I have chosen to focus on resource rents as my principal indicator for the degree to which a state relies on the physical control of territory to generate wealth.

Conclusion

This chapter has sought to develop a theory to explain variation in when and why states choose to project military power. I have argued that domestic political coalitions determine why states project power and the level of geopolitical competition

¹¹⁵ <http://data.worldbank.org/indicator/NV.AGR.TOTL.ZS>

determines when states project power. This theoretical framework suggests that if we want to understand what objectives rising power are likely to project power to secure in the future, we need to look not only at their domestic political institutions, but also at the economic interests of those groups that occupy the ruling coalition. The United States has been considered a democracy since late 18th century, but its foreign policy and appetite for territorial aggrandizement have varied tremendously over time. This empirical variation suggests the importance of looking beyond just regime type when explaining variation in states' foreign policy interests.

States' decision of when to project power is driven, not just by their interests, but also by the nature of their geopolitical environment. *Ceteris paribus*, the more threatening the geopolitical environment is, the more likely states will be to build and project military power to protect their interests. The level of threat in the geopolitical environment is a function of the relative power, geographic proximity, and type of state in the international system. This provides an explanation for why a shift towards economic multipolarity is increasingly associated with military multipolarity in Asia, but not Europe. States in Europe are liberal types, the foreign policy objectives they are interested in (securing sea-lanes and access to markets) are already being provided by another powerful liberal state (the U.S.). Moreover, these states do not find one another threatening and are not geographically proximate to any state that might threaten their interests.

This is not the case in Asia, where a number of states find that they are

geographically proximate to an increasingly powerful China with which they have competing interests. Here, Asian states have sunk some of the gains from economic growth into building regional power projection capabilities, such as increasingly powerful surface warships, submarines, expeditionary units, fighters, conventional cruise and ballistic missiles, improved C4SI and increased airlift capabilities. Even Japan, which has maintained a pacifist constitution since 1945, has recently announced that it plans to invest in more substantial military capabilities to protect its interests.¹¹⁶ Japan recently backed these statements by launching its largest warship since World War II, a 28,000 ton helicopter carrier with an 814-foot flight deck that could be used launch fixed-wing aircraft (effectively making it an aircraft carrier).¹¹⁷ Not to be outdone, days later, India launched its second aircraft carrier—its first to be indigenously built and designed.¹¹⁸ Meanwhile, China launched its first aircraft carrier in the fall of 2012 and has announced plans to build additional carriers.¹¹⁹ These investments are shifting the balance of forces and increasing the reach and coercive influence of rising powers. What type of foreign policy these states choose to pursue with these capabilities will be of interest to both scholars and policy makers alike.

In closing, I have provided an explanation for when and why states project

¹¹⁶ "Japan seeks to boost military spending," BBC, accessed August 8, 2013 <http://www.bbc.co.uk/news/world-asia-20955042>

¹¹⁷ The Economist, "Wide-mothed frog," *The Economist* (August 10, 2013).

¹¹⁸ "Indian-built aircraft carrier INS Vikrant launched," BBC, accessed August 14, 2013 <http://www.bbc.co.uk/news/world-asia-india-23662726>

¹¹⁹ "China Plans New Generation of Carriers as Sea Disputes Grow," Bloomberg News, accessed 2013, August 14 <http://www.bloomberg.com/news/2013-04-24/china-plans-to-build-new-generation-of-bigger-aircraft-carriers.html>

military power that incorporates insights from realism, the democratic peace, and the resource curse. The primary contribution of the theory is that it allows us to make ex ante theoretical predictions regarding which states are most likely to project power and what types of objectives they will be interested in pursuing. The following chapters test these theoretical predictions using a set of exogenous shocks that exposes resources that test my theory regarding why states project power and a large-N quantitative test of my predictions regarding when states project power.

References

- Acemoglu, Daron, and James A. Robinson. *Why Nations Fail : The Origins of Power, Prosperity and Poverty*. 1st ed. New York: Crown Publishers, 2012.
- "Ihs Cera: The Role of Deepwater Production in Global Oil Supply," Associate, Cambridge Energy Research, accessed December 11, 2012, <http://press.ihc.com/press-release/energy-power/ihc-cera-role-d...>
- Bank, World. *The Changing Wealth of Nations: Measuring Sustainable Development in the New Millennium*: World Bank, 2011.
- "Total Natural Resources Rents (% of Gdp)," Bank, World, accessed August 16, 2013 <http://data.worldbank.org/indicator/NY.GDP.TOTL.RT.ZS>
- Baron, Reuben M., and David A. Kenny. "The Moderator-Mediator Variable Distinction in Social Psychological Research: Conceptual, Strategic, and Statistical Considerations." *Journal of Personality and Social Psychology* 51, no. 6 (1986): 1173.
- Baum, Matthew A., and David A. Lake. "The Political Economy of Growth: Democracy and Human Capital." *American Journal of Political Science* 47, no. 2 (2003): 333-47.
- "Indian-Built Aircraft Carrier Ins Vikrant Launched," BBC, accessed August 14, 2013 <http://www.bbc.co.uk/news/world-asia-india-23662726>
- "Japan Seeks to Boost Military Spending," BBC, accessed August 8, 2013 <http://www.bbc.co.uk/news/world-asia-20955042>
- Blanken, Leo J. *Rational Empires: Institutional Incentives and Imperial Expansion*. Chicago: University of Chicago Press, 2012.
- Boulding, Kenneth. *Conflict and Defense*. New York: Harper and Brothers, 1962.
- Boxer, Charles Ralph. *The Dutch Seaborne Empire, 1600-1800*. London: Knopf, 1965.
- Brautigam, Debroah, and Tang Xiaoyang. "African Shenzhen: China's Special Economic Zones in Africa." *The Journal of Modern African Studies* 49, no. 01 (2011): 27-54.

- Brooks, Stephen. *Producing Security: Multinational Corporations, Globalization, and the Changing Calculus of Conflict*. Princeton, NJ: Princeton University Press, 2005.
- Bueno de Mesquita, Bruce, Alastair Smith, Randolph M. Siverson, and James D. Morrow. *The Logic of Political Survival*. Cambridge, MA: MIT Press, 2003.
- Buhaug, Halvard, and Nils Peter Gleditsch. "The Death of Distance? The Globalization of Armed Conflict." In *Territoriality and Conflict in an Era of Globalization*, edited by Miles Kahler and Barbara Walter. Cambridge: Cambridge University Press, 2006.
- Carter, David .B. "The Strategy of Territorial Conflict." *American Journal of Political Science* 54, no. 4 (2010): 969-87.
- Chapman, Duane. "Gulf Oil and International Security." In *Energy Security and Global Politics: The Militarization of Resource Management*, edited by D. Moran and J.A. Russell: Taylor & Francis, 2008.
- Cheibub, Antonio Jose, Jennifer Gandhi, and James Raymond Vreeland. "Democracy and Dictatorship Revisited." *Public Choice* 143, no. 2-1 (2010): 67-101.
- "The United States," CIA-Factbook, 2012 <https://http://www.cia.gov/library/publications/the-world-factbook/geos/us.html>
- Clarke, Kevin, and Randall Stone. "Democracy and the Logic of Political Survival." *American Political Science Review* 102, no. 2 (2008): 387--92.
- Colgan, Jeff. *Petro-Aggression : When Oil Causes War*. Cambridge: Cambridge University Press, 2013.
- Colgan, Jeff D. "Oil and Revolutionary Governments: Fuel for International Conflict." *International Organization* 64, no. 04 (2010): 661-94.
- Coll, Steve. *Private Empire : ExxonMobil and American Power*. New York: Penguin Press, 2012.
- Collier, Paul, and Anke Hoeffler. "Testing the Neocon Agenda: Democracy in Resource-Rich Societies." *European Economic Review* 53, no. 3 (2009): 293-308.
- Cox, Gary W. "Predatory States and the Market for Protection." In *Working Paper*, 2010.

- Daron, Acemoglu, Johnson Simon, and James A. Robinson. "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution." *The Quarterly Journal of Economics* 117, no. 4 (2002): 1231-94.
- Dorussen, Han. "Heterogeneous Trade Interests and Conflict: What You Trade Matters." *Journal of Conflict Resolution* 50, no. 1 (2006): 87--107.
- Downs, Erica. "The Fact and Fiction of Sino-African Energy Relations." *China Security* 3, no. 42-86 (2007).
- Dunning, Thad. "Resource Dependence, Economic Performance, and Political Stability." *Journal of Conflict Resolution* 49, no. 4 (2005): 451--82.
- Economist, The. "Can Russia Create a New Silicon Valley?" *The Economist*, July 14, 2012, 2012.
- Economist, The. "Wide-Mothed Frog." *The Economist* (August 10, 2013).
- Economist}, {The. "Plumbing the Depths inside Story: A Recent Wave of Advances Is Enabling Oil Companies to Detect and Recover Offshore Oil in Ever More Difficult Places." *The Economist* (May 4th 2010).
- Evans, Peter B. "Predatory, Developmental, and Other Apparatuses: A Comparative Political Economy Perspective on the Third World State." *Sociological Forum* 4, no. 4 (1989): 561-87.
- Fearon, James D. "Two States, Two Types, Two Actions." *Security Studies* 20, no. 3 (2011): 431-40.
- Fischer, Dana D. "Decisions to Use the International Court of Justice: Four Recent Cases." *International Studies Quarterly* 26, no. 2 (1982): 251-77.
- Fordham, Benjamin. "The Domestic Politics of World Power: Explaining Debates over the United States Battleship Fleet, 1890-91." *Working Paper* (2010).
- Fry, Joseph A. "From Open Door to World Systems: Economic Interpretations of Late Nineteenth Century American Foreign Relations." *Pacific Historical Review* 65, no. 2 (1996): 277-303.
- Gaddis, John Lewis. *The Cold War: A New History*. New York: Penguin, 2005.
- Gholz, Eugene, and Daryl Press. "Protecting the Prize: Oil and the Us National Interest." *Security Studies* 19, no. 3 (2010): 453-85.

- Gleditsch, Kristian S., and Michael D. Ward. "Measuring Space: A Minimum Distance Data Set." *Journal of Peace Research* 38, no. 4 (2001): 749--68.
- Gleditsch, Kristian Skrede. "Distance between Capital Cities." n.d.
- Glennie, K.W. *Petroleum Geology of the North Sea: Basic Concepts and Recent Advances*: Wiley-Blackwell, 1998.
- Gourevitch, Peter. *Politics in Hard Times: Comparative Responses to International Economic Crises*. Ithaca: Cornell University Press, 1986.
- Hainsworth, D.R. Churches, Christine Hainsworth Roger. *The Anglo-Dutch Naval Wars 1652-1674*. Gloucestershire: Sutton Publishing Limited, 1998.
- Horowitz, Michael, and Allan Stam. "How Prior Military Experience Influences the Future Militarized Behavior of Leaders." *International Organization* (Forthcoming).
- Ikenberry, G. John. *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order after Major Wars*. Princeton, NJ: Princeton University Press, 2001.
- Kennan, George F. "The Sources of Soviet Conduct." *Foreign Affairs* (1947).
- Kennedy, Paul. *The Rise and Fall of the Great Powers: Economic Change and Military Power from 1500 to 2000*. New York: Random House, 1987.
- Krasner, Stephen D. *Defending the National Interest: Raw Materials Investments and Us Foreign Policy*: Princeton University Press, 1978.
- LaFeber, Walter. *The Clash: U.S.-Japanese Relations Throughout History*. New York: W. W. Norton, 1997.
- LaFeber, Walter. *The New Empire: An Interpretation of American Expansion*. Ithaca, NY: Cornell University Press, 1963.
- Lake, David A. "Powerful Pacifists: Democratic States and War." *The American Political Science Review* 86, no. 1 (1992): 24-37.
- Lake, David A., and Matthew A. Baum. "The Invisible Hand of Democracy: Political Control and the Provision of Public Services." *Comparative Political Studies* 34, no. 6 (2001): 587-621.

- Lake, David, and Angela O'Mahony. "The Incredible Shrinking State: Explaining the Territorial Size of Countries." *Journal of Conflict Resolution* 48, no. 5 (2004): 699--722.
- Landler, Mark. "A New Era of Gunboat Diplomacy." *New York Times*, November 12, 2011, 2011, <http://www.nytimes.com/2011/11/13/sunday-review/a-new-era-of-gunboat-diplomacy.html>.
- Lane, Frederic C. *Profits from Power: Readings in Protection Rent and Violence-Controlling Enterprises*. Albany: SUNY Press, 1979.
- Larson, Deborah Welch. *Origins of Containment a Psychological Explanation*. Princeton, NJ: Princeton University Press, 1985.
- Lemke, Doug. *Regions of War and Peace*. Cambridge: Cambridge University Press, 2002.
- Levi, Margaret. *Of Rule and Revenue*. Berkeley, CA: University of California Press, 1988.
- Levy, Jack S., and William R. Thompson. "Balancing on Land and at Sea: Do States Ally against the Leading Global Power?" *International Security* 35, no. 1 (2010): 7-43.
- "Fortune 500 " Magazine, *Fortune*, <http://money.cnn.com/magazines/fortune/fortune500/>
- "Bp Builds World's Largest Supercomputing Complex for Exploration Applications," *Magazine, Offshore*, accessed 12/11, 2012 <http://www.offshore-mag.com/articles/2012/12/bp-builds-worlds-largest-supercomputing-complex.html>
- Markowitz, Jonathan N., and Christopher J. Fariss. "Going the Distance: The Price of Projecting Power." *International Interactions* 39, no. 2 (2013): 119-43.
- Marshall, Marshall G., Keith. Jagers, and Ted R. Gurr. "Political Regime Characteristics and Transitions 1800-2010." edited by University of Maryland. Data retrieved from [www. systemicpeace. org/inscr/inscr. htm](http://www.systemicpeace.org/inscr/inscr.htm) Polity IV Project, 2011.
- Mazaheri, Nimah. *Oil States, the Private Sector, and the Political Economy of Policy Reform: PhD Dissertation*, University of Washington, 2011.
- Menaldo, Victor. "The Institutions Curse: The Theory and Evidence of Oil in Weak States." Working Paper (N.D.).

- Modelski, George, and William R. Thompson. *Seapower in Global Politics, 1494--1993*. Seattle, WA: University of Washington Press, 1988.
- "China Plans New Generation of Carriers as Sea Disputes Grow," News, Bloomberg, accessed 2013, August 14 <http://www.bloomberg.com/news/2013-04-24/china-plans-to-build-new-generation-of-bigger-aircraft-carriers.html>
- "Treaty of Guadalupe Hidalgo (1848)," ourdocuments.gov, accessed May 14, 2014 <http://www.ourdocuments.gov/doc.php?flash=true&doc=26>
- Rampal, P, J Weiss, C Dubois, and JM Campin. "Ipcc Climate Models Do Not Capture Arctic Sea Ice Drift Acceleration: Consequences in Terms of Projected Sea Ice Thinning and Decline." *Journal of Geophysical Research* 116 (2011): C00D07.
- Ramsay, Kristopher W. "Revisiting the Resource Curse: Natural Disasters, the Price of Oil, and Democracy." *International Organization* (2011): pp. 507–29.
- Reed, Collin. *Bp and the Macondo Spill*. New York: Palgrave Macmillan, 2011.
- Robinson, James A. "When Is a State Predatory?": University of Southern California, 1997.
- Roeder, Phillip. *Red Sunset: The Failure of Soviet Politics*: Princeton University Press, 1993.
- Rogowski, Ronald. *Commerce and Coalitions: How Trade Affects Domestic Political Alignments*. Princeton, NJ: Princeton University Press, 1989.
- Ross, Michael L. "Does Oil Hinder Democracy?" *World Politics* 53, no. 3 (2001): 325--61.
- Ross, Michael L. "The Political Economy of the Resource Curve." *World Politics* 51, no. 2 (1999): 297-322.
- Russett, Bruce, and John R. Oneal. *Triangulating Peace: Democracy, Interdependence, and International Organizations*. New York: W. W. Norton, 2001.
- Samuelson, Paul A. "The Pure Theory of Public Expenditure." *The Review of Economics and Statistics* 36, no. 4 (1954): 387-89.
- Sandler, Todd. *Collection Action: Theory and Applications*. Ann Arbor: University of Michigan Press, 1992.

- Schweller, Randall L. "Bandwagoning for Profit: Bringing the Revisionist State Back In." *International Security* 19, no. 1 (1994): 72-107.
- Shirk, Susan L. *The Political Logic of Economic Reform in China*: University of California Press, 1993.
- Siverson, Randolph M., and Harvey Starr. "Opportunity, Willingness, and the Diffusion of War." *American Political Science Review* 84, no. 1 (1990): 47--67.
- Snyder, Jack L. *Myths of Empire: Domestic Politics and International Ambition*. Ithaca: Cornell University Press, 1991.
- Sokoloff, Kenneth L., and Stanley L. Engerman. "History Lessons: Institutions, Factors Endowments, and Paths of Development in the New World." *The Journal of Economic Perspectives* 14, no. 3 (2000): 217-32.
- Solingen, Etel. *Regional Orders at Century's Dawn: Global and Domestic Influences on Grand Strategy*. Princeton: Princeton University Press, 1998.
- Starr, Harvey, and Benjamin A. Most. "The Substance and Study of Borders in International Relations Research." *International Studies Quarterly* 20 (1976): 581--620.
- Tilly, Charles. *Coercion, Capital, and European States, Ad 990-1990*. Cambridge, MA: Basil Blackwell, 1990.
- Tullock, Gordon. "Rent Seeking as a Zero-Sum Game." In *Toward a Theory of the Rent-Seeking Society*, edited by James M. Buchanan, Robert D. Tollison and Gordon Tullock. College Station, Texas: Texas A & M University Press, 1980.
- Vasquez, John A. "Why Do Neighbors Fight -- Proximity, Interactions, or Territoriality?" *Journal of Peace Research* 32 (1995): 277-93.
- Victor, Nadejda, and Inna Sayfer. "Gazprom: The Struggle for Power." In *Oil and governance : state-owned enterprises and the world energy supply*, edited by David R. Hults, Mark C. Thurber and David G. Victor. Cambridge: Cambridge University Press, 2012.
- Walt, Stephen M. *The Origins of Alliances*. Ithaca, NY: Cornell University Press, 1987.

Weeks, Jessica. "Strongmen and Straw Men: Authoritarian Regimes and the Initiation of International Conflict." *American Political Science Review* 106, no. 2 (2012).

Williams, William Appleman. *The Tragedy of American Diplomacy*. Second Revised and Enlarged Edition ed. New York: Dell Publishing, 1972.

Chapter 3

When Do States Build Blue Water Navies? A Quantitative Test of the Theory of Geopolitical Competition

with Christopher J. Fariss

Introduction

In the late 19th and early 20th century, European powers continued their long tradition of building and projecting military force to compete with one another over control of and access to trade, territory, and resources. However, over the past seven decades, a remarkable decline in the number of European states building and projecting military power has occurred. One might contrast this development with the recent trend in Asia, where a number of states are rapidly modernizing their naval, air, and expeditionary warfare capabilities, thus increasing their ability to project power (e.g., Bitzinger, 2011; Cheung, 2011; Yoshiara, and Holmes, 2010). Why is it that most European states have purposefully decreased their ability to project power, while states in Asia are now increasing their power projection capabilities?

We argue that the level of geopolitical competition in the international system influences states to build and project military power. We suggest that the level of geopolitical competition is not only a result of the global distribution of power, but also the type of the states in the international system and the degree to which their interests are compatible.¹ We derive our argument from our theory of geopolitical competition, which combines structural factors (geography and distribution of power) with domestic variables (regime type) to explain the level of geopolitical competition that each state faces. A states relative economic power and the level of geopolitical competition it faces is then used to predict whether it chooses to build power projection capabilities. Our theory predicts that states will be most likely to build power projection capabilities when they are economically powerful and face a highly competitive geopolitical environment. We assess this proposition: that states will be more likely to build power projection capabilities when they perceive their

¹Our theory of geopolitical competition builds on insights from structural realism regarding how geography and changes in the distribution of power should affect the level of geopolitical competition in the international system. We also incorporate insights from the literature on the democratic peace concerning how domestic political institutions affect the level of interest compatibility between states.

environment to be more threatening. Conversely, when states perceive the geopolitical environment to be less threatening, they are less likely to build power projection capabilities.

The case studies in this dissertation focus principally on the testing theory of foreign policy. In contrast, the goal of this chapter is to test the theory of geopolitical competition laid out in Chapter Two. This chapter tests the proposition that a state's geopolitical environment is conditioned, not just by geography and the distribution of power, but also by the level of interest compatibility between states. In our theory of geopolitical competition, type determines states levels of interest compatibility, which in turn is a function of both their economic interests and domestic political institutions. Because this test covers such a long time period (1880-1993), it is not yet possible to obtain data to code states economic interests. Therefore, we are only able to test our proposition concerning the effect of states domestic political institutions on their relative interest compatibility. Thus, our measure of geopolitical competition only incorporates variation in states domestic political institutions to code their type. We make this tradeoff because it allows us to test our theory over a much longer period of time in which there is greater variation in both the distribution of power, and the outcome of interest (a states choice to build power projection capabilities). Future tests may incorporate states economic interests, but until there is better data coverage, such tests will only be able to cover the period from 1970 onward. Given that our theory is designed to test how states interest compatibility conditions changes in the distribution of power, this is a relatively short time period. In short, this is why we have chosen to cover a longer time period at the expense of losing the ability to test our propositions regarding a states economic interests.

Road Map

We begin by briefly reviewing the argument derived from our theory of geopolitical competition. We then develop and apply a measure of geopolitical competition to explain why states build power projection capabilities, specifically naval ships, which have again become important tools of statecraft.² Next, we lay out our operationalization of geopolitical competition, which allows us to empirically evaluate the degree to which states find their strategic environment competitive and then relate that variable to state behavior using data from 1880-1993. We show that competitive environments influence states to develop power projection capabilities, as measured by the number of naval capital ships from Modelski and Thompson (1988). We also demonstrate the predictive power of our model with an out-of-sample test for the year 2008. We conclude with both the theoretical and policy implications of our findings.

Our Theory of Geopolitical Competition: Combining Insights from Structural Realism and the Democratic Peace

Our goal is to move beyond the intuitive insight that as states become more powerful they tend to project power at greater distances (Boulding, 1962). Previous research examined the degree to which opportunity or supply-side variables, such as technological innovation and economic scale, explain the decision to project military power (Markowitz and Fariss, 2013). We build on this research by developing and testing a theory that uses demand-side variables to explain a state's willingness to project power. We want to explain not just the general relationship between power and distance, but also why some powerful states develop power projection capabilities while other powerful states do not.

²For evidence of this claim, one need look no further than Asias rapid naval modernization.

We argue that states choose to build power projection capabilities based on the nature of their geopolitical environment. The higher the level of geopolitical competition, the more likely states will be to build power projection capabilities. The nature (i.e. the level of competition) of each states geopolitical environment is a function of the distribution of economic power, geographic proximity to other states and the compatibility of their interests with other states in the system. More precisely, a competitive geopolitical environment is one in which the following conditions are met: 1) more than one state has the economic power necessary to build power projection capabilities (two or more poles); 2) at least one of those states is capable of reaching the others militarily (geographical proximity); and 3) states have incompatible interests, that is, at least one of the states has a preference to pursue exclusionary policies (i.e. autocratic states). If the distribution of economic power is multipolar and states are geographically proximate, then the level of interest compatibility among states plays the key causal role in determining the level of geopolitical competition. Below, we explicate how each factor operates to affect the level of geopolitical competition in the international system.

Building and projecting military power is an expensive proposition and therefore only states that possess a certain level of scale and wealth are capable of doing so. Although we define power projection as the deployment of military force beyond a state's borders, the substantive phenomenon that we are interested in is when states choose to build regional or global power projection capabilities. Estimating the precise level of wealth that is necessary to project power is difficult. However, with rare exception, only states among the world's largest economies have the capability to successfully build and project military power globally (Horowitz, 2010). Our theory is designed to explain the willingness of states with medium to large economies — those that actually have a choice in the matter — to project power.

States with small economies do not project power, as even if they had the willingness, they lack the ability. We want to explain not just the general relationship between power and distance, but also why some economically powerful states develop power projection capabilities while other powerful states do not.

Theoretical Constructs of Geopolitical Competition

The Distribution of Economic Power

First, in order for the geopolitical environment to be competitive, the distribution of power must be one in which states possess the economic power to build and project military power. For example, if the distribution of economic power is hegemonic and only one state possesses the economic power to build and project military power, then the geopolitical environment cannot be competitive. We note here that military potential is operationalized as a state's gross domestic product (GDP), as measured by purchasing power parity (PPP) in 1990 US dollars.

A necessary condition for a competitive geopolitical environment is that two or more states possess the economic power to build power projection capabilities (i.e. a multipolar distribution of economic power). However, this is not a sufficient condition, as economic multipolarity does not necessarily result in military multipolarity. A shift from economic unipolarity to economic multipolarity is generally the result of other states catching up economically and is not a strategic choice, as most states are striving to maximize economic growth. In contrast, a shift from military unipolarity to military multipolarity represents a strategic choice by other states to convert economic power into military capabilities. Today, though the international system is increasingly economically multipolar, most European states have not chosen to convert their economic wealth into the development of additional military capabilities. In fact, the average percentage of GDP that European states

have dedicated to maintaining their military forces has steadily decreased, despite pleas from their American allies. In contrast, Asia, which is also economically multipolar, is increasingly militarily multipolar. Economic multipolarity is part of the structure of the system, but military multipolarity is a product of the choices of the actors in the system. We seek to model this choice.

Geographic Proximity

Second, distance or the proximity between states, influences the degree to which states must take into account the interests and capabilities of other states in the international system. Previous work on military competition and conflict has concentrated on the relationship between geographic proximity and conflict.³ As the distance changes, so does relative power because of the loss of strength gradient (Boulding, 1962). Russett and Oneal demonstrate empirically that “distance is the most important constraint” on power projection (2001). Thus, geographic proximity conditions the impact of the distribution of potential power. States that are close to one another should be more concerned about each others interests and intentions relative to states that are further away.

For example, the rise of German economic power in the 19th century illustrates this dynamic. Germanys economic rise was threatening to Britain because British economic and strategic interests were increasingly within reach of Germanys power. Were Germany to build a powerful navy (and it eventually did), it would be able to threaten English access to sea-lanes (the economic lifeline to its vast trading empire). Japans economic rise posed less of a threat to Britain’s core interests because it was half a world away. Japan did eventually threaten Britain’s distant

³See for example, work by Aleprete and Hoffman (2012); Braithwaite (2006); Carter (2010); Enterline (1998); Gleditsch (1995); Gleditsch and Ward (2000); Lemke (1995); Most and Starr (1980, 1989); O’Laughlin (1987); Siverson and Starr (1990); Starr and Most (1976); Starr (2002); Starr and Thomas (2005); Vasquez (1995).

colonies, but it could not mount a blockade of the British Isles. Therefore, London constructed a naval force structure and foreign policy doctrine designed to counter Germany instead of Japan. All else equal, the more geographically proximate states are, the greater their potential threat, and the heavier they weigh in each states strategic calculation of the nature of their geopolitical environment.

Interest Compatibility

The third condition for a competitive geopolitical environment is that it must be populated by states that possess incompatible interests over the international order or the distribution of goods. We assume that states seek to maximize their own interests. Therefore, the more similar states interests are, the less threatening they should be to one another. States will have little use for expensive power projection capabilities if all the states in the system possess high levels of interest compatibility. So what explains variation in states interests? We incorporate a theory of foreign policy interests to explain variation in the interests of states and their relative compatibility. We argue that democratic states have more compatible interests than autocratic states. Scholars working in the democratic peace literature have produced a number of explanations for why democracies do not fight one another. In building a theory of interest compatibility, WE focus on the explanations for why democracies have fewer serious disagreements among one another — disagreements that could lead to war — rather than why their disagreements are less likely to end in war in the first place. Two sets of explanations have used interest compatibility to justify why democratic dyads have fewer significant disagreements. The first replies on democratic political institutions (Lake, 1992; Bueno De Mesquita et al., 2003), and the second on shared norms (Doyle, 1986; Maoz and Russett, 1993; Owen, 1994; Tomz and Weeks, 2013).

We will focus on the domestic political institutional explanation, however, we recognize that there is empirical support for both sets of explanations and this chapter does not seek to assess which is superior. For our theory, the key claim is that democracies will have more compatible interests with one another than non-democracies.

Previous research suggests that democratic political institutions generally influence states foreign policy interests in two ways: first, by constraining their incentive to pursue rents and territory (Lake, 1992) and secondly, by shifting their preference to pursue private rather than public goods (Bueno De Mesquita et al., 2003). Lake argues that democratic political institutions explain why autocracies are less constrained in their rent-seeking than democracies because democratic states who engage in rent-seeking that harms society can be more easily punished via electoral institutions, while autocrats face no such constraints Lake (1992).

Research on the relationship between democratic political institutions and public goods provision suggests that democracies should have stronger incentives to produce club or public goods for their own citizens (Bueno De Mesquita et al., 2003; Lake and Baum, 2001; Baum and Lake, 2003). Democratic states must maintain the support of broad sections of society and therefore have larger domestic political coalitions. Thus, they face stronger incentives to enact policies designed to distribute goods broadly, rather than narrowly. Policies that generate public or club goods are largely more efficient for distributing goods broadly. We are less interested in the degree to which these goods are purely public or private and more interested in the degree to which democratic political institutions incentivize state leaders to distribute goods broadly and limit rent-seeking.

Autocratic states, in contrast, seek to maintain the support of a small number of individuals and therefore private goods are a more efficient means for them to

deliver benefits to their supporters. The degree to which a regime seeks rents or private goods matters for two reasons: first, it affects their propensity to pursue territory as a source of land rents (Lake, 1992) and private goods (Bueno De Mesquita et al., 2003), and second, it affects their propensity to pursue exclusionary policies to extract monopoly rents by restricting economic competition. Theoretical work on the effect of democratic political institutions has suggested that democracies should be less likely than autocracies to pursue territory because the private goods generated from its conquest are more likely to rapidly dilute as they are redistributed to a larger winning coalition (Bueno De Mesquita et al., 2003). Empirical work has found that democracies are indeed less likely to pursue expansionist policies to take territory (Lake, 1992; Bueno De Mesquita et al., 2003; Huth and Allee, 2003). Previous research has also found that pairs of democracies are more likely to maintain free trade with one another in comparison to dyads that include one or more autocracies (Mansfield, Milner and Rosendorff, 2000).

Thus, because democracies seek to secure non-rival goods (club or public), they should be more likely to pursue foreign policies designed to generate such goods. Examples of non-rival goods include secure sea-lanes and access to markets. Once sea-lanes have been secured, their consumption is relatively non-rival for the citizens of a state. Market access is a similar, if less pure, form of a public good in that its consumption is sometimes rival. However, market access broadly benefits society at large, as consumers have access to cheaper goods and producers have more customers for their exported products.⁴

Thus far, we have focused principally on why non-rival and positive-sum goods are a more efficient means for a democratic state to broadly distribute goods to their citizens. We now explain how democratic states preferences for pursuing

⁴This is not to say that market access does not have distributional consequences with winners and losers, but rather that greater market access generally benefits society broadly.

non-rival goods, such as secure sea-lanes, or positive-sum goods, such access to markets, make their interests inherently more compatible with one another. Non-rival goods are easier to share because their benefits do not decrease as they are consumed by a larger number of individuals. Positive-sum goods increase incentives to cooperate because they generate a surplus that can be redistributed to make both parties better off. In comparison, private goods that are zero-sum, such as control over territory, resources or rents, increase the incentives to compete, as one sides gain is necessarily another sides loss.

Therefore, because democratic states have strong incentives to cooperate over the provision of non-rival and/or positive-sum goods and weaker incentives to exclude one another from accessing markets or sea-lanes, they possess more compatible interests. In effect, this means that democratic states find one another less threatening to each others interests. Economic multipolarity will not result in military competition between these states because democratic states have compatible interests. Moreover, democratic states do not possess strong interests in the exclusion of others from accessing markets or sea-lanes and disagreements between democratic states are not efficiently addressed by using military force.

In contrast, autocratic states possess stronger incentives to pursue exclusionary foreign policies and these types of policies are inherently threatening to all other states. Autocratic states possess domestic political institutions which incentivize them to seek rents through excluding other states from accessing markets and sea-lanes (monopoly rents) or directly controlling territory or resources (land rents). Because these states have stronger incentives to pursue exclusionary policies, they pose a far greater threat to the interests of all other states. Therefore, the presence of autocratic states in the system increases the incentives of all states to arm. Thus, if democratic states are the only powerful types in the region, then the

geopolitical environment should be less threatening to other democratic states. This is because democratic states are less likely to employ military force to seek to exclude one another from accessing territory, markets, and resources ⁵

For these democratic states, if no other state seeks to limit their access to goods, then maintaining power projection capabilities will be a costly burden rather than a valuable asset for achieving their objectives. Because of their high level of interest compatibility, European powers do not find each other, or the U.S., threatening. They are happy to free-ride off the security provided by Washington, rather than building their own capabilities. Most of the goods (i.e. secure sea-lanes and market access) that European states want are already being provided by Washington. This is why a return to economic multipolarity in Europe is not associated with states arming.

Even if states are powerful and geographically proximate they should not find one another threatening if their interests are so similar that there are no disagreements that could lead to war. Thus, in order for the security dilemma to obtain, states must have incompatible interests (i.e. differences that are great enough to lead to disagreements that could end in war). If states have compatible interests and can identify this compatibility *ex ante*, then they will have little incentive to waste valuable resources arming against one another. In short, interest incompatibility lies at the heart of security dilemma. Without interest incompatibility there should be no security dilemma and thus changes in relative power should not be associated with changes in the level of geopolitical competition between states.

Power and geographic proximity provide the opportunity for states to interact with another, but interest incompatibility drives the willingness of states to interact competitively. In summary, the geopolitical environment will be most competitive

⁵There is a large literature on why distance and democratic intentions make the United States a relatively less threatening state. See Ikenberry (2000) and Levy and Thompson (2010).

when there is economic multipolarity, when states are geographically proximate and when the states have high levels of interest incompatibility. From this set of suppositions, we arrive at the following hypothesis:

Hypothesis: *The more competitive a state's strategic environment, the more likely they will be to build power projection capabilities.*

Research Design

We operationalize geopolitical competition by taking into account each state's unique position within the geography of the international system. We then show that competitive environments influence leaders to develop power projection capabilities, as measured by the number of capital ships built by states from 1880-1993. We also demonstrate the predictive power of our model with an out of sample test for the year 2008.⁶

Geopolitical Competition

The measure of geopolitical competition allows us to operationalize the level of threat that each individual leader faces by taking into account the relative level of power (or military potential) of all other leaders in the system, the compatibility of interests with the other leaders in the system, and the relative distance between the state of the leader and all other states. Thus, a unique measure of the level of competition or threat in the geopolitical environment is produced for each state each year, which captures the potential threat of all other states in the system. The details of the operationalization are as follows.

To operationalize the $Competition_{it}$ variable, let $i = \{1, \dots, N\}$ index countries, $j = \{1, \dots, J\}$ index all of country i 's neighbors (no matter the distance

⁶All of the data generation and analyses reported here were conducted in R (R Development Core Team, 2012). The code and data will be made publicly available in a Dataverse archive.

between i and j), and $t = \{1880, \dots, 1993\}$ index years. $Competition_{it}$ is a country-year variable which makes use of information from all of the other states in the international system in a given year, which are indexed by j . The information from each of the other j states is weighted by their distance from a specific state i .

Let d_{ijt} measure the distance between the capital city of state i and the capital city of state j in year t . Note that $i \neq j$; that is, we do not consider the influence of a country on itself. d_{ijt} is defined for each country-year pair in each year using the longitude and latitude coordinates for each state's capital city. The equation $d_{ijt} = \text{acos}(\sin(\text{lat}_{it}) * \sin(\text{lat}_{jt}) + \cos(\text{lat}_{it}) * \cos(\text{lat}_{jt}) * \cos(\text{lon}_{it} - \text{lon}_{jt})) * \text{radius}$ captures the shortest distance over the globe, where d_{ijt} is the distance between state i 's capital city and state j 's capital city. $\text{lat}_i, \text{lat}_j, \text{lon}_i, \text{lon}_j$, are the latitude and longitude locations for state i and state j respectively. These values vary little over time but we calculate d_{ijt} for each year t since there are changes to the international system over the period of our study. The *radius* of the earth is measured in kilometers, which is approximately 6,378.7 km. These data are from the *Distance Between Capitals dataset* (Gleditsch and Ward, 2001; Gleditsch, n.d.).

Close states are potentially more threatening than states that are relatively farther away. The inverse distance creates a weight, w_{ijt} , which captures this intuition. It is defined as $w_{ijt} = \frac{1}{(\ln(d_{ijt}+1)+1)}$. In words, w_{ijt} is the inverse of the natural log of distance d_{ijt} in km between state i and state j in year t . The measure operationalizes the insight that states which are geographically proximate to country i are more influential on the behavior of that country than states that are far away. Note that it is a country-year specific variable that is unique for each state in each year.

As we describe earlier in the chapter, only certain states will be potentially threatening to others. That is, two liberal states are not threatening to one another, which follows from the argument put forth by the democratic peace literature. We

therefore define p_{ijt} as 0 if state i and its neighbor, state j , are both democracies in year t . p_{ijt} is otherwise coded as 1 when this is not the case. A coding of 1 captures potentially hostile relationships between democracy-autocracy country-year pairs and autocracy-autocracy country-year pairs. To operationalize this variable, we use the Polity scores of the country-year pairs. If both states have a Polity score greater than 7, then they are not considered threatening to one another because they have compatible interests and are therefore coded 0 (Marshall, Jaggers and Gurr, 2010). All other country-year pairs are considered potentially threatening because of incompatible interests and therefore coded 1.

States with the largest economies in the system represent the most potentially threatening adversaries to other states (i.e., the economic poles). States with small economies are relatively less threatening than states with large economies. This is so because of the ability of states with large economies to develop and deploy power projection capabilities. To incorporate this idea into the variable, we define g_{jt} as the potentially threatening state's economic capacity measured by gross domestic product (GDP) in year t . Economic power is measured using historic GDP data, developed by Madison (2012).

For this component of the $Competition_{it}$ variable, we transform the total gross domestic product GDP of each of state i 's j neighbors into a proportion by dividing by $\sum_i g_{it}$, which is the total world GDP of all i states in a given year t . This allows us to capture the relative importance of large economies consistently over time. For example, proportionally large economies like Imperial Japan or contemporary China are potentially threatening to their contemporaries in the system. We are now able to formally define geographic competition for country i in year t , based on all other j states in the international system as:

$$Competition_{it} = \frac{\sum_j \left(\frac{g_{jt}}{\sum_i g_{it}} * p_{ijt} * w_{ijt} \right)}{\sum_j w_{ijt}} \quad (1)$$

In words, $Competition_{it}$ captures the geographic proximity of economically powerful states that have incompatible interests with state i in year t . If a given state is itself not a democracy, then all economically powerful states are potentially threatening. China today considers potential threats from Japan and the United States. However, if the state is a democracy itself, then only predatory-types are of concern. Japan today considers potential threats from China, but not the United States. Likewise, the United States considers China to be a potential threat but not Japan. Figure 3.1 shows the values of the $Competition_{it}$ each year. Overall, the level of threat decreases for all states over time with a spike around the early period of World War II as states like Germany and Japan experienced rapid economic growth. Note however, that there is still variation within each year and a slight uptick at the very end of the series. In the next section we assess the explanatory power of this variable using a measure of power projection, which we define below.

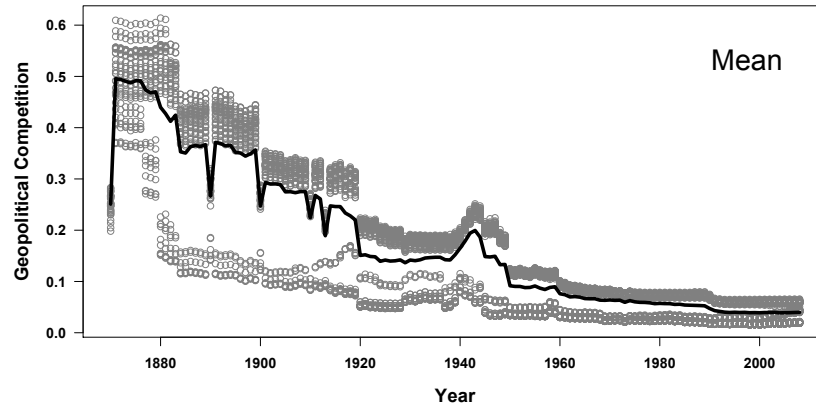


Figure 3.1: Competition Over Time

Development of Power Projection Capabilities

To demonstrate the explanatory power of the $Competition_{it}$ measure, we test for its influence on a measure of power projection capability drawn from Modelski and Thompson (1988). Our theory suggests that there should be a strong relationship between the level of geopolitical competition that a state leader faces and the behavioral choice of developing naval power (capital ships), which is an indicator of power projection capabilities. We define power projection capabilities as the force structure required to deploy military force over distance. To operationalize this concept we use capital ships. A capital ship is a warship of the first rank in size and armament in a navy during a specific time period. The type of ship has changed over time as technological advances have been made. Modelski and Thompson (1988) provide a detailed discussion of the developments of these different ships from 1494 through 1993.

Capital ships are a useful measure for several reasons. First, capital ships, unlike land armies, are not nearly as useful for domestic suppression. Therefore, a leader's decision to build a navy is not likely to be for the purpose of domestic

suppression. Second, no state can project power globally without building capital ships. Thus, a leader's choice to build and maintain capital ships is a costly signal that they seek to build the capabilities to project military force beyond their immediate borders. Some leaders can project power great distances without building capital ships (e.g. pre-20th century Russia); however, no contemporary state has ever projected a substantial amount of conventional forces globally without building a navy. Third, the oceans have increased in relative importance due to increases in maritime trade and the opening of deep-sea maritime resources due to technological innovations. Moreover, as territorial borders have stabilized and the number and intensity of maritime disputes have increased, predicting which states will be likely to enhance their naval capabilities will have important implications for how the global commons is to be governed.

The Modelski and Thompson (1988) data begin measuring the number of capital ships in 1494, however we only make use of the data series beginning in 1880 because of limitations of the measures used to construct the *Competition_{it}* variable. Beginning in 1880 also allows us to assess the buildup of naval power using a common start date across states because, in this year, all of the existing war ships were made obsolete by the development of the first Pre-Dreadnought class battleship (Modelski and Thompson, 1988; Sprout and Sprout, 1943(1980)). To construct the capital ships variables, we make use of the Pre-Dreadnought series of ships (1880-1913), the Dreadnought series of ships (1906-1945) and the Aircraft-carrier series of ships (1917-1993). We make use of the total number of all these ships for our primary analysis but also analyze each of these series separately. See Figure 3.2 for the total number of ships each year in the system each year.⁷

⁷See the appendix for a plot of the proportion of each state's capital ships each year.

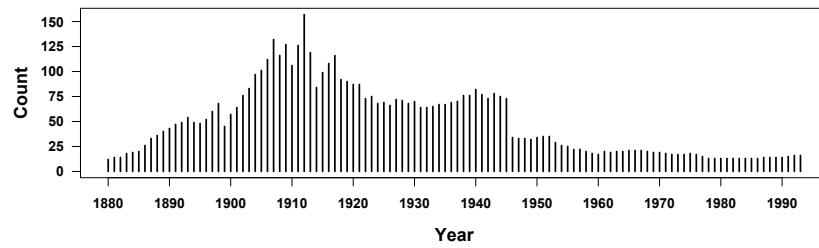


Figure 3.2: The Total Number of Capital Ships in the System each Year

The Statistical Model

Next we estimate Bayesian negative binomial regression equations for each of the capital ship variables and the total number of these ships that exist for each country i in each year t . Note that for these models we exclude all landlocked country-year observations. For interested readers, the appendix section of the chapter contains more information about the parameterization and implementation of the models. We have chosen to use Bayesian models because of the enhanced flexibility in modeling hierarchical relationships. We return to this issue later in the chapter when we discuss the increasing number of democracies in the international system and how this systematic change over time might influence power projection behavior of states. In addition to regressing the number of capital ships on the *Competition_{it}* variable, we also included the number of capital ships from the previous year (*Capital Ship Count_{it-1}*) and the economic capacity of the state itself (*Economic Capacity_{it}* is measured using historic GDP data, developed by Madison (2012)) because poor states will not be able to afford costly or expensive power projection capabilities even when threatened by other states.

We transform *Economic Capacity_{it}* (g_{it}) for each of state i into a proportion by dividing by $\sum_i g_{it}$, which is the total world *GDP* of all i states in a given year t . We then take the natural log of the proportion $\ln(\frac{g_{it}}{\sum_i g_{it}})$. This allows us to capture the relative importance of large economies consistently over time and allows us to include a variable that is relatively unskewed in the regression. Distributions of these three transformations are displayed in the Appendix. We compare model fit to assess if the choice of GDP transformation affects model predictions using the Deviance Information Criterion (DIC). The model with the smallest DIC is expected to have the greatest out-of-sample predictive power (Spiegelhalter et al., 2002).

Results

Table 3.1: Negative Binomial Regression of the Total Number of Capital Ships (1880-1993)

	parameter mean	parameter sd	95% credible interval	
Model Parameters				
<i>Intercept</i>	4.049	0.256	[3.541,	4.542]
<i>Capital Ship Count</i> _{it-1}	0.112	0.010	[0.094,	0.131]
<i>Economic Capacity</i> _{it} $\ln(\frac{g_{it}}{\sum_i g_{it}})$	1.786	0.076	[1.637,	1.940]
<i>Competition</i> _{it}	3.620	0.430	[2.790,	4.487]
<i>Over Dispersion</i> (<i>r</i>)	0.694	0.061	[0.587,	0.824]
Deviance Information Criterion				
Mean deviance	3620			
penalty	8.404			
Penalized deviance	3629			

Table 3.2: Negative Binomial Regression of the Total Number of Capital Ships (1880-1993)

	parameter mean	parameter sd	95% credible interval	
Model Parameters				
<i>Intercept</i>	-4.029	0.116	[-4.256,	-3.810]
<i>Capital Ship Count</i> _{<i>it</i>−1}	0.407	0.023	[0.361,	0.453]
<i>Economic Capacity</i> _{<i>it</i>} $\frac{g_{it}}{\sum_i g_{it}}$	13.084	1.504	[10.174,	16.236]
<i>Competition</i> _{<i>it</i>}	3.742	0.524	[2.713,	4.731]
<i>Over Dispersion (r)</i>	0.212	0.015	[0.184,	0.242]
Deviance Information Criterion				
Mean deviance	4373			
penalty	15.68			
Penalized deviance	4389			

Table 3.3: Negative Binomial Regression of the Total Number of Capital Ships (1880-1993)

	parameter mean	parameter sd	95% credible interval	
Model Parameters				
<i>Intercept</i>	-15.083	0.734	[-16.622,	-13.708]
<i>Capital Ship Count</i> _{<i>it</i>-1}	0.364	0.017	[0.333,	0.399]
<i>Economic Capacity</i> _{<i>it</i>} $\ln(g_{it})$	0.990	0.059	[0.876,	1.116]
<i>Competition</i> _{<i>it</i>}	8.961	0.614	[7.750,	10.177]
<i>Over Dispersion</i> (<i>r</i>)	0.283	0.020	[0.245,	0.324]
Deviance Information Criterion				
Mean deviance	4133			
penalty	11.88			
Penalized deviance	4145			

Each of the models generated a substantial effect for geopolitical competition on the number of capital ships produced for a given state year, when controlling for the economic capacity of the state-year and the number of ships from the previous year.⁸ Table 3.1, Table 3.2, and Table 3.3 each display posterior means, standard deviations, and 95% credible intervals for the model parameter estimates from the Total Ship Count variable (1880-1993). Each table also displays DIC statistics for the respective models. The model with the logged proportion of the *Economic Capacity_{it}* variable provides the best fit for the Capital Ships variable according to comparison of the DIC statistics.

To assess substantive importance, Figure 3.4 reports predicted posterior counts for capital ships simulated from the model in Table 3.1 using three different values of the *Competition_{it}* variable. This variable can vary from 0 (no competition) to approximately 0.6 (the maximum observed in our study from 1880-1993). The number of ships decrease as the level of *Competition_{it}* decreases. However only the states with the largest values of the *Economic Capacity_{it}* variable build capital ships. Figure 3.5 reports expected values of capital ships at our different pairings of *Economic Capacity_{it}* across all values of the *Competition_{it}* variable. Both figures demonstrate that far fewer ships are produced as the level of *Competition_{it}* decreases even for states with high values of *Economic Capacity_{it}*.

We are also able to conduct an out-of-sample test on the number of capital ships in the year 2008 by comparing observed ship counts y to predicted ship counts $\hat{y}$ generated from the model in Table 3.1. We have picked this year because it is the final year from the Madison (2012) GDP dataset, which we use to construct both the *Competition_{it}* and *Economic Capacity_{it}* variables. For the lagged ship value in the out-of-sample test, we use the last year of values for the number of capital ships from

⁸Note that the sign of the intercept term is different across the three models. This occurs because of the different units of the *Economic Capacity_{it}* variable across the three models.

the Modelski and Thompson (1988) dataset, which is 1993. We use the observed value of the $Competition_{it}$ value for each of the country-year observations in 2008. Formally, we compare the sum of all of the draws from the posterior distribution y_{it} for every country-year observation i, t for which y_{it} is observed. Since there are 3000 draws (denoted by the subscript $m = \{1, \dots, M\}$) from the posterior distribution, we are able to calculate the sum of squared differences of observed y_{it} , using the following equation: $S = \sum_i^N \sum_t^T \sum_m^M (y_{it} - \hat{y}_{itm})^2$, where $T = 1$ since we have only used values from 2008. We standardize these values using the formula $\sqrt{\frac{S}{N * T * M}}$. These values for the models in Table 3.1, Table 3.2, and Table 3.3 respectively are 1.82, 16.32, 143.32. The smaller the value, the more precise the model predictions for the out-of-sample test. These values provide additional evidence for the predictive power of the model displayed in Table 3.1 compared to the alternatives.

Finally, we use the model to predict the number of capital ships that China is likely to develop over the next decade. Consistent with expectations of China watchers (e.g., Erickson, Denmark and Collins, 2012; Kostecka, 2012), the model predicts that China will have developed approximately 5 aircraft carriers by 2022 (see the Table in the appendix for predictions for each year from 2009 to 2022). The 99% credible interval in the year 2022 is 3 to 8 carriers. The reader should keep in mind though, that the predictions are based on a model fit to historical capital ship data from 1880-1993 and, because of data limitations, we are only able to make use of observed values of the independent variables through the year 2008. We are therefore in danger of extrapolating away from observed data and making an extreme counterfactual claim (e.g., King and Zeng, 2007) so some caution is in order in taking these predictions as facts instead of estimates. Nonetheless, the slightly over-optimistic interval prediction for the current year— as far as policy makers in China are likely concerned — still contains an accurate number of deployed aircraft

carriers, which is currently only the *Liaoning*. Moreover, the expectation of 5 aircraft carriers by 2022 is consistent with the predictions of China watchers and statements from policy makers in the region.⁹

Baseline Model

We can also compare the model displayed in Table 3.1 to an alternative model. This alternative model does not include the $Competition_{it}$ variable but all other variables are the same. This alternative model statistic is $\sqrt{\frac{S}{N*T*M}} = 3.60$ which is larger and therefore less precise than the same statistic estimated from the model in Table 3.1. This difference provides even more evidence for the predictive validity of the $Competition_{it}$ variable and the theory proposed in this chapter. Modeling the level of geopolitical competition that each leader experiences in the international system has enhanced our ability to both explain and make predictions about state behavior.

Table 3.4: Negative Binomial Regression of the Total Number of Capital Ships (1880-1993)

	parameter mean	parameter sd	95% credible interval	
Model Parameters				
<i>Intercept</i>	4.516	0.296	[3.950,	5.097]
<i>Capital Ship Count</i> _{<i>it</i>−1}	0.117	0.011	[0.096,	0.139]
<i>Economic Capacity</i> _{<i>it</i>} $\ln(\frac{g_{it}}{\sum_i g_{it}})$	1.776	0.086	[1.614,	1.950]
<i>Competition</i> _{<i>it</i>}	NA	NA	[NA,	NA]
<i>Over Dispersion</i> (<i>r</i>)	0.572	0.047	[0.487,	0.666]
Deviance Information Criterion				
Mean deviance	3693			
penalty	7.484			
Penalized deviance	3701			

Additional tables in the Appendix display the model information for the Pre

⁹See recent work by Erickson, Denmark and Collins (2012) and Kostecka (2012) in addition to recent policy statements by members of the Peoples Liberation Army and Taiwan's armed forces (see the discussion in the *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2013*, pg. 39

Dreadnought series of ships (1880-1913), the Dreadnought series of ships (1906-1945) and the Aircraft-carrier series of ships (1917-1993) with the *Economic Capacity*_{it} variable measured as $\ln(g_{it})$ and $\ln(\frac{g_{jt}}{\sum_i g_{it}})$ respectively.

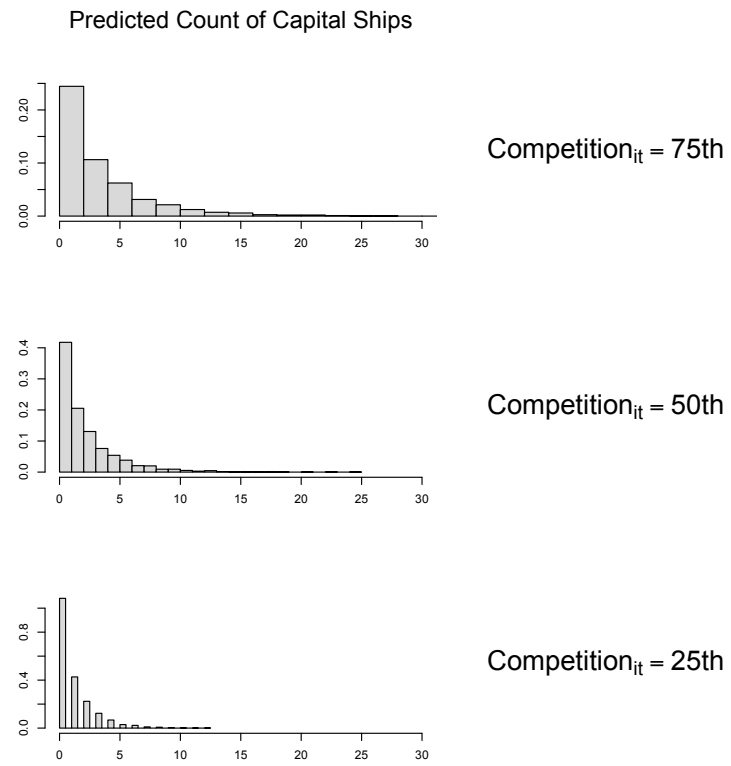


Figure 3.3: Predicted Count of Capital Ships

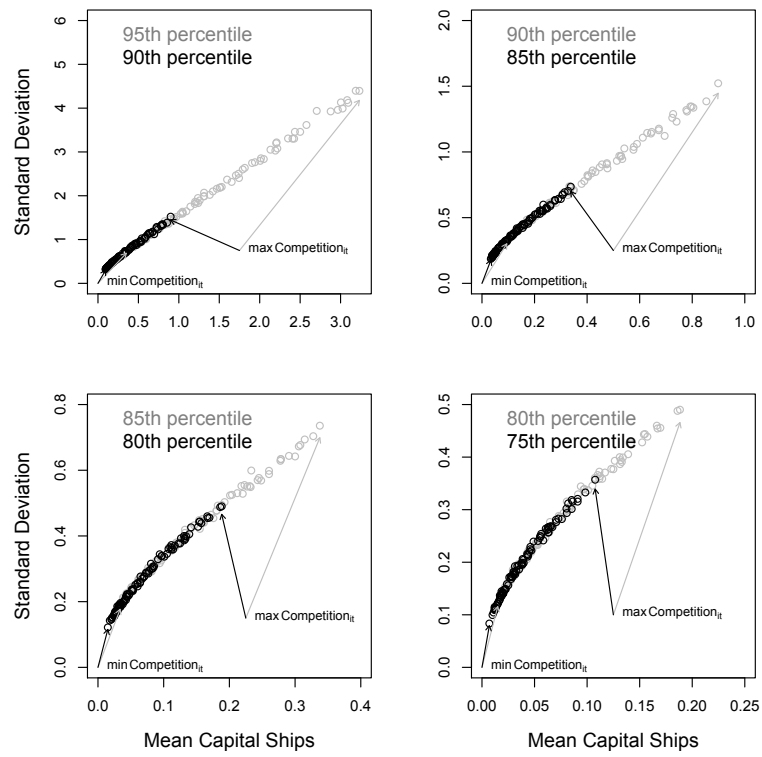


Figure 3.4: Plots of the Mean Predicted Values for Capital Ships

The Systemic Democratic Peace

Finally, some readers may believe that our findings are simply the result of a systemic change driven entirely by the democratic peace (e.g., Gleditsch and Hegre, 1997; Gartzke and Weisiger, 2013^{a,b}; Kadera, Crescenzi and Shannon, 2003; Mitchell, Gates and Hegre, 1999). We hasten to note however that these studies focus on conflict outcomes using dyadic level data. Our focus throughout this chapter has been on the monadic behaviors of states. In this section, we supplement the findings presented above with a hierarchical model that explicitly accounts for both monadic level and system level information when modeling the development of naval capabilities. Readers should keep in mind though that our *Competition_{it}* variable already accounts for the expectation that pairs of democratic states are not threatening to one another in addition to the other theoretical motivations for the operationalization that we outlined above.

To address this concern, we estimate a more complex variant of the model we presented in Table 3.1 above. In this model, we relax the assumption that the baseline expectation regarding the number of capital ships is the same each year in the international system. We also allow this expectation to be conditioned by the percentage of democratic states in the system each year. This is accomplished by specifying a hierarchical model, which lets the intercept term in the original model vary over time as a function of this system-year information about the number of democracies in the system. For interested readers, the appendix section of the chapter contains more information about the parameterization and implementation of the extended version of this model.

If the power projection behavior of states is only a function of the system-wide proportion of democracies, then only these new hierarchical parameters α_t and δ will be probabilistically different than 0. However, if the effect sizes for the β parameters

(the slope coefficients presented above) are consistent between this new model and the one presented in Table 3.1, then we have even more evidence that the level of geopolitical competition is driving the power projection behavior of states. And this is indeed what we find. Recall that the parameter estimate for β for the *Competition_{it}* variable in Table 3.1 above was 3.62(0.43). In the new hierarchical model, it is 4.79(0.52). This coefficient is 2.87(0.62) when system-wide democracy is modeled as a count instead of a proportion. The Deviance Information Criterion statistics for these three models are 3629, 3619, and 3622, respectively. These statistics are all much smaller and therefore indicative of better fitting models than the same statistic for the baseline model, where its value is 3701. Recall that the baseline model excludes the *Competition_{it}* variable, which suggests that the *Competition_{it}* variable captures an important construct for understanding the power projection behavior of states. Thus, all of these models suggest that the level of geopolitical competition experienced by a state leader influences the choice to develop power projection capabilities even when modeling the system-wide level of democratization, which does account for some of the change in the level of power projection in the system.

Conclusion

We have developed a theory of geopolitical competition and used it to create a new measure of the level of competition or threat that each state faces in the international system. This measure is useful for predicting how states will react to changes in their international environment. The results suggest that leaders are sensitive to the level of threat in their geopolitical environment when deciding to build global power projection capabilities. However, contrary to the expectations of structural realists, economic multipolarity is not always associated with arming. Instead, state leaders care about both geographic proximity and the degree to which

their interests are aligned with other powerful state leaders.

We have developed and tested a theory about how individual states react to changes in their geopolitical environment. The theory is novel, in that it allows us to predict how individual states are likely to react to the interaction of three major global trends: the global shift in the distribution of power, the spread of democracy, and the shift away from territory as the primary source of wealth for the world's more powerful states. This theory advances our understanding of international politics because previous theories, such as structural realism and theories of the democratic and capitalist peace, are not capable of making predictions regarding how individual states should react to the interaction of these trends. Additionally, this theory has been used to develop a measure of the level of geopolitical competition that may be used to explain other outcomes of interest.

The central finding is that the level of interest compatibility conditions whether states choose to convert economic power into power projection capabilities. This finding informs the debate over the relationship between economic and military power. Disagreement over the nature of this relationship lies at the crux of the debate over how Washington should react to rising regional powers. The implications of these findings suggest that economic multipolarity will not cause states to build global power projection capabilities and compete everywhere. In places like Europe and Latin America, where states have compatible interests, they should be less likely to build global power projection capabilities and engage in military competition, even as they grow economically powerful. Thus, insofar as the U.S. is concerned about economic multipolarity causing greater international instability, Washington should focus on regions in which states' domestic political institutions will cause them to have incompatible interests. The implication for policy is that the United States should more strongly reorient its forces away from Western Europe and Latin

America, which are likely to remain cooperative geopolitical environments, and more strongly pivot to Asia. Asia is the only region in world in which states possess the economic capacity to build global power projection capabilities and also possess incompatible interests.

References

- Aleprete, Michael E. Jr. and Aaron M. Hoffman. 2012. "The Strategic Development of Border Areas: Explaining Variation in Interaction Opportunity Across Land Borders." *International Interactions* 38(1):1–28.
- Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2013*. 2013. Office of the Secretary of Defense.
- Baum, Matthew A. and David A. Lake. 2003. "The Political Economy of Growth: Democracy and Human Capital." *American Journal of Political Science* 47(2):333–347.
- Bitzinger, Richard A. 2011. "Long Term Defense Planning in Asia and Its Impact on the Regional Military Dynamic."
- Bolker, Benjamin M. 2008. *Ecological Models and Data in R*. Princeton, NJ: Princeton University Press.
- Boulding, Kenneth E. 1962. *Conflict and Defense: A General Theory*. New York, NY: Harper and Row.
- Braithwaite, Alex. 2006. "The geographic spread of militarized disputes." *Journal of Peace Research* 43(5):507–522.
- Bueno De Mesquita, Bruce, Alastair Smith, Randolph M. Siverson and James D. Morrow. 2003. *The logic of political survival*. Cambridge, MA: MIT Press.
- Carter, David B. 2010. "The Strategy of Territorial Conflict." *American Journal of Political Science* 54(4):969–987.
- Cheung, Tai Ming. 2011. "The Chinese Defense Economy's Long March from Imitation to Innovation." *Journal of Strategic Studies* 34(3):325–354.
- Doyle, Michael. 1986. "Liberalism and World Politics." *American Political Science Review* 80(4):1151–1169.
- Enterline, Andrew J. 1998. "Regime changes, neighborhoods, and interstate conflict, 1816-1992." *Journal of Conflict Resolution* 42(6):804–829.
- Erickson, Andrew S., Abraham M. Denmark and Gabriel Collins. 2012. "Beijing's "Starter Carrier" and Future Steps: Alternatives and Implications." *Naval War College Review* 65(1):15–54.
- Gartzke, Erik A. and Alex Weisiger. 2013a. "Permanant Friends?: Dynamic Difference and the Democratic Peace." *International Studies Quarterly* 57(1):171–185.

- Gartzke, Erik A. and Alex Weisiger. 2013b. "Under Construction: Development, Democracy, and Difference as Determinants of the Systemic Liberal Peace." *International Studies Quarterly* TBD.
- Gelman, Andrew and Donald B. Rubin. 1992. "Inference from iterative simulation using multiple sequences." *Statistical Science* 7:457–511.
- Geweke, John. 1992. Evaluating the accuracy of sampling-based approaches to calculating posterior moments. In *Bayesian Statistics 4*, ed. J. M. Bernardo, J. Berger, A. P. Dawid and J. F. M. Smith. Oxford: Oxford University Press pp. 169–193.
- Gleditsch, Kristian S. and Michael D. Ward. 2000. "Peace and War in Time and Space: The Role of Democratization." *International Studies Quarterly* 44(1):1–29.
- Gleditsch, Kristian Skrede. n.d. "Distance between Capital Cities." **URL:** <http://privatewww.essex.ac.uk/ksg/data-5.html>
- Gleditsch, Kristian Skrede and Michael D. Ward. 2001. "Measuring Space: A Minimum-Distance Database and Applications to International Studies." *Journal of Peace Research* 38(6):739–758.
- Gleditsch, Nils Petter. 1995. "Geography, Democracy, and Peace." *International Interactions* 20(4):297–323.
- Gleditsch, Nils Petter and Havard Hegre. 1997. "Peace and Democracy: Three Levels of Analysis." *Journal of Conflict Resolution* 41(2):283–310.
- Hackett, James, ed. 2010. *The Military Balance*. London: Routledge.
- Heidelberger, Philip and Peter D. Welch. 1981. "A spectral method for confidence interval generation and run length control in simulations." *Communications of the ACM* 24:233–245.
- Heidelberger, Philip and Peter D. Welch. 1983. "Simulation Run Length Control in the Presence of an Initial Transient." *Operations Research* 31(6):pp. 1109–1144.
- Horowitz, Michael C. 2010. *The Diffusion of Military Power: Causes and Consequences for International Politics*. Princeton University Press.
- Huth, Paul K. and Todd L. Allee. 2003. *The Democratic Peace and Territorial Conflict in the Twentieth Century*. Cambridge: Cambridge University Press.
- Ikenberry, G. John. 2000. *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order after Major Wars*. Princeton, NJ: Princeton University Press.
- Kadera, Kelly M., Mark J. C. Crescenzi and Megan L. Shannon. 2003. "Democratic Survival, Peace, and War in the International System." *American Journal of Political Science* 47(2):234–247.

- King, Gary. 1989. "Event Count Models for International Relations: Generalizations and Applications." *International Studies Quarterly* 33(2):123–147.
- King, Gary and Langche Zeng. 2007. "When Can History Be Our Guide? The Pitfalls of Counterfactual Inference." *International Studies Quarterly* 51(1):183–210.
- Kostecka, Daniel J. 2012. "From the Sea: PLA Doctrine and the Employment of Sea-Based Airpower." *Naval War College Review* 64(3):11–30.
- Lake, David A. 1992. "Powerful Pacifists: Democratic States and War." *American Political Science Review* 86(1):24–37.
- Lake, David A. and Mathew A. Baum. 2001. "The invisible hand of democracy - Political control and the provision of public services." *Comparative Political Studies* 34(6):587–621.
- Lemke, Douglas. 1995. "The Tyranny of Distance: Redefining Relevant Dyads." *International Interactions* 21(1):23–38.
- Levy, Jack S. and William R. Thompson. 2010. "Balancing on Land and at Sea: Do States Ally against the Leading Global Power?" *International Security* 35(1):7–43.
- Madison, Angus. 2012. "Statistics on World Population, GDP and Per Capita GDP, 1-2008 AD.".
URL:
<http://www.ggdnc.net/MADDISON/Historicalstatistics/vertical – file02 – 2010.xls>
- Mansfield, Edward D., Helen V. Milner and B. Peter Rosendorff. 2000. "Free to Trade: Democracies, Autocracies, and International Trade." *American Political Science Review* 94(2):305–321.
- Maoz, Zeev and Bruce Russett. 1993. "Normative and Structural Causes of the Democratic Peace, 1946-1986." *American Political Science Review* 87(3):624–638.
- Markowitz, Jonathan N. and Christopher J. Fariss. 2013. "Going the Distance: The Price of Projecting Power." *International Interactions* 39(2):119–143.
- Marshall, Monty, Keith Jagers and Ted R. Gurr. 2010. "Polity IV Project: Political Regime Characteristics and Transitions 1800-2010 Dataset Users' Manual.".
URL: www.systemicpeace.org/polity/polity4.htm
- Mitchell, Sara McLaughlin, Scott Gates and Håvard Hegre. 1999. "Evolution in Democracy-War Dynamics." *Journal of Peace Research* 43(6):771–792.
- Modelski, George and William R. Thompson. 1988. *Sea Power in Global Politics, 1494-1993*. Seattle, WA: University of Washington Press.

- Most, Benjamin A. and Harvey Starr. 1980. "Diffusion, Reinforcement, Geopolitics, and the Spread of War." *American Political Science Review* 74(4):932–946.
- Most, Benjamin A. and Harvey Starr. 1989. *Inquiry, Logic, and International Politics*. Columbia, SC: University of South Carolina Press.
- O’Laughlin, John. 1987. "Spatial Models of International Conflicts: Extending Current Theories of War Behavior." *Annals of the Association of American Geographers* 76(1):62–80.
- Owen, John M. 1994. "How Liberalism Produces Democratic Peace." *International Security* 19(2):87–125.
- Plummer, Martyn. 2010. "JAGS (Just Another Gibbs Sampler) 1.0.3 Universal".
URL: <http://www-fis.iarc.fr/martyn/software/jags/>
- R Development Core Team. 2012. *R: A Language and Environment for Statistical Computing*. Vienna, Austria: R Foundation for Statistical Computing. ISBN 3-900051-07-0.
URL: <http://www.R-project.org>
- Russett, Bruce and John R. Oneal. 2001. *Triangulating Peace: Democracy, Interdependence, and International Organizations*. New York, NY: W.W. Norton.
- Siverson, Randolph M. and Harvey Starr. 1990. "Opportunity, Willingness, and the Diffusion of War." *The American Political Science Review* 84(1):47–67.
- Spiegelhalter, David J., Nicola G. Best, Bradley P. Carlin and Angelika Van Der Linde. 2002. "Bayesian measures of model complexity and fit." *Journal of the Royal Statistical Society: Series B (Statistical Methodology)* 64(4):583–639.
- Sprout, Harold and Margaret Sprout. 1943(1980). *Rise of American Naval Power, 1776-1918*. Naval Institute Press.
- Starr, Harvey. 2002. "The 'nature' of contiguous borders: Ease of interaction, salience, and the analysis of crisis." *International Interactions* 28(3):213–235.
- Starr, Harvey and Benjamin A. Most. 1976. "The substance and study of borders in international relations research." *International Studies Quarterly* 20(4):581–620.
- Starr, Harvey and G. Dale Thomas. 2005. "The nature of borders and international conflict: Revisiting hypotheses on territory." *International Studies Quarterly* 49(1):123–139.
- Tomz, Micahael R. and Jessica L. Weeks. 2013. "Public Opinion and the Democratic Peace." *American Political Science Review* 107(4):TBD.

- Vasquez, John A. 1995. "Why Do Neighbors Fight: Proximity, Interaction, or Territoriality." *Journal of Peace Research* 32(3):277–293.
- Yoshiara, Toshi, and James R. Holmes. 2010. *Red Star over the Pacific: China's Rise and Challenge to U.S. Maritime Strategy*. Annapolis, Maryland: Naval Institute Press.

Online Appendix

Proportion of Capital Ships

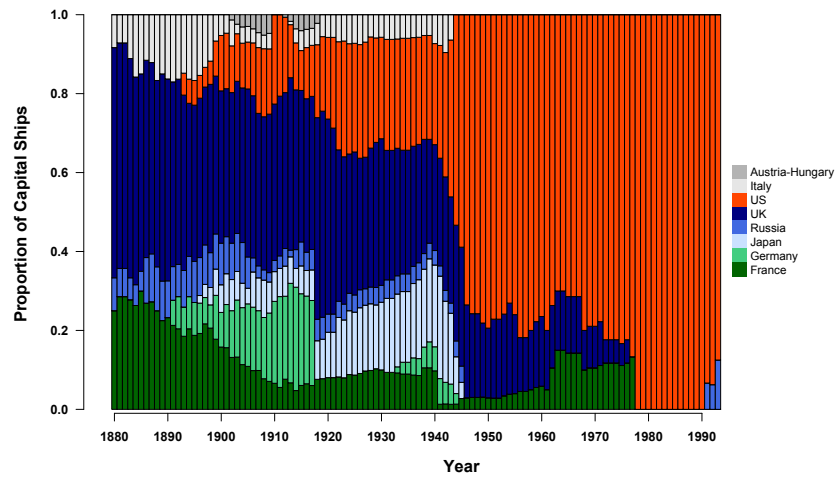


Figure 3.5: The Proportion of Each States Capital Ships In Each Year

Implementation of the Statistical Model

We estimate Bayesian negative binomial regression equations for each of the capital ship count variables and also the total number of these ships that exist for each country i in each year t . The systematic component of the model is

$\mu_{it} = \exp(\alpha + \mathbf{X}\beta)$, where $\mathbf{X}$ is the matrix of explanatory variables and β is the vector of slope coefficients. μ_{it} is the expected value of the count variable y_{it} , conditional on the model parameters, such that $E[y_{it} | \mu_{it}, r]$. The stochastic component of the model is $y_{it} \sim NB(\mu_{it}, r)$, where the negative binomial distribution $NB()$ is

$\frac{\Gamma(r+k)}{\Gamma(r)k!} \left(\frac{r}{\mu_{it}+r}\right)^r \left(\frac{\mu_{it}}{\mu_{it}+r}\right)^k$. r is the over dispersion parameter to be estimated. The likelihood function for the parameters μ and r given the data y is simply

$$\mathcal{L}(\mu, r | y) = \prod_{i=1}^N \prod_{t=1}^T \left[\frac{\Gamma(r + y_{it})}{\Gamma(r) y_{it}!} \left(\frac{r}{\mu_{it} + r}\right)^r \left(\frac{\mu_{it}}{\mu_{it} + r}\right)^{y_{it}} \right]$$

The negative binomial distribution arises from a variety of processes and can be parameterized in several ways. We have used the “ecological” parameterization of the negative binomial regression model as described above. Note that the term “ecological” is not meant to imply that an ecological inference problem exists. It is instead a count process that arises from a system of heterogeneous units much like the international system of states. There is also a probabilistic parameterization for the negative binomial distribution, which is also known as the “failure-process” parameterization. These models are mathematically identical but are motivated by different phenomenological processes (see the discussion in Bolker (2008), 165-167). The JAGS software, which is briefly discussed below, only implements the probabilistic parameterization, so the code re-parameterizes the ecological model into the probabilistic one. The expected value of the probabilistic model in terms of the ecological model is $\mu_{it} = \frac{r*(1-p_{it})}{p_{it}}$ and the variance of the probabilistic

parameterization in terms of the ecological parameterization is $\mu_{it} + \frac{\mu_{it}^2}{r} = \frac{r*(1-p_{it})}{p_{it}^2}$.

Note that the probabilistic parameterization assumes that r is a positive integer, whereas the ecological parameterization allows r to be a positive real number. This is useful for our statistical model, since we wish to account for the heterogeneity between units in the international system and not the number of successes in a set of trials. A smaller estimated value of r indicates an increasing amount of heterogeneity in the data. As r increases, the variance ($\mu_{it} + \frac{\mu_{it}^2}{r}$) approaches the mean (μ_{it}) and the distribution therefore begins to approximate a Poisson distribution. The estimated value of r in each of the models displayed in Table 3.1, Table 3.2, Table 3.3 above and the additional tables below are all very small values. The small size of the over dispersion parameters indicates a high degree of heterogeneity in the data, which means the negative binomial is a good choice of estimator, relative to the Poisson.¹⁰

Each of the Bayesian negative binomial regression equations are implemented in R using Martyn Plummer's JAGS software (Plummer, 2010). Conventional diagnostics all suggested convergence including those of Geweke (1992), Heidelberger and Welch (1981, 1983), and Gelman and Rubin (1992), and standard graphical analysis. The α (intercept) and β_j (slope) parameters were given $N(0, 10)$ priors which are extremely diffuse. The over dispersion parameter r is also given a diffuse prior $U(0, 100)$.

For the hierarchical version model, we relax the assumption that the baseline expectation regarding the number of capital ships is the same each year in the international system. We also allow this expectation to be conditioned by the percentage of democratic states in the system each year. The systematic component of the model changes to $\mu_{it} = \exp(\alpha_t + \mathbf{X}\beta)$, where $\alpha_t \sim N(\delta_0 + \delta_1 * x_t, \sigma^2)$. The variable x_t is the system level proportion of democracies in each year t . Though this

¹⁰See King (1989) for a discussion of this choice when considering IR data.

system-level information is new, the rest of the model parameters are the same as those in the models presented above. For the hierarchical model, the δ parameters are both estimated and specified with a diffuse, normally distributed prior $N(0, \frac{1}{100})$. The σ^2 parameter is also estimated with a diffuse, uniform prior $U(0, 100)$.

Additional Model Results: Pre-Dreadnought Capital Ships

The tables below display model information for the Pre-Dreadnought series of ships (1880-1913), the Dreadnought series of ships (1906-1945) and the Aircraft-carrier series of ships (1917-1993) with the *Economic Capacity_{it}* variable measured as $\ln(g_{it})$ and $\ln(\frac{g_{it}}{\sum_i g_{it}})$ respectively.

Table 3.5: Negative Binomial Regression of the Total Number of Pre-Dreadnought Capital Ships (1880-1913)

	parameter mean	parameter sd	95% credible interval	
Model Parameters				
<i>Intercept</i>	-15.727	1.412	[-18.552,	-13.235]
<i>Capital Ship Count</i> _{it-1}	0.101	0.016	[0.072,	0.133]
<i>Economic Capacity</i> _{it} $\ln(g_{it})$	1.396	0.121	[1.176,	1.637]
<i>Competition</i> _{it}	1.557	0.791	[0.018,	3.060]
<i>Over Dispersion</i> (r)	0.966	0.148	[0.707,	1.282]

Table 3.6: Negative Binomial Regression of the Total Number of Pre-Dreadnought Capital Ships (1880-1913)

	parameter mean	parameter sd	95% credible interval	
Model Parameters				
<i>Intercept</i>	3.412	0.359	[2.732,	4.136]
<i>Capital Ship Count</i> _{<i>it</i>−1}	0.111	0.016	[0.082,	0.143]
<i>Economic Capacity</i> _{<i>it</i>} $\ln(\frac{g_{it}}{\sum_i g_{it}})$	1.500	0.130	[1.256,	1.766]
<i>Competition</i> _{<i>it</i>}	1.977	0.819	[0.417,	3.588]
<i>Over Dispersion</i> (<i>r</i>)	0.884	0.137	[0.649,	1.185]

Additional Model Results: Dreadnought Capital Ships

Table 3.7: Negative Binomial Regression of the Total Number of Dreadnought Capital Ships (1906-1945)

	parameter mean	parameter sd	95% credible interval	
Model Parameters				
<i>Intercept</i>	-18.397	1.119	[-20.532,	-16.416]
<i>Capital Ship Count</i> _{<i>it</i>−1}	0.124	0.015	[0.097,	0.155]
<i>Economic Capacity</i> _{<i>it</i>} <i>ln</i> (<i>g</i> _{<i>it</i>})	1.509	0.096	[1.334,	1.691]
<i>Competition</i> _{<i>it</i>}	4.233	0.869	[2.519,	5.898]
<i>Over Dispersion</i> (<i>r</i>)	0.937	0.131	[0.709,	1.218]

Table 3.8: Negative Binomial Regression of the Total Number of Dreadnought Capital Ships (1906-1945)

	parameter mean	parameter sd	95% credible interval	
Model Parameters				
<i>Intercept</i>	4.078	0.442	[3.225,	4.943]
<i>Capital Ship Count</i> _{<i>it</i>−1}	0.125	0.017	[0.092,	0.160]
<i>Economic Capacity</i> _{<i>it</i>} $\ln(\frac{g_{it}}{\sum_i g_{it}})$	1.691	0.131	[1.443,	1.950]
<i>Competition</i> _{<i>it</i>}	3.409	0.911	[1.680,	5.183]
<i>Over Dispersion</i> (<i>r</i>)	0.752	0.099	[0.576,	0.956]

Additional Model Results: Aircraft Carrier Capital Ships

Table 3.9: Negative Binomial Regression of the Total Number of Aircraft Carrier Capital Ships (1945-1993)

	parameter mean	parameter sd	95% credible interval	
Model Parameters				
<i>Intercept</i>	-15.358	0.960	[-17.292,	-13.645]
<i>Capital Ship Count</i> _{<i>it</i>−1}	0.597	0.045	[0.514,	0.690]
<i>Economic Capacity</i> _{<i>it</i>} <i>ln</i> (<i>g</i> _{<i>it</i>})	0.975	0.076	[0.842,	1.129]
<i>Competition</i> _{<i>it</i>}	7.251	1.428	[4.410,	10.044]
<i>Over Dispersion</i> (<i>r</i>)	0.281	0.030	[0.228,	0.342]

Table 3.10: Negative Binomial Regression of the Total Number of Aircraft Carrier Capital Ships (1945-1993)

	parameter mean	parameter sd	95% credible interval	
Model Parameters				
<i>Intercept</i>	3.193	0.344	[2.517,	3.888]
<i>Capital Ship Count</i> _{<i>it</i>−1}	0.181	0.024	[0.136,	0.230]
<i>Economic Capacity</i> _{<i>it</i>} $\ln(\frac{g_{it}}{\sum_i g_{it}})$	1.643	0.100	[1.446,	1.842]
<i>Competition</i> _{<i>it</i>}	2.603	1.089	[0.503,	4.804]
<i>Over Dispersion</i> (<i>r</i>)	0.764	0.113	[0.576,	1.000]

Economic Capacity Transformations

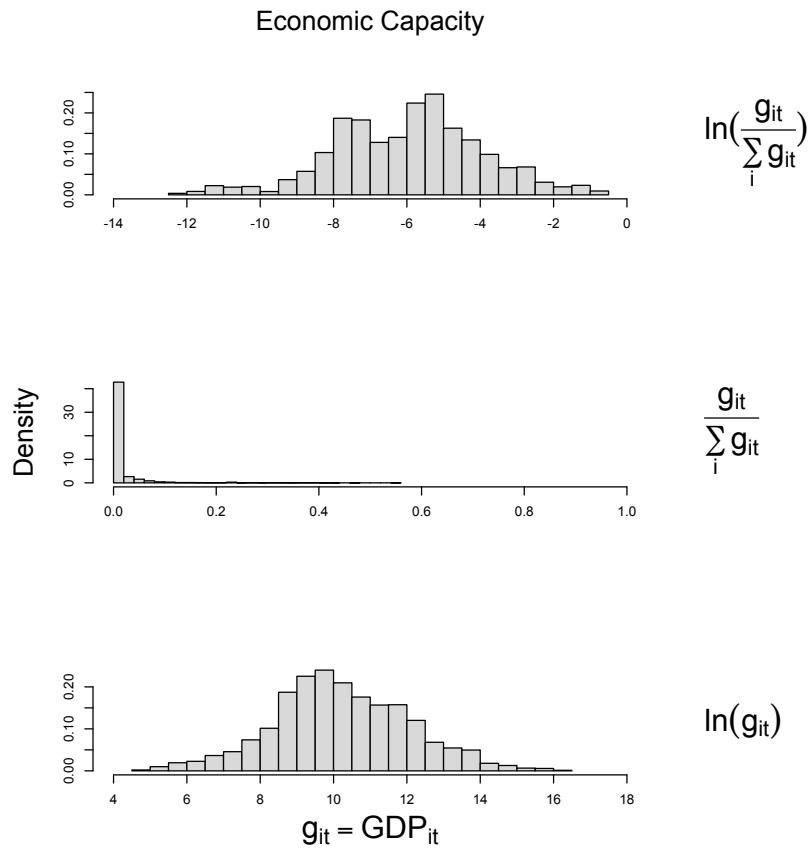


Figure 3.6: Distribution of Economic Capacity

The Systemic Democratic Peace

These models are introduced and discussed in Section 4.6 above. Compare these models with the baseline model presented in Table 3.4 and the first model presented Table 3.1 because they each use the same operationalization of *Economic Capacity*_{it}, which is $\ln(\frac{g_{it}}{\sum_i g_{it}})$.

Table 3.11: Negative Binomial Regression of the Total Number of Capital Ships (1880-1993)

	parameter mean	parameter sd	95% credible interval	
Model Parameters (Monadic-Level)				
<i>Intercept</i> (α_t)	not displayed			
<i>Capital Ship Count</i> $_{it-1}$	0.098	0.010	0.079	0.119
<i>Economic Capacity</i> $_{it}$ $\ln(\frac{g_{it}}{\sum_i g_{it}})$	1.814	0.087	1.649	1.984
<i>Competition</i> $_{it}$	2.870	0.616	1.653	4.071
<i>Over Dispersion</i> (r)	0.743	0.069	0.622	0.892
Model Parameters (System-Level)				
<i>System Level Intercept</i> (δ_0)	4.647	0.321	4.071	5.268
<i>Proportion of Democracy</i> (δ_1)	-0.017	0.007	-0.031	-0.005
Deviance Information Criterion				
Mean deviance	3589			
penalty	29.97			
Penalized deviance	3619			

Table 3.12: Negative Binomial Regression of the Total Number of Capital Ships (1880-1993)

	parameter mean	parameter sd	95% credible interval	
Model Parameters (Monadic-Level)				
<i>Intercept</i> (α_i)	not displayed			
<i>Capital Ship Count</i> $_{it-1}$	0.103	0.010	0.085	0.122
<i>Economic Capacity</i> $_{it}$ $\ln(\frac{g_{it}}{\sum_i g_{it}})$	1.916	0.085	1.757	2.097
<i>Competition</i> $_{it}$	4.788	0.523	3.781	5.836
<i>Over Dispersion</i> (r)	0.730	0.067	0.610	0.878
Model Parameters (System-Level)				
<i>System Level Intercept</i> (δ_0)	3.447	0.319	2.814	4.079
<i>Count of Democracy</i> (δ_1)	3.529	0.944	1.576	5.439
Deviance Information Criterion				
Mean deviance	3592			
penalty	30.00			
Penalized deviance	3622			

Prediction

Table 3.13: Model Prediction for China Aircraft Carrier Development

year	mean prediction	99% credible interval
2009	1.95	1-3
2010	2.08	1-3
2011	2.23	1-3
2012	2.42	1-4
2013	2.62	2-4
2014	2.82	2-4
2015	3.03	2-5
2016	3.25	2-5
2017	3.52	2-5
2018	3.78	2-6
2019	4.07	2-6
2020	4.37	3-7
2021	4.72	3-7
2022	5.08	3-8

Chapter 4
The Arctic and North Sea

Introduction

In the late 15th century, a small group of Spanish explorers “discovered” the New World. This discovery opened up vast riches to those who possessed the financial backing, technology, rapaciousness, and skill to extract wealth from this “virgin” territory. Today, another new world has opened up, this time at the top of the world and on the bottom of the ocean floor. In the summer of 2007, researchers, sailors and Inuit turned their gaze toward the North pole and were greeted by the same breathtaking sight: where there had been sheets of solid Arctic ice for hundreds of years, there was now open pristine ocean water. That summer, the Northwest Passage (a sea-route that runs over the top of the world) became navigable for the first time in recorded history. Arctic sea-ice receded dramatically, even more so than the most aggressive climate models had predicted.¹²⁰ The decrease in sea-ice made global headlines and gave credence to climate models that suggested that the Arctic would be ice-free much sooner than 2100, as the Intergovernmental Panel on Climate Change¹²¹ had previously predicted.¹²² Once again, those who possessed the drive, technology, and competence to extract wealth from this new world would stand to benefit enormously. A combination of climate change, quantum leaps in energy exploration

¹²⁰ For more on the relationship between climate change and Arctic sea-ice change, see Christophe Kinnard et al., “Reconstructed changes in Arctic sea ice over the past 1,450 years,” *Nature* 479, no. 7374 (2011): 357.

¹²¹ Intergovernmental Panel on Climate Change, ed. *Climate Change 2007: The Physical Science Basis. Contribution of Working Group I to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change* (Cambridge, UK: Cambridge University Press, 2007).

¹²² Muyin Wang and James E. Overland, “A sea ice free summer Arctic within 30 years?,” *Geophysical Research Letters* 36(2009); Julianne Stroeve et al., “Arctic sea ice decline: Faster than forecast,” *Geophysical research letters* 34, no. 9 (2007).

and drilling technology, and extraordinarily high energy prices have dramatically increased both the value and accessibility of Arctic seabed resources. The exposure of energy resources alone was potentially massive, with the USGS estimating that 30% of the world's natural gas reserves exist in the Arctic.¹²³ This shock in the Arctic environment is useful because it allows us to observe how states react to the exposure of resources in an area that was of little geopolitical significance since the end of the Cold War.¹²⁴ This makes the Arctic an ideal place to test theories of when and why states project power to compete over resources.

The goal of this chapter is to assess the degree to which the behavior of Arctic states can be explained by the theory laid out in chapter two. My research question is when and why do states project power? The shock of Arctic climate change is illuminating because it allows me to observe how states reacted to the exogenous exposure of resources in terms of their foreign policy choices. This permits me to test competing theories of why states choose to project power. I evaluate the degree to which states' choices to project power to bargain over Arctic resources is best explained by my theory or its competitors.

I find that the behavior of the Arctic states confirms the predictions of my theory. The liberal states (U.S., Canada, and Denmark) were relatively restrained in

¹²³ USGS, "90 Billion Barrels of Oil and 1,670 Trillion Cubic Feet of National Gas Assessed in the Arctic," ed. United States Geological Study (2008). See also, Donald L. Gautier et al., "Assessment of Undiscovered Oil and Gas in the Arctic," *Science* 324, no. 5931 (2009).

¹²⁴ For an analysis of the power projection in the Arctic during the Cold War, see Barry Posen, "The U.S. Military Response to Soviet Build Up in the High North," in *The Military buildup in the high north: American and Nordic perspectives*, ed. Kare Nyblom and Sverre Jervell (Cambridge, Mass.] :Lanham, MD: Center for International Affairs, Harvard University; University Press of America, 1986).

their reaction to the shock; they projected power into the Arctic infrequently and with low intensity. In general, the liberal states handled their disputes over maritime seabed resources through bilateral talks and without deploying military force. In contrast, non-liberal type states, states that are resource-dependent and/or autocratic (i.e. Norway and Russia), reacted to the shock by projecting power with greater intensity and frequency, and were more likely to handle their disputes by deploying military force. Norway, an extractive type (democratic, but resource dependent), projected more power into the Arctic than its liberal counterparts (Denmark, Canada and the U.S). Finally, Russia, a predatory (autocratic and resource-dependent) state, deployed its military with greater frequency and intensity than any other state, despite being considerably less powerful than the United States.

This chapter is made up of the following components. Part I explains the nature of the exogenous shock and lays out my theoretical predictions regarding how Arctic states should react to the shock, given my coding of their state type. Part II analyzes the empirics and is designed to test my theory of foreign policy. I analyze the foreign policy behavior of the states during the pre-shock period from 1992-2007 and the post-shock period of 2007-2013. I code the value of the dependent variable (i.e. did states react to the exposure of Arctic resources by pursuing open or exclusionary foreign policies?) and assess the degree to which their behavior conforms to the predictions of my theory. Part III contains two tests of my theory of geopolitical competition. The first test compares the level of competition within each dyad of

Arctic states. Specifically, I assess whether liberal dyads were less likely to project power during disputes than dyads with non-liberal states. The second test compares how states reacted to the exposure of resources in the North Sea vs. the Arctic. The North Sea serves as a useful comparison to my primary case (the Arctic) because I can observe how states reacted to the exposure of resources absent the treatment (the presence of non-liberal states). The predictions of the theory are consistent with the observed behavior in this cross-regional comparison; Arctic states projected power while those in the North Sea did not. I conclude by assessing the performance of my theory against its competitors before closing with some implications for both policy and IR theory.

Part I Theoretical Expectations

Nature of the exogenous shock

This section concerns the nature of exogenous shock and why it is useful for making inferences about a state's true preferences or objectives. Generally, inferring actors' preferences from their behavior is a difficult proposition, as their actions may be driven by strategic interaction or contextual factors that make it difficult to determine their true preferences. When trying to infer why states are projecting power, this can become particularly problematic, as it is difficult to determine whether states are projecting power to secure one set of goods (resources) over another (defending their national security). Exogenous shocks can help us alleviate this problem by

manipulating states' incentives to pursue a particular set of goods in a way that is beyond their control. We can then observe how states react to these shocks and more plausibly estimate their true preferences. The shock is only useful insofar as it is "shocking" (i.e. cannot be anticipated by the actors) and exogenously manipulates their incentives.

The exposure of resources in the Arctic satisfies both conditions in that it exogenously increased states' incentives to compete over resources and could not have been anticipated by the actors in the region. In the summer of 2007, global climate change resulted in a massive and unprecedented decrease in Arctic sea-ice. Governments had known about climate change for decades, but the existing models had predicted that the Arctic would not be ice-free in the summer until 2100.¹²⁵ Even the more liberal climate models, which predicted that the Arctic might be ice-free in the summer as early as the 2030's, did not predict this event. In other words, the Arctic ice was melting faster than any government could have predicted given the existing models and data. This is why the exposure of resource was a "shock" to Arctic states.

Ideally, the exogenous shock would occur in a region where states were not projecting military power prior to the shock. This would make it easier to rule out competing explanations, principally that states were projecting military power not for resources, but out of concerns for their national security; this was largely the case in the Arctic, as Cold War competition had given way to geopolitical neglect. During the

¹²⁵ P Rampal et al., "IPCC climate models do not capture Arctic sea ice drift acceleration: Consequences in terms of projected sea ice thinning and decline," *Journal of Geophysical Research* 116(2011).

Cold War, the Arctic was an arena of intense military competition with Soviet and American nuclear submarines playing games of cat and mouse under the Arctic ice and bombers patrolled the Arctic Circle, awaiting orders to attack their targets deep inside enemy territory. However, as the Cold War drew to a close, both sides largely withdrew their forces from the Arctic. Bases were mothballed and abandoned; bombers and submarines stopped patrolling and militaries ended regular Arctic military exercises. The Arctic returned to its previous status: a frozen wasteland of little strategic interest, with few accessible resources, where few people lived and little trade occurred. For most of the next decade and a half, the Arctic remained a region that was peripheral to global affairs. It is precisely because the Arctic was of such little interest for so long that it makes an ideal place to observe how states reacted to the shock of climate change and the corresponding exposure of resources. Because states were not engaging in intense security competition for most of the decade and half prior to the exposure of resources, I can more plausibly rule out this alternative explanation or source of systematic bias.

During this period of Arctic geopolitical neglect, buried deep beneath the Arctic ice lay riches that, once revealed, would pique the interest of the world's most powerful states and thrust the Arctic back onto the world stage. The melting of Arctic ice exposed massive reserves of resources in areas previously thought to be inaccessible. Although the vast majority of these resources existed in areas that fall within the exclusive economic zones (EEZs) of Arctic states, at this time there were a

number of areas of overlapping EEZ claims. Additionally, a number of Arctic states had made or would soon make claims to extend their EEZ in order to place additional Arctic resources under their control. My theory produces predictions regarding whether states should project power to compete over these claims.

Theoretical Predictions

My theory suggests that how states react to the exposure of Arctic resources will be a function of the domestic politics that determine the type of state that governs the state. For more on the theoretical mechanisms, see Chapter 2. Three types of states border the Arctic—predatory states, extractive states and liberal states. The theory predicts that predatory states should be more likely to project power to compete over private goods (territory and resources) than all other Arctic states. Extractive states should be more willing to project power to compete over resources than liberal states (but less so than predatory states). Finally, liberal states should be the least likely to project power to compete over resources.

Thus, I would expect predatory states to react to the exposure of resources in the Arctic by projecting military power with greater frequency and intensity than other Arctic states. Russia, as an autocracy that is economically dependent on resource rents, is the only state in the Arctic that is coded as having a predatory state type. Predatory states subsist by extracting wealth from the control of territory and redistributing it to their political supporters. Just as these states seek to extract wealth from their own

territory and citizens, they possess greater than average incentives to grab additional territory and resources to generate wealth. Therefore, I would expect Russian states to be more willing than all other states to project power to further their claims over Arctic resources.

Extractive states also rely on large winning coalitions that derive their wealth from the control of land rents. However, unlike predatory states, they depend on a large winning coalition for their political support. The only state in the Arctic that is coded as extractive using these criteria is Norway. Norway is a democracy that is heavily reliant on resource rents to generate wealth and revenue. However, extractive states should be more restrained in the pursuit of resources than their predatory counterparts. This is because the gains for capturing additional private goods (resources) will dilute as they are broadly redistributed throughout society. Small winning coalition (autocratic) states do not face this problem, as the gains are enjoyed by a smaller group of individuals. Additionally, because extractive types govern democracies, they should face lower opportunity costs for substituting investment from extracting additional land rents to generating wealth via manufacturing goods and services. This should reduce their incentive to take additional territory because they can often net higher returns by investing in generating wealth through manufactured goods and services, rather than appropriating additional land rents. For an explanation of why this is the case, see the theory chapter. However, extractive states should have a greater incentive to project power to secure resources than liberal

states because individuals in their winning coalitions are more economically dependent on land rents. Therefore my theory predicts that Norway will be more willing to project power than Canada, Denmark, and the U.S., but less than Russia.

In contrast, liberal states' political survival is dependent on large winning coalitions who generate wealth primarily through the production of manufactured goods and services. Liberal states also value rents and resources, but less so than predatory or extractive states because they face greater domestic political constraints and higher opportunity costs for pursuing territory and resources. Thus, liberal states have weaker incentives to project power to secure resources.¹²⁶ Given this, I expect that the U.S., Canada and Denmark will be less willing to project power than Norway or Russia. The exogenous exposure of resources in the Arctic allows me to test the predictions of my theory against these alternative explanations (see Table 4.1 below).

Table 4.1: Expected vs. Observed Values

State Type	Pre-Shock 1992-2007		Post-Shock 2007-2013	
	Expected Value	Actual Value	Expected Value	Actual Value
Liberal	Low	Low	Low	Low
Extractive	Low	Low	Medium	Medium
Predatory	Low	Low	Higher	Higher

¹²⁶ In my theory chapter, I define the terms used here and provide a more detailed explanation of the micro-foundations that govern states incentives regarding certain goods and foreign policies over others.

All else equal, my theory of geopolitical competition suggests that if only liberal states are present, then the level of geopolitical competition should be low, because these states have relatively compatible interests. In contrast, if non-liberal states are present, then the level of geopolitical competition should be higher because states will have incompatible interests. The higher the level of geopolitical competition, the more likely states will be to build and project power. Using the language of causal inference, environments that are treated with non-liberal states should be associated with an increased likelihood that states will build and project power. In contrast, environments in which only liberal states are present should be associated with states being less likely to build and project power.

I test this proposition in two ways. The first test is at the dyadic dispute level and looks at how states behaved in their Arctic territorial disputes after the 2007 shock. Specifically, I examine whether states were less likely to project power in disputes involving only liberal states. I then observe how states behaved in disputes in which at least one state was a non-liberal type. In these disputes, the level of geopolitical competition should be higher and therefore states should be more likely to project power to further maritime resource claims. The second test involves a comparison of how states reacted to the exposure of resources in the North Sea vs. the Arctic. In the Arctic, a mix of different types of states with incompatible interests should result in a more competitive geopolitical environment in which states are more likely to build and project power to bargain over resource claims. In contrast, in the

North Sea, all states were liberal types with compatible interests. This should lead to a relatively cooperative geopolitical environment in which states are less likely to build and project power and more likely to handle their disputes peacefully through international institutions.

It is important to note that my theory is designed to explain why states project power. I make no predictions as to whether power projection will get states what they want or when it will result in conflict. Both conflict and bargaining success or failure are theoretically indeterminate and will likely be decided by unobservable factors.¹²⁷ What I seek to explain is when and why states deploy military forces to coercively bargain over their interests. Also, I make no distinction as to whether deployment of military force is offensive or defensive, but only where the forces are deployed. I take the level of aggression or provocativeness into account by looking at whether states deploy their military forces to an area under dispute or near or across another state's border, EEZ or airspace. I focus on aggression or provocativeness because these behaviors are more easily identified based on where a state deploys its forces and the manner in which it deploys them, rather than whether a strategy is offensive or defensive.

Part II. Empirics

I begin the empirical analysis by justifying the coding of the state types based on their domestic political institutions and economic interests. For a coding of the

¹²⁷ Erik A. Gartzke, "War is in the Error Term," *International Organization* 53, no. 03 (1999).

regime type variable, I rely on the Polity IV dataset. As is standard in the literature, I code a state with score of 7 or higher on the Polity scale as a democracy.¹²⁸ The Democracy and Dictatorship dataset provides a robustness check on this measure.¹²⁹ For coding whether a state has land-oriented economic interests, I use data from the World Bank on resource rents as a percentage of GDP. Note that I adopt the threshold of 10% from Collier and Hoeffler's (2009) operationalization of a high-rent state.¹³⁰ I include resource rents as a percentage of GDP in 2011 (the last year available in the dataset) and I also include the 20-year average from 1970-2010 as a robustness check.¹³¹

¹²⁸ Marshall G. Marshall, Keith. Jagers, and Ted R. Gurr, "Political Regime Characteristics and Transitions 1800-2010," ed. University of Maryland. Data retrieved from [www. systemicpeace. org/inscr/inscr. htm](http://www.systemicpeace.org/inscr/inscr.htm) Polity IV Project (2011).

¹²⁹ Antonio Jose Cheibub, Jennifer Gandhi, and James Raymond Vreeland, "Democracy and Dictatorship Revisited," *Public Choice* 143, no. 2-1 (2010).

¹³⁰ Paul Collier and Anke Hoeffler, "Testing the neocon agenda: Democracy in Resource-Rich Societies," *European Economic Review* 53, no. 3 (2009): 18.

¹³¹ The 20-year average serves as a robustness check for two reasons. First, to ensure that the coding is not the result of an outlier year in which resource rents as a percent of GDP were especially high or low. Second, the 20-year average helps ensure that the economic interests have been long established and are thus more likely to have secured political influence within the state. Data is available for all states except Russia for 42 years, and for Russia only 22 years. If I include the additional years of data availability, it does not change the average.

Table 4.2: Indicators for Coding of Types

State	Size of W	Land-Oriented (Resource rents as % of GDP)	State Type
United States	Democracy	2011: 1.7% (20 year mean: 1.17%)	Liberal
Canada	Democracy	2011: 5.1% (20 year mean: 4.68%)	Liberal
Denmark	Democracy	2011: 2.4% (20 year mean: 1.78%)	Liberal
Norway	Democracy	2011: 13.6% (20 year mean: 14.0%)	Extractive
Russia	Autocratic	2011: 22% (20 year mean 24.3%)	Predatory

The Liberal Types: Canada, Denmark and the United States

You can see from Table 4.2 that the United States, Canada, and Denmark states are coded as democratic. All three states receive a score of 10 (the highest possible) for the entire period of analysis. Because the coding of these states as democracies is both uncontroversial and familiar to most readers, I will focus on their economic interests.

The American economy is highly dependent on manufactured goods and services, with nearly 80% of the U.S. economy coming from services alone. Despite a highly productive agricultural and energy sector, in 2012 agricultural outputs made up only 1.2% of GDP¹³² and resource rents made up only 1.7% of GDP in 2011 (the latest

¹³² "The United States," CIA-Factbook, 2012 <https://www.cia.gov/library/publications/the-world-factbook/geos/us.html>

date for which data is available).¹³³ Major advances in extracting energy from tight oil and shale gas may mean that resource rents are likely to become a larger part of U.S. GDP in the future. However, during the period before and after the shock of Arctic climate change, they remained a relatively small percentage of U.S. GDP. In effect, the vast majority of wealth in the United States is not created through the control of highly productive land, but from highly productive and innovative individuals.

The Canadian economy is principally a service based one; however, due to technological innovation and the discovery of oil tar-sands in Alberta, Canada has the third-largest oil reserves in the world. Because of this, the degree to which the economy relies on the control of territory may increase in the future. However, currently, Canada relies principally on trade in manufactured goods and services. The service sector constitutes nearly 70% of the Canadian GDP.¹³⁴

Denmark's economy relies primarily on the production of manufactured goods and services. Roughly 76.5% of Denmark's economy is based in services and only 1.3% is based in agricultural production. Over the past 40 years, resource rents have accounted for only 1% of Denmark's GDP. Wealth in Denmark is primarily derived from manufactured goods and services rather than raw materials and commodities that are tied to the land.

The United States, Canada and Denmark all fall well below the 10% threshold of resource rents as a percentage of GDP to be coded as land-oriented. Thus, I code

¹³³ Bank, *The Changing Wealth of Nations: Measuring Sustainable Development in the New Millennium*.

¹³⁴ "Canada," CIA-Factbook, <https://www.cia.gov/library/publications/the-world-factbook/geos/ca.html>

their economic interests as being primarily market-oriented rather than land-oriented. Given that all three states possess democratic political institutions and market-oriented economic interests, I code them as liberal types.

Norway: The Extractive Type

Norway is coded a democracy, given its long history of stable democratic institutions and competitive elections.¹³⁵ However, unlike the other Arctic democracies, Norway's economy is relatively dependent on resource rents. In 2011 (the last year for which data is available), 13.6% of Norway's GDP was dependent on resource rents. Norway is the only Arctic democracy to score above 10% threshold to be coded as a land-oriented economy.¹³⁶ Thus, Norway is coded as an extractive type, a democracy that is dependent on extractive wealth from the control of territory.

Norway is often referred to as an outlier case that is not particularly well explained by theories of the "resource curse." This may be because Norway was a consolidated democracy long before the discovery of oil. Because Norway manages its oil wealth in a socially efficient manner, it has not become a renter state and has largely escaped the resource curse. The process by which Norway reinvests its energy rents in the long-term social welfare of its citizens contrasts with the general notion of a petro-state. Oil revenue is generally used to pay for the provision of club goods that benefit society at

¹³⁵ Cheibub, Gandhi, and Vreeland, "Democracy and Dictatorship Revisited."; "Political Regime Characteristics and Transitions 1800-2007," Marshall G. Marshall, Keith. Jagers, and Ted R. Gurr, accessed August 15, 2013

¹³⁶ Since 1991, the year before the analysis begins, resource rents as a percentage of Norway's GDP averaged roughly 14% of GDP. Thus, Norway would be coded as possessing land-oriented economic interests during the entire period of analysis.

large.¹³⁷ Norway has chosen to invest in first-rate health care, public transport and infrastructure and world class public universities and research centers.¹³⁸ However, this is consistent with my explanation, which suggests that the private goods should be broadly distributed because Norway has a large winning coalition. Because of its well-educated public, Norway is able to support a high-end service- or innovation- based economy that depends on the production of technologies and services that rely on human capital.

Norway's economic interests seem to fall on the border between land-oriented and market-oriented. Estimates note that energy resources provide 20% of the Norwegian government's revenue.¹³⁹ This stands in contrast to Russia, where energy resources are estimated to provide 50% of government revenue.¹⁴⁰ Although Norway is fairly reliant on energy resources, these interests are balanced by other means of producing wealth that are not tied to territorial control, such as research and development and shipping services. This makes Norway considerably less reliant on resource rents than Russia or other petro-states that have few globally competitive industries.

¹³⁷ For more on how the Norwegians organized their energy industry to limit rent seeking and maximize the production of club goods, see Mark C. Thurber and Benedicte Tangen Istadm, "Norway's evolving champion: Statoil and the politics of state enterprise," in *Oil and governance : state-owned enterprises and the world energy supply*, ed. David R. Hults, Mark C. Thurber, and David G. Victor (Cambridge: Cambridge University Press, 2012).

¹³⁸ The Economist, "The rich cousin: Oil makes Norway different from the rest of the region, but only up to a point," Feb 2, 2013, 2013.

¹³⁹ "Norway," CIA-Factbook, accessed December 29, 2012 <https://www.cia.gov/library/publications/the-world-factbook/geos/no.html>

¹⁴⁰ For an estimate of Norway's oil revenue, see *ibid.* For an estimate of Russian dependence on energy for revenue, see Stanley Reed and Andrew E. Kramer, "BP Board Approves Rosneft Deal," *New York Times*, October 22, 2012.

Thus, given Norway's large, but relatively land-oriented winning coalition, I code Norway as an extractive type, albeit one that has also invested in production of high-end manufactured goods and services. However, it would be wrong to conclude that Norway does not possess a strong economic interest in pursuing and defending its Arctic resource claims. Norway, like every other petro-state, faces a problem of depleting reserves. If it is to maintain its current level of consumption, it will need to either acquire additional reserves or make up for the lost wealth and revenue by making another part of its economy more productive.¹⁴¹

The Predatory Type: Russia

Russia is coded as an autocracy. Political competition in Russia is suppressed, elections are not generally considered fair and free, and corruption is rampant. Looking at a number of quantitative indicators confirms this conclusion. In 2012, Russia placed 133rd out of 174 countries (with 174th being the most corrupt) by Transparency International. Russia is also rated Not Free by Freedom House.¹⁴² During the period from 1990-2010, Russia scored between 3-6 on POLITY, never achieving the score of 7 that is generally used as the cut-off for democracy.¹⁴³

¹⁴¹ Norwegians are keenly aware of this and have invested in the world's largest sovereign wealth fund. See "Sovereign Wealth Fund Rankings," SWF Institute, accessed August 15, 2013 <http://www.swfinstitute.org/fund-rankings/>

¹⁴² "Russia," Freedom House, accessed December 12,, 2012 <http://www.freedomhouse.org/country/russia>

¹⁴³ Marshall, Jaggers, and Gurr, "Political Regime Characteristics and Transitions 1800-2010."

Additionally, Cheibub, Ghandi and Vreeland (2010) code Russia as an autocracy.

Based on these indicators, I code Russia as possessing autocratic political institutions.

Of the five states bordering the Arctic, no state relies more heavily on oil and gas for revenue, exports, and economic growth than Russia¹⁴⁴ Estimates suggest that roughly 50% of Russia's central government revenue and 60% of its export earnings are dependent on the extraction, production, and export of energy.¹⁴⁵ Over the past 20 years, energy rents have accounted for an average of 24.3%, or nearly a quarter of Russian GDP.¹⁴⁶ This is a staggering percentage of the total wealth that is generated by the Russian economy. Thus, given Russia's autocratic political institutions and land-oriented economic interests, I code her as a predatory state.

Russian rulers emerged from the Cold War presiding over a dramatically weaker state with extractive political institutions that made foreign companies reluctant to invest in the country.¹⁴⁷ Additionally, the lack of economic opportunity led many of Russia's better educated to migrate to the West, where they could earn higher wages. Russia was in a poor position to compete against countries like China in terms of cheap manufacturing and she was unable produce high-end innovation or manufacturing. However, Russia did have one thing that many other states did not—

¹⁴⁴ Charles Emmerson, *The Future History of the Arctic*, 1st ed. (New York: PublicAffairs, 2010), 197.

¹⁴⁵ Reed and Kramer, "BP Board Approves Rosneft Deal."

¹⁴⁶ Bank, *The Changing Wealth of Nations: Measuring Sustainable Development in the New Millennium*; "Total natural resources rents (% of GDP)," World Bank, accessed August 16, 2013 <http://data.worldbank.org/indicator/NY.GDP.TOTL.RT.ZS>

¹⁴⁷ Alexei Izyumov and John Vahaly, "Old Capital vs. New Investment in Post-Soviet Economies: Conceptual Issues and Estimates," *Comparative Economic Studies* 50, no. 1 (2008).

bountiful natural resources. The Kremlin, facing few other options, staked Russia's economic future on the development of these resources. However, not everyone in society benefits equally from the development of these resources.

The post-Soviet Russian state has episodically used the power of the state in a predatory manner—extracting wealth through appropriating property and redistributing it to those that are closely connected to the government.¹⁴⁸ The privatization of Russia's vast territorial resources was conducted in a blatantly private-regarded manner in which politically connected oligarchs used the power of the state to transfer resources that effectively belonged to the society at large to themselves.¹⁴⁹ Because privatization of Russia's land assets was determined by small coalitions in which there were few checks on the power of the state, resources were redistributed narrowly to the oligarchs instead of broadly to society at large.¹⁵⁰

Unusually high energy prices during the past ten years have allowed the Russian economy to recover from the decade of hard economic times that followed the dissolution of the Soviet Union. Russia is currently the largest producer of oil in the world and the second largest producer of natural gas.¹⁵¹ Even if Russia were to become democratic overnight, its economy and political elite would remain heavily dependent on the extraction, production and export of energy. Russia also holds vast

¹⁴⁸ Daniel Yergin and Joseph Stanislaw, *The Commanding Heights : The Battle for the World Economy*, [Rev. and updated] ed. (New York: Simon & Schuster, 2002).

¹⁴⁹ Tom Bower, *The squeeze: oil, money and greed in the twenty-first century* (London: HarperCollins UK, 2009), 117-28.

¹⁵⁰ *Ibid.*, 91-126.

¹⁵¹ CIA-Factbook, <https://www.cia.gov/library/publications/the-world-factbook/geos/rs.html>

deposits of mineral resources and other commodities (with the second largest reserves of coal in the world). Thus, for the Russian elite, its political survival and economic well-being are highly dependent on the control of territory to extract resource wealth.

Today, Russia's political institutions are often described as an oligarchy, anocracy, or pseudo-democracy in which a small elite uses the façade of elections to maintain political power and suppress the opposition.¹⁵² Andrew Wilson writes, "As in much of the Third World, political power has become increasingly commodified, valuable not as a means of promoting social change, but as a gateway for a particular group to seize control of a static or dwindling stock of state assets."¹⁵³

Russia is ruled by small group of oligarchs and former KGB officials who tightly control both economic and political competition within the state. Russia may be described as the archetype of a predatory state, where the state is principally concerned with two mutually reinforcing goals: maximizing rents and maintaining power within a small ruling elite.¹⁵⁴ For Russia's ruling elite, the extraction of land rents, principally gleaned from the profits generated from state owned energy companies, allows them to buy political support and maximize their own consumption of private goods.¹⁵⁵

¹⁵² Andrew Wilson, *Virtual politics : Faking Democracy in the post-Soviet world*, 1st ed. (New Haven [Conn.]: Yale University Press, 2005), 76.

¹⁵³ Ibid., 271.

¹⁵⁴ Peter J. Stavrakis, "Russia's Evolution as a Predatory State," in *Russia's Uncertain Economic Future*, ed. John Pearce Hardt (Armonk, N.Y.: M.E. Sharpe, 2003), 353.

¹⁵⁵ Steve Coll, *Private Empire : ExxonMobil and American power* (New York: Penguin Press, 2012), 277.

The link between the Russian state energy companies and the Russian state is considered to be so tight that is often hard to detect where the corporation ends and the state begins.¹⁵⁶ State energy companies, like Gazprom and Rosneft, exemplify land-oriented interests inside the winning coalition. These energy companies, along with other land-oriented interests like Norilsk Nickel, a mining giant, exercise monopoly or near-monopoly control over the production and sale of natural resource commodities. Companies that derive their wealth from the control of territory work in close symbiosis with the Russian political elite, facilitating their near-monopoly control over the state's resources.¹⁵⁷

For example, Gazprom controls 87% of gas production in Russia.¹⁵⁸ This near-monopoly on production allows both Gazprom and the political elite who are closely tied to it to extract monopoly rents. Political control over energy companies produces a number of private goods that the ruling elite redistributes to the members of the winning coalition. In the cases of Gazprom and Rosneft, their board members are often appointed by the Kremlin. This serves as a means of exercising political control over the activities of the corporation and as a source of patronage that can be doled out by the Russian state to its supporters. The regime also forces Gazprom to produce

¹⁵⁶ Nadejda Victor and Inna Sayfer, "Gazprom: the struggle for power," in *Oil and governance : state-owned enterprises and the world energy supply*, ed. David R. Hulst, Mark C. Thurber, and David G. Victor (Cambridge: Cambridge University Press, 2012).

¹⁵⁷ Andy Home, "Will the real Norilsk owner please stand up?," *Reuters*, 2012, <http://www.reuters.com/article/2012/12/07/column-home-norilsk-nickel-idUSL5E8N790C20121207>; Bower, *The squeeze: oil, money and greed in the twenty-first century*: 116.

¹⁵⁸ Arild Moe and Elana Wilson Rowe, "Northern Offshore and Oil and Gas Resources," in *Russia and The North*, ed. Elana Wilson Rowe (2009: University of Ottawa, 2009), 119.

higher volumes of gas than it would otherwise and to sell this gas at below-market rates to Russian citizens as a means of buying off the general public and limiting public dissent.¹⁵⁹ However, the largest and most obvious rent is the profits—billions of dollars from the sale of energy that can be siphoned off and redistributed to members of the ruling elite. These profits would not exist if state companies like Gazprom did not possess an effective state-sanctioned monopoly on the production of natural gas. Gazprom's profits are so staggering that it alone provides 25% of the federal tax revenue for all of Russia.¹⁶⁰

Rosneft, as a state company, is given privileged access to offshore Arctic energy resources that also allow it to extract monopoly rents.¹⁶¹ Rosneft recently purchased BP's shares of TNK to become one of the world's largest oil companies. To provide some perspective on the massive scale of this new joint venture, Rosneft alone will pump 4 million barrels of oil per day, the equivalent of 40% of Saudi Arabia's total output.¹⁶² The profits from these 4 million barrels of oil are directly under the control of the state and a few Russian oligarchs. It is worth noting that collectively, Gazprom and Rosneft are estimated to control 80% of Russia's offshore Arctic maritime seabed territory.¹⁶³ Foreign companies are barred from negotiating

¹⁵⁹ It is worth noting that this is a broadly redistributed private good rather than a public good.

¹⁶⁰ Rob Huebert et al., "Climate Change and International Security: The Arctic as a bellwether," (2012), 30.

¹⁶¹ Andrew E. Kramer and Stanley Reed, "BP Will Switch Russian Partners Through a Deal With Rosneft," *New York Times*, October 22, 2012.

¹⁶² Ibid.

¹⁶³ "Arctic blocks 'in the bag' for Rosneft," Steve Marshall, accessed Monday February 11, 2012 <http://www.upstreamonline.com/live/article1316019.ece>

independent access rights. If foreign companies seek to access these reserves, they must do so through a partnership with either Gazprom or Rosneft.¹⁶⁴ By forcing outside firms to partner with Russian state-backed companies, the Kremlin is able to extract rents and maintain political control over access to Russian energy reserves. This is one of the ways in which the Russian state demonstrates its exclusionary rent-seeking preferences.

The Russian political elite is utterly dependent upon the production of energy for economic growth and, therefore, their political survival. Putin and his party use the revenue to buy off members of the political opposition and to keep factions, such as the military, loyal to the state. For example, the dramatic increase in salary that Russian soldiers have been promised is directly tied to the ability of the regime to keep oil prices high.¹⁶⁵ Thus, oil and gas revenues allow the Russian elite to literally buy off those whose political support it requires for its political survival. In sum, because Russia possesses autocratic political institutions and land-oriented economic interests, I code her as a predatory type.

How did the states react to the shock? I have laid out my theoretical expectations regarding how states should react to the exposure of Arctic resources and justified my coding of their state types. I now turn to the task of assessing how the

¹⁶⁴ Ibid.

¹⁶⁵ Andrew E. Kramer, "Putin Needs Higher Oil Prices to Pay for Campaign Promises," *New York Times*, March 16, 2012.

states reacted to the shock and the degree to which their reactions were consistent with the predictions of my theory. I begin by assessing the behavior of the liberal types.

The United States' Arctic Foreign Policy

The United States is by far the most powerful Arctic state in terms of both its military potential, as measured by GDP, and its actual military capabilities, as measured by the size and quality of its force structure. It has the most imposing power projection capabilities of any state in the world.¹⁶⁶ Therefore, if capabilities drive intentions, then the U.S. should be the state that is “most likely” to project power into the Arctic. However, this is exactly the opposite of what we observe.

After the Cold War, the United States pulled back from the Arctic, putting an end to regular Arctic submarine patrols and decommissioning much of its Arctic military force structure.¹⁶⁷ The rapidly melting Arctic and the exposure of Arctic resources have elicited a relatively restrained and even reluctant response from the United States. The U.S. has demonstrated little interest in securing Arctic resources outside of its EEZ and has not prioritized the Arctic as a region of geopolitical concern.

U.S. Interests

¹⁶⁶ For an assessment of current U.S. military potential and capabilities, see Michael Beckley, “China’s century? Why America’s edge will endure,” *International Security* 36, no. 3 (2012); Barry R. Posen, “Command of the Commons: The Military Foundation of U.S. Hegemony,” *International Security* 28, no. 1 (Summer 2003); William C. Wohlforth, “The stability of a unipolar world,” *International Security* 24, no. 1 (1999).

¹⁶⁷ *Newsday*, “U.S. is phasing out attack sub patrols under Arctic ice Cat-and-mouse game with Russians is ending,” *The Baltimore Sun*, November 16, 1997, http://articles.baltimoresun.com/1997-11-16/news/1997320037_1_subs-arctic-russian.

The U.S. has not made formal claims to seabed resources beyond its EEZ. This is because Washington is barred from making formal claims because it has not ratified UNCLOS. One might argue that the U.S. refuses to ratify UNCLOS because it can obtain more favorable terms by pursuing Arctic resources outside of international law. However, the U.S. has not tried to appropriate, claim, or control Arctic resources outside of their EEZ, nor have they projected military force to establish a presence outside of their EEZ. Thus, the U.S. restraint is informative insofar as it demonstrates a lack of desire to compete militarily over Arctic resources.

One of the only areas in which the United States has a dispute with another state is with Canada, over the status of the Beaufort Sea. In addition, and as previously mentioned, the United States has a dispute with Russia over the North Sea Route and with Canada over the Northwest Passage. In both cases, the U.S. considers the passageways to be international straits and thus not under the sovereign control of any state. Finally, the U.S. may submit a claim to extend its EEZ if and when it chooses to ratify UNCLOS. Like all other Arctic states, the United States has conducted research on the seabed floor to determine the extent of its continental shelf. If the United States does ratify UNCLOS, this research could be used to bolster formal claims.¹⁶⁸

Because of its lack of interest in the Arctic, the United States has been branded the reluctant Arctic power.¹⁶⁹ The lack of interest has been attributed to the United

¹⁶⁸ Randy Boswell, "Arctic sea floor to be contested; Canada, U.S. to spar over rich resources," *National Post*, February 13, 2008.

¹⁶⁹ Rob Huebert, "Canadian Arctic Sovereignty and Security in a Transforming Circumpolar World," (Canadian International Council, 2009).

States having other strategic priorities in Iraq and Afghanistan.¹⁷⁰ The U.S. has been generally unwilling to make the Arctic a strategic priority, deploy its military force to the region or alter its Arctic force structure. In 2010, U.S. Secretary of Defense Gates embodied this reluctance when he remarked, “we haven't done too much advanced planning in terms of additional icebreaker capability.”¹⁷¹ The planning and building of ships takes years, if not decades. The fact that the Secretary of Defense openly admitted that the DoD had not even begun planning for additional icebreaker capability is informative as to the general lack of investment in an Arctic force structure.

Although the outgoing Bush Administration did release an Arctic Regional Policy (NSPD-66), the document is fairly vague in terms outlining American commitments in the Arctic region.¹⁷² The document mentions security as the number one U.S. Arctic priority and outlines U.S. security interests broadly to encompass “missile defense and early warning; deployment of sea-and air-systems for strategic airlift, strategic deterrence, maritime presence, and maritime security operation; and ensuring operation of navigation and overflight.”¹⁷³ These issues primarily concern the protection of general U.S. security interests, such as strategic deterrence, rather than ensuring control of maritime seabed resources.

¹⁷⁰ Roger Howard, *The Arctic Gold Rush: The new race for tomorrow's natural resources* (New York: Continuum, 2009), 180.

¹⁷¹ Paul McLeary, "Top Of The World," *Defense Technology International*, 2010.

¹⁷² U.S. Government, "National Security Presidential Directive/NSPD 66 and Homeland Security Presidential Directive/HSPD 25," (January 2009).

¹⁷³ Ibid.

Additionally, the Arctic has played a relatively minor role in U.S. strategic planning documents. The Arctic is barely mentioned in the U.S. National Security Strategy of 2010 and U.S. National Military Strategy of 2011.¹⁷⁴ The Arctic is not mentioned at all in 2012's Sustaining U.S. Global Leadership: Priorities for 21st Century Defense.¹⁷⁵ More recently, the United States issued an update to its Arctic strategy, entitled "National Strategy for the Arctic Region."¹⁷⁶ The document essentially reaffirms the priorities outlined in NSPD-66 and is fairly vague on priorities or additional Arctic spending. Finally, aside from some submarine missions in the Arctic, most of which are clandestine, the U.S. has projected relatively little power into the Arctic.

Providing Club Goods and Protecting Common Pool Resources

The U.S. has articulated an interest in protecting the Arctic environment, securing open access to sea-lines of communication, and ensuring that disputes over maritime boundaries are handled peacefully.¹⁷⁷ However, the United States has also made protecting the Arctic environment a top priority, limiting offshore drilling and fishing. An example of the prioritization of the protection of the Arctic environment

¹⁷⁴ M.G. Mullen, *The National Military Strategy of the United States of America, 2011: Redefining America's Military Leadership* (Joint Chiefs of Staff, 2011).

¹⁷⁵ Barak Obama and Leon E. Panetta, *Sustaining US global leadership: priorities for 21st century defense*, vol. 1 (Washington DC: The White House, 2012).

¹⁷⁶ President of the United States, "National Strategy for the Arctic Region," (May 2013).

¹⁷⁷ Government, "National Security Presidential Directive/NSPD 66 and Homeland Security Presidential Directive/HSPD 25."

occurred in February of 2009, when the North Pacific Fishery Management Council placed a moratorium of fishing in parts of the Arctic until the effects of climate change on the U.S. fish stocks could be better assessed. This kind of policy may hurt parochial interests, but protects the public's interest in terms of maintaining a sustainable Arctic environment.

One of the major Arctic interests the U.S. has expressed is freedom of navigation within Arctic waters.¹⁷⁸ The central issue here is a dispute with Canada over whether the Northwest Passage constitutes an international strait or interior waters. The United States has a similar disagreement with Russia regarding the status of the Northern Sea Route. These issues are fundamentally about freedom of navigation and secure sea lanes. The United States has also made efforts to protect the Arctic environment, limiting drilling and over-fishing.¹⁷⁹ The Arctic environment represents a club good that is enjoyed by all United States citizens.

The U.S. has had a relatively muted reaction to the exposure of Arctic resources and, thus far, has not made exclusionary claims to Arctic seabed resources or sought to exclude other actors from the region. Instead, the United States has insisted that regional forums like the Arctic Council be open to non-member states that seek observer status.¹⁸⁰

¹⁷⁸ James Kraska, "The New Arctic Geography and U.S. Strategy," in *Arctic Security in an Age of Climate Change*, ed. James Kraska (New York: Cambridge University Press, 2011), 260.

¹⁷⁹ Juliet Eilperin, "Commercial Fishing Is Barred in Parts of Arctic," *The Washington Post*, February 6, 2009.

¹⁸⁰ The Canadian Press, "Icy Clinton leaves Arctic summit," *The Telegram*, March 30, 2010, <http://www.thetelegram.com/World/2010-03-30/article-1440150/Births-1847>.

Recently, the U.S. government has begun to pay more attention strategically to the Arctic, with the outgoing Bush Administration naming Arctic security as its number one Arctic priority.¹⁸¹ The Arctic appears to be fairly low on the U.S. strategic/military totem pole, with funding for new icebreakers failing to gain any support in Congress. Moreover, if the U.S. is to have any substantial Arctic presence, it will need more than just icebreakers. As James Kraska writes, “The American Arctic lacks deep water port facilities, air fields, aides to navigation and maritime domain awareness systems and associated infrastructure, all of which would have to be created to accommodate a greater US military and law force presence in the region.”¹⁸² Currently, there is little support to fund any of this Arctic infrastructure.

U.S. Force Structure

U.S. Arctic naval surface capabilities are so weak that an independent report from the National Research Council wrote:

“In the post–Cold War era, the U.S. Navy has had a very limited surface ship presence in true northern latitude, cold-weather conditions. According to information presented to the committee, the U.S. military as a whole has lost most of its competence in cold-weather operations for high-Arctic warfare.”¹⁸³

¹⁸¹ Office of the President, "National Security Presidential Directive/NSPD 66 – Homeland Security Presidential Directive/HSPD 25 – Subject: Arctic Region," ed. Office of the President (January 9, 2009).

¹⁸² Kraska, "The New Arctic Geography and U.S. Strategy," 257.

¹⁸³ NRC, *National Security Implications of Climate Change for US Naval Forces*, ed. National Research Council (Washington D.C.: National Academy Press, 2011), S-7.

The loss of U.S. competence is the result of a choice. The U.S. has chosen not to prioritize the Arctic region in terms of U.S. training or force structure. Virtually all of the former and current U.S. officials and Navy and Coast Guard Officers that I interviewed lamented the United States' utter lack of investment in Arctic infrastructure and capabilities. Although these individuals may have had bureaucratic or professional incentives for their opinions, it is worth noting that many of the academic researchers I spoke with came to the same conclusion about the sorry state of U.S Arctic capabilities.

However, the U.S. does maintain some residual military presence in the Arctic left over from the Cold War. Many of these assets are tied to ballistic missile defense. Most of the U.S. force structure in the Arctic was acquired prior to 2007. The U.S. military possesses bases near Anderson, Alaska and Thule, Greenland. Thule is a substantial base with a deep water-port, 10,000-foot runway and 20-million gallon fuel farm. However, Thule maintains no aircraft and is only used to maintain an ICBM (Inter-Continental Ballistic Missile) warning radar.¹⁸⁴ Both Thule and Anderson are primarily maintained as part of the U.S. Ballistic Missile Early Warning System (BMEWS); thus, their primary purpose is not for projecting conventional military force into the Arctic, but rather defending the U.S. against ballistic missile attack.¹⁸⁵ Additionally, these are Cold War era bases, established long before the Arctic began

¹⁸⁴ Siemon T. Wezeman, "Military Capabilities in the Arctic," in SIPRI Background Paper (SIPRI, 2012), 10,11.

¹⁸⁵ OUSD (Policy), "Report to Congress on Arctic Operations and the Northwest Passage," ed. Department of Defense (Washington D.C.2011), 18.

melting. The U.S. Coast Guard, the only arm of the U.S. government with an Arctic surface capability, maintains no bases above the Arctic Circle.¹⁸⁶

The United States maintains a force structure with many dual-use assets that can operate in the Arctic environment, such as the 688I Los Angeles class submarine, a sub designed for under-ice operations, and the HC-130 Hercules, a military cargo plane that is outfitted with skis in place of landing gear. A number of other assets, such as the P-3 Maritime Patrol Aircraft, F-22 Raptor, and Stryker vehicle can reportedly operate in a variety of environments, including the Arctic.¹⁸⁷ The F-22, currently the most powerful U.S. military asset in the Arctic, is being stationed at Elmendorf Air Force Base in Alaska.¹⁸⁸ The U.S. army also sends 800 soldiers a year through the Cold Weather Training Center. The U.S. Navy and Marine Corps remain curiously disengaged from the Arctic, considering that it is principally a maritime environment.¹⁸⁹

However, the U.S. has relatively few assets that are designed specifically to operate in the Arctic environment, and maintains no naval surface assets capable of operating in the Arctic, with the exception of a single refueling tanker with an ice-hardened hull left over from the Cold War era. Thus, the U.S. Navy has a very limited conventional naval surface capability and would have difficulty sustaining a naval

¹⁸⁶ Heather A. Conley, "The colder war: U.S., Russia and others are vying for control of Santa's back yard," *The Washington Post*, December 25, 2011.

¹⁸⁷ (Policy), "Report to Congress on Arctic Operations and the Northwest Passage."

¹⁸⁸ Kraska, "The New Arctic Geography and U.S. Strategy," 265.

¹⁸⁹ *Ibid*, 265.

surface presence in the Arctic.¹⁹⁰

Interestingly, the United States has done relatively little to alter or upgrade its Arctic force structure, declining to invest in building ice-hardened warships or even maintain its relatively small fleet of three icebreakers (one medium, two heavy) that were commissioned in the 1970s and have already exceeded their intended life-span. One of these icebreakers has been in caretaker status since 2006 and the other has been undergoing an overhaul. The result of these decisions is that the U.S. possesses no operational heavy icebreakers and its medium icebreaker is used primarily for scientific research in the Arctic.¹⁹¹ In 2005, the icebreakers budget was transferred from the Coast Guard to the National Science Foundation, emphasizing the ships' increasing role as a science platform rather than a power projection asset.¹⁹² There is debate about whether Congress is even willing to fund the maintenance of this existing icebreaker fleet, let alone build additional icebreakers. To put the meager U.S. ice breaking fleet in perspective, Canada has six icebreakers and Finland and Sweden maintain seven each. Estimates suggest that Russia possesses between eighteen and thirty-four icebreakers with a varying number of these operational at any given time.¹⁹³

¹⁹⁰ Pauli Jarvenpaa and Thomas Ries, "The Rise of the Arctic on the Global Stage," in *Arctic Security in an Age of Climate Change*, ed. James Kraska (New York: Cambridge University Press, 2011).

¹⁹¹ Ronald O'Rourke, "CRS Report: Coast Guard Polar Icebreaker Modernization: Background, Issues, and Options," ed. Congressional Research Service (September 29, 2010).

¹⁹² For the eighteen ice-breaker estimate see NRC, National Security Implications of Climate Change for US Naval Forces: 2-16. For the thirty-four ship estimate see (Policy), "Report to Congress on Arctic Operations and the Northwest Passage."

¹⁹³ NRC, National Security Implications of Climate Change for US Naval Forces: 2-18.

U.S. Force Deployment

In general, the U.S. has not projected power into the Arctic with great frequency or intensity. There are some recorded instances of U.S. subs transiting the Northwest Passage or surfacing near the North Pole, but unlike Russia, U.S. ships do not regularly patrol the Arctic, nor do U.S. bombers patrol Arctic airspace. That said, the U.S. does engage in military exercises with its NATO allies in the region. The U.S. has participated with Canada in Operation NANOOK, an annual arctic naval exercise hosted by the Canadian Maritime Command and Canadian Coast Guard.¹⁹⁴ The U.S. Marine Corps has also participated in military exercises with the Norwegian military in Operation Cold Response.¹⁹⁵ These operations emphasize the importance the United States has placed on protecting its NATO allies. Every two to three years, the U.S. Navy's Arctic Submarine Laboratory holds Ice Exercise (ICEX), in which it deploys submarines to the Arctic Ocean to conduct research and hardware tests.¹⁹⁶ Although these may be training or scientific missions, they also serve the purpose of establishing U.S. presence in the Arctic. A former Coast Guard Captain, Lawson Bingham, suggests the U.S. Navy ensures that when its subs surface at the North Pole, the event is well-documented by the news media in order to send a signal to both our allies and

¹⁹⁴ (Policy), "Report to Congress on Arctic Operations and the Northwest Passage."

¹⁹⁵ Ibid.

¹⁹⁶ "ICEX 2011 demonstrates naval research projects," Geoff S. Fein, <http://www.thenorthwestnavigator.com/news/2011/apr/07/icex-2011-demonstrates-naval-research-projects/>

potential aggressors that the U.S military has a presence in the Arctic.¹⁹⁷ That being said, these public incidents occur relatively infrequently and do not appear to have increased in frequency since 2007.

The United States military also carries out ARCTIC CARE, an annual military operation involving the Air National and Army Reserve that is designed in part to provide services to remote areas in Alaska where communities receive little assistance.¹⁹⁸ These operations also allow the military to maintain some ability to operate in cold weather environments. However, these operations occur within the borders of the United States and are more akin to training and medical service provision than to power projection.

Observable Implications

The United States' lack of interest in the Arctic is notable in that it is the country with the most military potential and most powerful military force structure. The reaction of U.S. states to the rapid exposure of Arctic resources is generally consistent with my ex ante theoretical predictions of how a liberal state should react to the exposure of a large set of private goods (i.e. Arctic resources). I would generally expect that liberal states should be more restrained in their pursuit of resources and territory than their predatory counter-parts. My theory predicts that the U.S. should be

¹⁹⁷ Lawson Brigham, "Author interview," (Cambridge, Mass May 15, 2013).

¹⁹⁸ "Service members support Arctic Care in rural Alaska," Maj. Guy Hayes, <http://www.af.mil/news/story.asp?id=123253450>

less interested in capturing private goods such as Arctic resources. Thus, insofar as the U.S. has exhibited more restraint than other Arctic powers, the behavior of the U.S. is consistent with the predictions of my theory.

Canada's Arctic Foreign Policy

After the Cold War, Canada's interests in the Arctic dwindled precipitously. By the end of the 1990's, the Canadian military had dramatically decreased the number of Arctic patrols and military operations taking place above the Arctic Circle.¹⁹⁹ However, the rapidly melting Arctic galvanized the Canadian government to re-focus its attention on the area. Canada reacted to the rapid exposure of Arctic resources by gathering data to make new Arctic claims, upgrading its Arctic force structure and holding Arctic military training exercises.²⁰⁰ Canada has made informal claims that include the Lomonosov Ridge and is currently collecting geological data in support of those claims.²⁰¹ Canada ratified UNCLOS in 2003 and will therefore have to make a formal submission regarding its claims by November 2013.

¹⁹⁹ David Pugliese, "Arctic sovereignty at risk: Military warns North's riches open to plunder by foreign lands; Threat rises as Forces' power slips," *The Ottawa Citizen*; "In the True North Almost No One is 'On Guard'," *The Toronto Star*, July 22, 2000.

It could be argued that Canada's military began moving northward slightly before the shock. In August of 2004, the Canadian military sent 500 troops and 2 ships in a military exercise on Baffin Island.

²⁰⁰ This was the largest exercise that had occurred in years and reversed a trend of a declining military presence in the Canadian Arctic. However, there was relatively little Canadian military activity until 2007.

²⁰¹ Nikolaj Petersen, "The Arctic as a new arena for Danish foreign policy: the Ilulissat initiative and its implications," *Danish Foreign Policy Yearbook 2009* (2009).

In 2007, three Canadian state governments released a policy document on the Arctic entitled, “A Northern Vision: A stronger North and a Better Canada.”²⁰² This was followed in 2009 with the release of “Canada's Northern Strategy” by the Minister of Indian Affairs and Northern Development and the Federal Interlocutor for Métis and Non-Status Indians.²⁰³ These documents stress the importance of protecting the Arctic environment, the sovereignty of current Canadian territory, and the provision of basic government services to Canadian citizens living in the remote Arctic.

The Northern Strategy pays particular attention to the unprecedented changes in the Arctic environment, focusing on major events like the record low levels of ice in 2007 and the subsequent opening of the Northwest Passage. This is of particular concern for Canada because it opens up a sea lane that flows in between and around their territory. How this sea lane is governed and who gets to govern it is at the center of an ongoing, but peaceful dispute between the United States and Canada. The United States insists that the passageway is international waters and therefore subject to free navigation, but the Canadian government asserts that the waters are internal waters and therefore subject to Canadian legal jurisdictions and regulations.²⁰⁴ The opening of the Northwest Passage on August 14, 2007 increased the salience of this issue, as ships could now transit without icebreaker assistance for short periods of time during

²⁰² "A Northern Vision: A Stronger North and a Better Canada," ed. Yukon; Premier's Office Premier's Office, Northwest Territories; Premier's Office, Nunavut (2007).

²⁰³ "Canada's Northern Strategy: Our North, Our Heritage, our Future," ed. Minister of Indian Affairs and Northern Development and Federal Interlocutor for Métis and Non-Status Indians (Ottawa 2009).

²⁰⁴ For more on this dispute, see Michael Byers and Suzanne Lalonde, "Who Controls the Northwest Passage," *Vanderbilt Journal Transnational Law* 42(2009).

the summer. Canada also has a number of boundary disputes, which I cover in the disputes section.

Canada's Force Structure

The Canadian military currently has a limited ability to operate in Arctic waters. Canada maintains a fleet of six icebreakers, but none of these are all-season icebreakers and can only operate in more mild Arctic conditions that prevail during the warmer months.²⁰⁵ Although Canada possesses fifteen surface warships and four conventional submarines with the size and range necessary to operate in the Arctic Ocean, it currently has no ice-strengthened warships.²⁰⁶

Canada reacted to the rapidly melting Arctic by announcing a sweeping set of changes to its Arctic force structure. In July 2007, Canadian Prime Minister Harper announced that the government would order six to eight ice-strengthened offshore Arctic patrol ships for the Canadian navy.²⁰⁷ A month later, the Harper government announced that it would be refurbishing a deep-water port at Nanisivik, located on the northern section of Baffin Island. Nanisivik was previously a mine that was in operation for twenty-five years. The purpose of the refurbishment was to upgrade the facilities so that Canadian Navy and Coast Guard vessels could refuel. Nanisivik is strategically located at the eastern opening of the Northwest Passage, facilitating

²⁰⁵ Howard, *The Arctic Gold Rush: The new race for tomorrow's natural resources*: 183.

²⁰⁶ Wezeman, "Military Capabilities in the Arctic," 5.

²⁰⁷ Byers and Lalonde, "Who Controls the Northwest Passage," 1194.

Canada's ability to monitor and control the passageway.

At the same August speech, the Prime Minister announced that the Canadian Ranger program would be increased from 4,100 to 5,000 personnel. The Canadian Rangers are an Arctic reserve force that is primarily made up of Inuit who live in the Arctic and are equipped with basic bolt-action rifles and snowmobiles. These units exist to provide basic surveillance capabilities, search and rescue and occasionally engage in sovereignty patrols. They also train regular Canadian troops how to move and survive in the Arctic. As part of the effort to increase Canada's cold weather combat capabilities, the Harper government also announced the creation of an Arctic training base in Resolute Bay.²⁰⁸

Canada has also invested in its Arctic monitoring and surveillance capabilities, planting a set of sensors to track ships in the Northwest Passage, a program known as the Northern Watch project. It has also contracted the launch of Polar Epsilon, a space-based satellite project. A fleet of three RADARSAT 2 satellites will provide surveillance of the Arctic region.²⁰⁹

In 2008, Harper announced that Canada would invest in building a Polar Class icebreaker capable of operating in ice as thick as 2.5 meters. The Coast Guard is expected to build the John G. Diefenbaker, a 720 million dollar ice breaker, in

²⁰⁸ "Canadian Rangers," <http://www.army.forces.gc.ca/land-terre/cr-rc/index-eng.asp> (last visit February 19th, 2013) (Canadian government providing basic information about Canadian Rangers).

²⁰⁹ Rob Huebert, ""The Newly Emerging Arctic Security Environment."," in *Canadian Defense & Foreign Affairs Institute (2010)* (Canadian Defense & Foreign Affairs Institute, 2010).

2017.”²¹⁰ In addition, Canada has recently purchased C-117 heavy lift cargo planes from the United States and is in the process of refurbishing its Arctic airfields to accommodate these aircraft. This would give the Canadians the ability to rapidly deploy troops and equipment to Arctic bases.

Canada’s Force Deployment

Despite Canada’s upgrades to its military force structure, there is little evidence that it has deployed its military forces to signal its resolve and presence regarding its Arctic claims. Canada’s central interest seems to be protecting its existing Arctic territory and the sovereignty of its internal waters, rather than acquiring additional territory and resources in the Arctic.²¹¹ After the Cold War, the Canadian military had lost its interest in projecting military power to the Arctic. In the mid-1990s the Canadians were still conducting several Arctic exercises a year, but

in 1999, these exercises ceased.²¹² In 2002, the Canadian Navy returned to the Arctic for the first time since 1989, but its capabilities were so lacking that they could not even reach Hans Island (a small island that is also claimed by Denmark).²¹³

The Canadian military has increased the frequency and intensity of its Arctic

²¹⁰ Rob Huebert, "Canada and the Newly Emerging International Arctic Security Regime," in *Arctic Security in an Age of Climate Change*, ed. James Kraska (New York: Cambridge University Press, 2011).

²¹¹ P. Whitney Lackenbauer, "Polar Race or Polar Saga? Canada and the Circumpolar World," in *Arctic Security in an Age of Climate Change*, ed. James Kraska (New York: Cambridge University Press, 2011).

²¹² Pugliese, "Arctic sovereignty at risk: Military warns North's riches open to plunder by foreign lands; Threat rises as Forces' power slips."

²¹³ Robert Huebert, "The Return of the Vikings," in *Breaking ice: renewable resource and ocean management in the Canadian North*, ed. F Berkes, et al. (Calgary: University of Calgary Press, 2005), 329.

military exercises. In 2004, the Canadian military sent 500 troops and 2 ships for Operation Narwhal on Baffin Island. This was the largest military exercise that had occurred in years and reversed a trend of a declining military presence in the Canadian Arctic.²¹⁴ Additionally, in 2007, shortly after the Russians planted a flag on the Arctic seabed, the Canadian military hosted the first Operation NANOOK, a joint military exercise involving the navy, army, air force, Royal Canadian Mounted Police, and Coast Guard. Canada has held the NANOOK every year since 2007 and they have increased the number of personnel and weapons systems that have participated.²¹⁵ These training operations have also involved the participation of allied forces, such as the United States 2nd Fleet.

Canada has also regularly held Operation RAM, in which Canadian ground forces practice maneuvering in Arctic conditions. As part of Operation RAM 2010, Canadian armor was deployed to the Arctic for the first time since the end of the Cold War.²¹⁶ This operation was also significant because it represented a shift of attention away from Afghanistan and towards the Arctic. In previous exercises, between 100 and 150 soldiers participated. The 2010 RAM operation involved 1,500 soldiers, demonstrating a major increase in the importance the military places on the Arctic. Canada has also sent troops to take part in Operation Cold Response, a NATO exercise

²¹⁴ David Pugliese, "Troops head north to reassert sovereignty: Arctic exercise is Canada's biggest in years, with 500 personnel, choppers and 2 ships," *The Gazette*, August 7, 2004, 2004.

²¹⁵ "Operation NANOOK," The Munk School of Global Affairs, <http://gordonfoundation.ca/sites/default/files/images/Operation%20NANOOK.pdf>

²¹⁶ Ibid.

in Norway involving 16,000 troops from 15 nations. Operation Cold Response has been held annually (except for 2011) since 2006. These operations represent the generally friendly and cooperative relations between the Canada and the other Arctic NATO states.

Observable Implications

Despite some modest upgrades in its military, most of Canada's force structure is dedicated to protecting Canadian sovereignty and providing basic surveillance and search and rescue operations. Canada has upgraded its Arctic force structure, but it has not built one that would allow it to project substantial amounts of military power outside of its borders. Canada's main investment has been to ensure that it can operate within its own territory and to maintain the ability to monitor the actions of others in the Arctic, particularly in the Northwest Passage. Additionally, with the exception of Hans Island, Canada has not deployed its military forces beyond its border or territorial waters to contested areas or against states with which it has disputes. In general, Canadian leaders have made grand public pronouncements promising to make large investments in Arctic force structure and fore posture, however, in general, these promises have not been backed with funding. This lack of funding is indicative of the weakness of Canadian preferences and its concomitant lack of willingness to project power to compete over Arctic resources. In sum, Canada's restrained Arctic foreign policy is consistent with my theoretical expectations.

Denmark's Arctic Foreign Policy

Denmark's major interest in the Arctic stems from its relationship with Greenland, which, despite declaring self-government in June of 2009 still relies heavily on Denmark for economic and military support.²¹⁷ Greenland is now politically autonomous but has been a protectorate of Denmark since 1721. Denmark is still in charge of Greenland's defense and foreign policy.

Denmark had a number of disputes with Canada, Iceland and Norway that were settled peacefully via bilateral agreement prior to 2007. However, Denmark does have an Arctic claim that remains unsettled. Denmark also has a long-running dispute with Canada over Hans Island. Also, in its official Arctic strategy documents, Denmark has indicated that it seeks to claim the North Pole as part of its exclusive economic zone, but has yet to submit a formal claim to the CLCS.²¹⁸ The area known as the Lomonosov Ridge, an underwater mountain range that extends off the coast of Greenland to the North Pole, has also been claimed by Russia and is likely to be claimed by Canada as well. The Danish have been conducting research on the Lomonosov Ridge and in other areas around Greenland and the Faroe Islands (both protectorates of Denmark), where they may claim an extended continental shelf. They

²¹⁷ Nikolai Petersen, "The Arctic Challenge to Danish Foreign and Security Policy," in *Arctic Security in an Age of Climate Change* (New York: Cambridge University Press, 2011).

²¹⁸ Kingdom of Denmark, "Kingdom of Denmark Strategy for the Arctic 2011-2012," (2011).

are expected to make a formal claim before the November 2014 deadline.²¹⁹

Denmark's Force Structure

Denmark's intelligence services have warned that armed conflict in the Arctic is a significant possibility in the next 20 years.²²⁰ Denmark has recently increased its military spending to defend its Arctic interests.²²¹ In July of 2009, the Danish Parliament approved a plan to set up an Arctic military command and task force by 2014.²²² However, Denmark has a navy that is similar in size (tonnage) to Norway's, but technically has the smallest navy and air force of any of the Arctic powers.²²³ Denmark has built two large Absalon class Command and Control vessels which can carry helicopters and boast a multi-purpose roll-on roll-off deck that can be used for anything from mine-laying to deploying tanks as part of an amphibious assault force. The Danish navy also possesses four Thetis class frigates with hardened hulls that can travel through ice that is up to one meter thick. This is a unique Arctic capability that allows the Danish navy to project military force in ice-covered waters without the aid of icebreakers.²²⁴

²¹⁹ Norway ratified UNCLOS in 2004 and is therefore required to submit its maritime claims by 2014. See Dianne DeMille, "Denmark 'Goes Viking' in Canada's Arctic Islands" *Canadian American Strategic Review* (2005); Andrew C. Revkin, "Jockeying For Pole Position," *New York Times*, October 10, 2004, 2004, 4.

²²⁰ Andreas Lindqvist, "Danish Defence Intelligence Service: Danger of Military Clashes in the Arctic," *BBC Monitoring International Reports*, November 09, 2011.

²²¹ W Rodgers, "War over the Arctic? Global Warming Skeptics Distract us from Security Risks," *Christian Science Monitor*, March 2, 2010; Wezeman, "Military Capabilities in the Arctic."

²²² L Jakobson, "China Prepares for an Ice-Free Arctic," *SIPRI Insight on Peace and Security* (2)(2010).

²²³ Petersen, "The Arctic Challenge to Danish Foreign and Security Policy."

²²⁴ Huebert, "The Return of the Vikings."

However, it is important to note that both the Thetis class frigates and Absalon class ships were ordered and built prior to 2007. The Danish Navy has eleven Flyvefisken class patrol boats, but these were also built prior to 2007. Denmark is constructing three Ivar Hutfeldt class frigates that can be armed with Harpoon anti-ship missiles and Tomahawk land-attack cruise missiles.²²⁵ These ships were ordered in 2004 and 2006 and were built to replace the Neils Juel class missile corvettes that were retired in 2010. In 2010, Denmark also decided to retire three icebreakers. In short, Denmark appears to have made modest commitments to build and maintain capabilities dedicated to protecting its interests in the Arctic. Furthermore, these Arctic upgrades do not appear to be in reaction to exogenous exposure of resources in 2007. Like Norway, Denmark appears to have invested in building power projection capabilities to protect its offshore interests. However, also like Norway, these developments occurred over a longer period of time and therefore are unlikely to be driven by the exposure of Arctic resources. What may be driven by the exposure of Arctic resources and shipping lanes is Denmark's decision to build an Arctic military command. However, in general that has not been a dramatic shift in Denmark's Arctic force structure.

Denmark's Force Deployment

Denmark has projected relatively little military power into the Arctic. This is not surprising given Denmark's relatively limited power projection capabilities.

²²⁵ Huebert et al., "Climate Change and International Security: The Arctic as a bellwether," 20.

Denmark has maintained Sirius military dog-sled patrols over the vast ice expanse of Greenland to reinforce its sovereignty there.²²⁶ These patrols travel 5,000 miles over 26-month excursions and are required to visit every part of Greenland's coast at least once every 5 years.

Denmark has also deployed its military to Hans Island, which is also claimed by Canada. In 2002, Denmark deployed a Thetis class frigate to Hans Island to re-plant the Danish flag on the island (the Danes first planted their flag there in 1984).²²⁷ Canada has responded to the Danish disputes with minor diplomatic protests, but the issue has not been a particularly contentious one between the two states. The tradition is that Canadians leave a bottle of Canadian whiskey when they visit the half-mile long island and the Danes leave Danish schnapps or brandy.²²⁸ This kind of playful diplomatic exchange hardly represents intense military competition. However, the deployment of military forces by both sides to the island still represents higher levels of power projection than would be predicted by my theory. That being said, the dispute has deescalated and both sides have refrained from deploying their military forces to Hans Island in the post-shock period.

The Danes have used their navy to perform constabulary duties within their EEZ. In 2010, Denmark deployed a Thetis class warship to defend a drilling rig that

²²⁶ Michael Finkel, "The Cold Patrol," *National Geographic* (2012).

²²⁷ Huebert, "The Return of the Vikings," 323.

²²⁸ Michael Byers, *Who owns the Arctic?: Understanding sovereignty disputes in the north* (Toronto: Douglas & McIntyre, 2010), 26-27. Also, this dispute has not prevented Canada and Denmark from resolving other Arctic border disputes.

had been boarded by Greenpeace protestors.²²⁹ In general, Denmark's power projection in the region has been aimed at protecting its own territorial sovereignty and it has not deployed forces in a provocative manner to back resources claims outside of its EEZ.

Observable Implications

The degree to which Denmark's relative lack of power projection in the Arctic is a meaningful signal of its true interests or intentions is unclear. Denmark, like Norway, is likely too small to assert its interests unilaterally; this may explain why it generally stresses the importance of solving issues of Arctic sovereignty through international institutions like the Arctic Council. That being said, just because states are small does not mean they will be unwilling to deploy military force to support their maritime claims (i.e. Vietnam and Philippines in the South China Sea, Taiwan in the East China Sea). Insofar as Denmark have chosen not to behave like these other small states, their restraint is informative as to their true preferences. With the exception of the minor militarized dispute over Hans Island, the observed behavior of Denmark is consistent with my theoretical expectations.

How the Extractive Type Reacted to the Shock

The Norwegian state relies on a large, market-oriented winning coalition; however, Norway's economy has a relatively high reliance on resource rents and, in

²²⁹ Uchenna Izundu, "The battle for Baffin Bay," *The Sunday Telegraph* September 26, 2010, 2012.

particular, offshore energy resources. This would lead me to expect that Norway will have a greater interest in the exposure of Arctic resources and will be more likely to make Arctic claims and build power projection capabilities to protect offshore assets in an increasingly competitive geopolitical environment. However, because of her democratic institutions, I would also expect Norway to be less aggressive than predatory states in terms of willingness to use military force to pursue exclusionary policies regarding Arctic resources.

Norway's Arctic Foreign Policy

Norway has a major economic interest in protecting its offshore Arctic EEZ due to its reliance on offshore energy resources and fisheries. In interviews, Norwegian Arctic experts have noted that the Norwegian government has defined the Arctic as the primary security and foreign policy region for the years to come.²³⁰ According to interviews with Norwegian academics and officials, the primary objective in the Arctic is maintaining peace and stability, especially related to issues of jurisdiction regarding maritime boundaries.²³¹ However, the Norwegian government has hedged against the potential of military conflict by building the military force structure needed to engage in high-intensity Arctic warfare and regularly engaging in military exercises with allies. The region has become a major strategic priority for Norway. In 2009, the

²³⁰ Katarzyna Zysk, interview by author, Norwegian Institute for Defense, Oslo, Norway June 28th, 2013.

²³¹ Rolf Einar Fife, interview by author, 28th, 2013, Oslo, Norway Ministry of Foreign Affairs; Levi Lunde, interview by author, Fridtjof Nansens Institutt, Oslo, Norway, Friday June 28th, 2013.

Norwegian government released an update to its 2006 High North Strategy entitled *New Building Blocks in the North* and, in 2011, released an Arctic White Paper called *The High North: Visions and Strategies*.²³² Both of the papers note the importance of Norway maintaining a military presence in their High Northern territory and EEZ, but focus mainly on non-military goals, such as environmental protection, building and transportation energy infrastructure, and scientific research.

Norway's Force Structure

In the late 1990's, Norway, a country of only five million people, embarked on an extensive policy of naval armament.²³³ Norway's behavior is consistent with my theory of geopolitical competition, which suggests that states that are geographically proximate to powerful predatory states (such as Russia) should be more likely to build power projection capabilities to protect their interests (in this case, offshore energy reserves). Building five Fridtjof Nansen class frigates armed with American Aegis weapons systems was the most expensive military project in its history.²³⁴ These Aegis frigates can be armed with anti-ship missiles, land-attack cruise missiles and anti-aircraft missiles. This capability allows the Norwegian military to project power at sea, in the air, and onto land. In addition, during the late 1990s, Norway built the

²³² Huebert et al., "Climate Change and International Security: The Arctic as a bellwether."

²³³ Frederic Lasserre, Jerome Le Roy, and Richard Garon, "Is There an Arms Race in the Arctic?," *Journal of Military and Strategic Studies* 14, no. 3 & 4 (2013).

²³⁴ Rolf Tamme, "Arctic Security and Norway," in *Arctic Security in an Age of Climate Change*, ed. James Kraska (New York: Cambridge University Press, 2011).

Svalbard, an armed, ice-capable NBC (Nuclear Biological Chemical) protected coast guard vessel. The Svalbard's capabilities are in excess of those required for basic domestic police duties, such as environmental and fisheries protection. Additionally, during this period, Norway built six of the Skjold class corvettes, which are ultramodern high-speed ships capable of carrying sea and land attack cruise missiles²³⁵ Although some of these units were not put to sea until after the 2007 shock, most were ordered prior to the shock --thus it is more likely that their production was driven by the nature of the geopolitical environment rather than by the exposure of Arctic resources.

However, Norway did make a number of investments in its force structure after 2007 that may have been driven by the exposure of Arctic resources and Russia's threatening force posture vis-à-vis Norway and their maritime disputes. Norway has signaled its prioritization of the Arctic by shifting its national joint headquarters, coast guard headquarters, and the army inspector general from the south of the country to the Arctic.²³⁶ Norway is the only state to have moved its headquarters to the Arctic. Additionally, Norway was one of the few states to increase its military spending in 2009 and is the only other state besides Russia to have a "serious Arctic conventional military capability, in terms of surface vessels and units that can operate in the Arctic in any strength."²³⁷ As part of this general shift in priorities towards the Arctic, the

²³⁵ "Skjold-class Littoral Combat Craft are now "Corvettes," Janssen Lok Jorissm, <http://www.aviationweek.com/aw/blogs/defense/index>

²³⁶ Tammes, "Arctic Security and Norway," 59.

²³⁷ Jarvenpaa and Ries, "The Rise of the Arctic on the Global Stage," 136.

Norwegian government recently announced that it would be converting part of its existing land forces into an Arctic battalion.²³⁸ Additionally, in 2008, Oslo ordered 48 F-35 strike fighters from the United States. This is estimated to become the most expensive program in Norwegian Defense history;²³⁹ at an expected \$133.6 million per plane, it represents a major investment in cutting-edge, high-intensity warfare capabilities.²⁴⁰ This is a dual-use military technology that is not Arctic specific, but Norway faces no other state threats besides Russia. Finally, in 2012, Norway also allocated funding to build a Polar class icebreaker that can operate in the high Arctic.²⁴¹

Given its small size, Norway's prioritization of the Arctic and investment in military capabilities are particularly informative as to the strength of its preferences. Norway is considerably smaller than the United States or Canada, but since 2007 it has made greater investments in its Arctic force structure than either state. This is consistent with my predictions for how an extractive type should behave, which suggests that it should react to exposure of resources by investing more in projecting power into the Arctic than its liberal counterparts.

²³⁸ Trude Pettersen, "Norway establishes 'Arctic Battalion'," *BarentsObserver*, 2012, <http://barentsobserver.com/en/topics/norway-establishes-arctic-battalion>.

²³⁹ "Norway F-35 Deliveries To Begin in 2017," Andrew Chuter, <http://www.defensenews.com/article/20130426/DEFREG01/304260023/Norway-F-35-Deliveries-Begin-2017>

²⁴⁰ Bob Cox, "Defense Department Says F-35 Fighter Program's Costs To Significantly Rise," *The Fort Worth Star-Telegram*, April 7, 2010.

²⁴¹ "Norway's first ice-classed research vessel," Thomas Nilsen, <http://barentsobserver.com/en/arctic/norways-first-ice-classed-research-vessel-19-09>.

Norway's Force Deployment

Norway has conducted regular military exercises and training operations, hosting five Operation Cold Reponses since 2006.²⁴² However, although Norway has deployed more military force in the Arctic than the liberal states, it has been less aggressive in its deployment of military forces than Russia. Virtually all of Norwegian power projection in the Arctic has occurred within its EEZ. That said, Norway has maintained a military presence in the Arctic and has projected power to the EEZ around the Svalbard archipelago (an area that Norway claims as under its jurisdiction, although the claim is not recognized by Russia). Norwegian forces have maintained an assertive stance vis-à-vis Russia in what Norway calls its Fishery Protection Zone. Norway has deployed its naval forces to patrol the waters around Svalbard, most recently sending the KNM Thor Heyerdahl (Norway's newest warship) to demonstrate presence.²⁴³ Also, Norwegian coast guard vessels patrol the sea around Svalbard. The Norwegian coast guard has arrested Russian fishermen, which has led to diplomatic disputes with Russia. Norwegian F-16s also regularly patrol Norwegian airspace and intercept Russian bombers that deploy near the Norwegian coast.

Given the strategic importance of offshore energy for Norway's economic development, it is not surprising that Norway has constructed and deployed forces to protect its maritime resources. It is notable that Norway concentrated its force

²⁴² Huebert et al., "Climate Change and International Security: The Arctic as a bellwether," 31.

²⁴³ "Norway sends warship to Svalbard," Trude Pettersen, accessed August 14, 2013 <http://barentsoobserver.com/en/security/norway-sends-warship-svalbard-15-11>

structure so heavily in assets that can project force at sea or via airpower rather than ground forces. Norway's choice of forces suggests that it is more concerned with protecting its offshore resources rather than an overland attack from Russian land forces. However, Norway has not acted aggressively to secure maritime resources beyond its exclusive economic zone. Norway has built up its military capabilities, but it has not deployed its forces provocatively to support its maritime claims.

Although Norway has not deployed military force in aggressively, it has been deft at using international law to extend its maritime boundaries and the amount of sea-bed resources under its control--and then deploying military force to protect those resources. In 2006, Norway submitted a claim to the CLCS (Commission on the Limits of the Continental Shelf) to extend its continental shelf 235,000 square kilometers in an area known as the Banana Hole region.²⁴⁴ Denmark and Iceland also believed their continental shelf to extend to the Banana Hole region. Because of this, Norway sought and obtained an agreement called the Agreed Minutes with Denmark and Iceland. The Agreed Minutes stipulated that the final arbitration of the shelf would be handled through future bilateral agreements. This allowed Norway to submit its claim to the CLCS and, per the agreement, both Denmark and Iceland sent official statements indicating that they did not object to Norway's claim.²⁴⁵ In April of 2009,

²⁴⁴ Durham University International Boundaries Research Unit, " 'Maritime jurisdiction and boundaries in the Arctic region'," (2008).

²⁴⁵ Kathryn Isted, "Sovereignty in the Arctic: An Analysis of the Territorial Disputes and Environmental Policy Considerations," *Transnational Journal of Law and Policy* 18.2(2009).

the CLCS awarded Norway 235,000 square kilometers of continental shelf.²⁴⁶ Having successfully negotiated for a massive extension of its continental shelf, Norway chose to consolidate its gains and relinquish its claims to the North Pole.

This was not the first time the Norwegians effectively expanded their maritime territorial boundaries. As we shall see in the North Sea Case, Norway has a long history of successfully expanding its EEZ and gaining control of an ever-greater supply of offshore energy reserves. According to the Norwegian government's High North Arctic policy document, the Norwegian government is now responsible for an EEZ that is seven times larger than the total land area of Norway.²⁴⁷ The development of these offshore energy reserves has transformed Norway into one of the wealthiest countries in the world.

Observable Implications

Norway may be one of the last states to have grown rich by acquiring additional territory, yet it has done so by skillfully using international law and working within international institutions rather than through military territorial aggrandizement. However, Norway has also built and deployed military force to protect its offshore assets, and deterring threats to these reserves remains a primary foreign policy objective. In short, Norway's behavior is consistent with my expectations for an

²⁴⁶ Thomas Nilsen, "Limits of Norway's Arctic seabed agreed," *Barents Observer*, April 16, 2009, <http://barentsobserver.com/en/node/19278>. See also Petersen, "The Arctic as a new arena for Danish foreign policy: the Ilulissat initiative and its implications."

²⁴⁷ Norwegian Ministry of Foreign Affairs, "The High North Visions and Strategies," ed. Norwegian Ministry of Foreign Affairs (2011), 13.

extractive state. Norway has built and projected more military power into the Arctic than liberal states (U.S., Canada and Denmark), but it has been less aggressive than Russia's predatory state.

How the Predatory Type Reacted to the Shock

In 2007, at the time of the shock, Russia's political elite faced a long-term problem. The resource rents that represent the source of their political and economic power were beginning to dry up. Russian state energy companies pumped so much energy that they were rapidly depleting Russia's reserves of oil and natural gas. Despite being the world's largest producer of oil, Russia possesses only the world's eighth largest conventional reserves. This is especially problematic for the stock price of Russian energy companies. A large part of an energy company's net worth is derived from its bookable reserves.²⁴⁸ These are the reserves of oil or natural gas that are under its control. Thus, the long-term problem faced by the Russian state is that it must find additional reserves in its own territory, diversify the nature of its economy or acquire additional reserves.²⁴⁹ However, this desire to safeguard future offshore reserves also increases Russia's incentives to pursue Arctic resources. For the Russian

²⁴⁸ Coll, *Private Empire* : ExxonMobil and American power.

²⁴⁹ It should be noted that the Russians may be able to alleviate this problem by importing technologies that will allow it to take advantage of the boom in shale gas and particularly shale oil. A June 2013 report commissioned by the U.S. Government Energy Information Agency suggests that Russia may have the largest shale gas reserves in the world. See Advanced Resource International, "EIA/ARI World Shale Gas and Shale Oil Resource Assessment," (June 2013). However, in 2007, no one knew that these reserves existed.

political elite, securing additional gas reserves allows it to secure a future flow of energy rents, wealth and political power.

Russia's Arctic Foreign Policy

Russia reacted to the exposure of Arctic resources by pursuing an exclusionary foreign policy. This exclusionary policy was designed to generate rents in two ways: first, by projecting military power to increase Russia's bargaining leverage over maritime seabed resources (land rents), and second, by charging a toll to access the Northern Sea route.²⁵⁰ The construction and projection of military power in the Arctic serves as the foundation of this exclusionary foreign policy. Russia seeks to maximize its bargaining position vis-à-vis other powers in the Arctic. But, unlike other powers, they have chosen not to just construct Arctic forces, but also to deploy their forces with far greater frequency, intensity and in a more provocative manner to back their Arctic claims. The Russian government has demonstrated a willingness to use the projection of military force as part of a wider strategy of bargaining over the control of Arctic resources. More importantly, Russia decided to abandon a policy of working solely within international institutions to handle Arctic disputes.

The summer of 2007 witnessed a dramatic shock to the Arctic environment, as record low levels of ice cover resulted in the exposure of whole of swaths of the Arctic Ocean. In August of 2007, Russian Duma member and self-proclaimed Arctic

²⁵⁰ For more on generating a rent by increasing protection costs of competitors, see Frederic C. Lane, *Profits from power: Readings in protection rent and violence-controlling enterprises* (Albany: SUNY Press, 1979).

explorer, Artur Chilingarov, traveled to the North Pole, climbed into a small submarine with two colleagues, and descended to the bottom of the Arctic Ocean floor. Once there, they planted a Russian flag affixed to a titanium pole. We now know from a Wikileaks cable that Chilingarov was acting on orders from the ruling United Russia party.²⁵¹ This largely symbolic act was orchestrated by the Russian government as part of a broader strategy of laying claim to Arctic resources through symbolic gestures, presence, and military power projection.²⁵² Around the same time as the 2007 flag-planting, Russian bombers began patrolling the Arctic for the first time since the end of the Cold War.

Russia's resumption of Arctic power projection shattered a period of calm in which little force had been projected into the Arctic and states had handled their bargaining over Arctic resources solely within the confines of international institutions. The return of Russian bomber patrols dramatically increased the level of geopolitical competition in the Arctic and strongly incentivized other regional states to build and deploy military capabilities to protect their own Arctic interests. I show that Russia's reaction to the exposure of Arctic resources is consistent with my theoretical expectations. To support this claim, I briefly describe, categorize and assess changes in Russian Arctic interests, force structure and force deployment before and after the

²⁵¹ "Second Cable," American Embassy Copenhagen, http://news.bbc.co.uk/2/shared/bsp/hi/pdfs/12_05_11_wikicables_artic.pdf

²⁵² Russia has continued to back its claims there with a combination of military power projection and symbolic gestures. In the fall of 2012, a Russian Orthodox bishop traveled to the North Pole with the nuclear-powered ice breaker *Rossiya* and held a consecration, lowering a metal capsule into the sea carrying the blessing of the Church's leader with the inscription "With the blessing of Patriarch Kirill of Moscow and All Russia, the consecration of the North Pole marks 1150 years of Russian Statehood." See Jones Bruce and Tom Parfitt, "Russia Reasserts Ownership Over The North Pole," *Business Insider*, September 28 2012.

exogenous shock of climate change.

On September 18th, 2008, Russian President Dmitry Medvedev officially adopted a Russian Arctic strategy entitled “The foundations of the Russian Federation’s State Policy in the Arctic until 2020 and beyond.”²⁵³ The policy document laid bare Russia’s Arctic interests, which included transforming the Arctic into a “premier strategic resources base” for Russia and the creation of Arctic military forces “capable of ensuring military security under various military-political scenarios.”²⁵⁴ The importance of resource competition and maritime disputes in the Arctic is also emphasized in Russia’s National Security Strategy to 2020.²⁵⁵ A Wikileaks cable revealed that in 2010, Russian Ambassador to NATO, Dmitry Rogozin, remarked that “The twenty-first century will see a fight for resources” and “Russia should not be defeated in this fight.” These documents provide evidence that the Russian leadership believed that there was a tight link between military competition and the allocation of global resources.²⁵⁶

In 2008, Medvedev laid out Russia’s Arctic interests, asserting:

²⁵³ Betsy Baker, “Law, Science, and the Continental Shelf: The Russian Federation and the Promise of Arctic Cooperation,” *American University International Law Review* 25, no. 2 (2010).

²⁵⁴ “Foundations Of The Russian Federation’s State Policy In The Arctic Until 2020 And Beyond,” Philip Burgess, http://icr.arcticportal.org/index.php?option=com_content&view=article&id=1791:foundations-of-the-russian-federations-state-policy-in-the-arctic-until-2020-and-beyond&catid=45:news-2007&Itemid=111&lang=sa

²⁵⁵ Russian Federation, “National Security Strategy of the Russian Federation up to 2020,” *Russian Security Council* 12(2009).

²⁵⁶ “Third Cable,” Russian Ambassador to NATO Dmitriy Rogozin, accessed August 15, 2013 http://news.bbc.co.uk/2/shared/bsp/hi/pdfs/12_05_11_wikicables_artic.pdf

This region is literally of strategic importance to our country. Its development is directly linked to the solution of long-term tasks of the state's development and its competitiveness on global markets. According to the data that we have, some 20 percent of Russia's GDP and 22 percent of Russia's export are produced in this region. Rare and precious metals are extracted in the Arctic region. Major oil and gas provinces, such as Western Siberian, Timano-Pechorskaya and Eastern Siberian, are located there."²⁵⁷

Medvedev's statement indicates that the Russian government has prioritized the Arctic region because of its centrality to Russia's economic future. The next section demonstrates that the Russian state have long recognized the importance of finding additional energy reserves.

In order to book additional reserves, Russian energy companies must increasingly look north to drill offshore. The process of creating an offshore strategy towards the Arctic began in October of 2003 in the Ministry of Natural Resources.²⁵⁸ The Russian government has been funding research to bolster her Arctic claims. Not surprisingly, funding is contingent on finding evidence that supports Russia's claims.

The Russian government has a major stake in the development of offshore resources through its state-owned energy companies. Rosneft, Gazprom, and Lukoil have all made major economic commitments to the region. The collaboration between Gazprom and the Russian military is so tight that in 2005, the two signed a contract allowing Gazprom to use the Russian navy's auxiliary ships, naval military sites, and

²⁵⁷ "Arctic strategically important for Russia - Medvedev," BBC Monitoring Former Soviet Union-Political, September 17, 2008; *ibid.*

²⁵⁸ Geir Flikke, "Norway and the Arctic," in *Arctic Security in an Age of Climate Change*, ed. James Kraska (New York: Cambridge University Press, 2011), 79.

ports. The deal also set up security and rescue systems and allowed Gazprom to build a liquid natural gas processing plant at a Russian naval submarine base.²⁵⁹

Academic experts have estimated that the Arctic region already accounts for 14 percent of Russia's GDP and its economic importance will only increase as Russia develops the region for natural gas, oil, and mineral exploration.²⁶⁰ Russian state energy firm Rosneft recently signed an agreement with ExxonMobil to begin offshore drilling in the Kara Sea. The project demonstrates the Russia's willingness to make large investments despite the major technological, environmental, and financial challenges associated with drilling for oil offshore in Arctic conditions.²⁶¹

Those who are skeptical that Russian power projection in the Arctic is driven by the discovery of resources note that Russia cannot extract Arctic resources without cooperation from Western energy companies.²⁶² While it is true that Russia currently lacks the technological capabilities to bring these resources to market, this lack of competence does not negate the possibility that Russian power projection is driven by a desire to stake ownership over these resources. As Dmitri Trenin and Pavel K. Baev point out, "Plans to develop resources as quickly as possible have given way to a desire to stake out maximum claims to territories as Moscow seeks to block

²⁵⁹ Marlène Laruelle, "Russian Military Presence in the High North: Projection of Power and Capacities of Action," in *Russia in the Arctic*, ed. Stephen J. Blank (Carlisle, PA: Strategic Studies Institute, 2011), 77-78.

²⁶⁰ Katarzyna Zysk, "Military Aspects of Russia's Arctic Policy: Hard Power and Natural Resources," in *Arctic Security in an Age of Climate Change*, ed. James Kraska (New York: Cambridge University Press, 2011), 59.

²⁶¹ Russell Gold, Greg White, and Guy Chazan, "Exon Wins Arctic Deal, Gives Russia U.S. Access," *Wall Street Journal*, August 31, 2011.

²⁶² Howard, *The Arctic Gold Rush: The new race for tomorrow's natural resources*: 153.

competitors from oversupplying the market and ensure that its own capitalization keeps growing."²⁶³ In short, although Russia may not be able to get at the resources yet, they want to ensure that those who can are working for them directly.

Developing the Northern Sea Route (which runs through the Arctic Ocean above Russia) is also an economic objective of Russian Arctic policy.²⁶⁴ The hope is that the development of the Northern Sea Route will allow Russia to transport resources and other goods between Asia and Europe with far lower costs. In addition to natural resources, the melting Arctic is also exposing shipping lanes from which Russia seeks to benefit. The Northern Sea Route allows ships to reach Asia more directly from ports in Europe. The opening of the Northern Sea Route may allow Russia to ship liquid natural gas to global markets. It is increasingly viable as a shipping route, as evidenced by a dramatic increase in the number of ships transiting the route. In 2010, only 4 ships made the transit; however, in 2011, this number increased to 34 ships²⁶⁵ and, in 2012, 46 ships.²⁶⁶ Additionally, shipping companies in China, Japan and South Korea are making large bets on the viability of Arctic sea-lanes by investing in ice-capable vessels.

In 2009, the Russian Federal Assembly passed a law declaring that the Northern Sea Route is in Russian territorial waters and therefore subject to Russian

²⁶³ Dmitri Trenin and Pavel K Baev, "The Arctic A View from Moscow," (Washington, D.C.: Carnegie Endowment for International Peace, 2010).

²⁶⁴ Zysk, "Military Aspects of Russia's Arctic Policy: Hard Power and Natural Resources," 96.

²⁶⁵ The Economist, "Special Report The Arctic: The melting north," *The Economist*, June 16 2012.

²⁶⁶ "46 vessels through Northern Sea Route," Barents Observer, November 23, 2012, <http://barentsobserver.com/en/arctic/2012/11/46-vessels-through-northern-sea-route-23-11>.

law. The legislation also provides the legal justification for the Russian state to board vessels and regulate vessel specifications and environmental standards.²⁶⁷ The Russian government has sought to profit by charging each ship a transit fee of \$100,000 per ship, far in excess of what it costs to keep the sea-lanes open.²⁶⁸ This is an example of rent-seeking by the Russian government and is exactly the type of exclusionary behavior that my theory would predict from a predatory state. In essence, the opening of the Northern Sea Route allows Russia to ship gas and raw materials to markets in Asia, while also serving as an opportunity to extract rents from shipping.

Russian Force Structure

Russian Naval Forces

When considering the force structure of any state, it is important to take into account that investment in building military hardware is generally a long-term project. A classic problem in the arms race literature is determining the degree to which a state's force structure is in reaction to a particular international event, because the lag time between when forces are ordered and when they come into being is often 10 or even 20 years. This problem also applies to identifying the degree to which states were reacting to the shock of Arctic climate change by building additional Arctic capabilities. Some inferences can be drawn based on whether states chose to procure ships or bases after the shock. Additionally, looking over a longer period (before and

²⁶⁷ Shelagh D. Grant, *Polar imperative : a history of Arctic sovereignty in North America* (Vancouver: Douglas & McIntyre, 2010), 453,54.

²⁶⁸ James Kraska, ed. *Arctic Security in an Age of Climate Change* (New York: Cambridge University Press, 2011), 250.

after the shock), we can see that the general trend has been that states have improved their Arctic capabilities over the last 15 years. However, much of the force structure that has been built was ordered before the shock in 2007. Thus, although it is important to take into consideration these longer term trends, the most informative behavior will be the degree to which states reacted after the shock of climate change in 2007, by building bases, ordering new hardware, or creating new Arctic military units. Many of these units, particularly ships, will not actually come into being until many years later. Additionally, much of this force structure is dual-purpose and not necessarily Arctic-specific.

In assessing Russia's decision to build power projection capabilities, the quantity of interest is not Russian force structure overall, but Russian force structure in the Arctic. Russia has long maintained the majority of its naval capabilities above the Arctic Circle.²⁶⁹ I will focus principally on changes to Russia Arctic force structure—military units and hardware that are either specifically equipped to operate in the Arctic, such as icebreakers, or geographically site-specific assets, such as Arctic bases. The construction of Arctic units is informative as it presents a state's choice to invest in maintaining an Arctic presence over time.

²⁶⁹ The Russian navy is currently the second largest in the world and stations two-thirds of its naval power with the Northern Fleet. All 11 bases of the Northern fleet are located in the Arctic region, which collectively operate 11 SSBN's (nuclear powered ballistic missile carrying submarines), 3 SSGN's (nuclear powered submarines armed with cruise missiles), and 6 SSN's (nuclear powered attack submarines). The Northern Fleet surface fleet also has a large number of surface ships, including the Russian aircraft carrier, the Admiral Kuznetsov, and the nuclear powered battle cruiser, Peter the Great. There is also a marine infantry brigade that has 74 tanks and 209 artillery systems under its command. It is important to note Russia attack and cruise missile submarines are dual use platforms and not necessarily Arctic specific. That said, many of these new units have been deployed to the Arctic and significantly augment Russia power projection capabilities there. See Alexandr Golts, "The Arctic: A Clash of Interests or Clash of Ambitions," in *Russia in the Arctic*, ed. Stephen J. Blank (Carlisle, PA: Strategic Studies Institute, 2011), 54.

Arctic Infrastructure and Ice Breakers

In May of 2008, Russia ordered the construction of floating Arctic nuclear power plants that can provide auxiliary power in remote drilling locations.²⁷⁰ Gazprom has also ordered the construction of a state-of-the-art Arctic drilling rig able to operate in -50 degrees Celsius (-58 degrees Fahrenheit).²⁷¹ Plans have been released that suggest that Russian state energy companies plan to order 40 ice-resistant oil platforms, 14 offshore gas terminals, 55 ice-resistant tankers and storage tankers, and 20 gas carriers in the future.²⁷² Investments in Russia's Arctic infrastructure indicate that Russia plans to increase its ability to operate and extract energy in the Arctic.

In 2010, Putin announced the construction of three heavy nuclear-powered icebreakers that should be added to the fleet by 2016.²⁷³ Prior to 2007, Russia already possessed the largest icebreaker fleet in the world, and is ordering additional nuclear powered and diesel-electric icebreakers.²⁷⁴ Varying estimates today give Russia between 18 and 34 icebreakers, including 7 nuclear-powered icebreakers.²⁷⁵ Russia

²⁷⁰ Ariel Cohen, "Russia in the Arctic: Challenges to U.S. Energy and Geopolitics in the High North," in *Russia in the Arctic*, ed. Stephen J. Blank (Carlisle, PA: Strategic Studies Institute, 2011), 24.

²⁷¹ Ibid.

²⁷² Joshua Ho, "Arctic Meltdown Brings Opportunities," *The Straights Times*, July 14, 2011.

²⁷³ Kraska, "The New Arctic Geography and U.S. Strategy," 250; "Russia as a World leader in Nuclear-Powered Icebreaker Fleet Construction," *The Journal of Turkish Weekly*, <http://www.turkishweekly.net/news/141578/russia-as-a-world-leader-in-nuclear-powered-icebreaker-fleet-construction.html>

²⁷⁴ Antrim L Caitlyn, "The Russian Arctic in the Twenty-First Century," in *Arctic Security in an Age of Climate Change*, ed. James Kraska (New York: Cambridge University Press, 2011), 117.

²⁷⁵ NRC, National Security Implications of Climate Change for US Naval Forces: 2-18.

has sought to increase its already staggering lead by ordering additional icebreakers.²⁷⁶ Recent estimates suggest that the number of new nuclear-powered icebreakers could be as high as 4-6 by 2020.²⁷⁷ This icebreaker fleet gives the Russian military a major advantage in that it is able to sustain a conventional surface force in ice-covered waters in the Arctic Ocean, something that the American and Canadian fleets would have great difficulty achieving.

Upgraded Naval Capabilities

In October of 2009, Russia began negotiating with the French to build two Mistral class amphibious assault ships capable of carrying sixteen attack helicopters and two hovercraft for deploying troops in amphibious assaults. In June of 2011, both governments signed a \$1.7 billion contract for two ships and the option for two additional ships to be built later. Unlike icebreakers, these military units are dual-purpose. However, their importance cannot be dismissed, as they augment Russia's ability to project power into the Arctic.²⁷⁸ In August of 2012, Putin announced that Russia would dramatically increase spending, building fifty-one combat ships and sixteen nuclear submarines. Putin specifically noted protecting Russian interests in the Arctic when justifying the new expenditures.²⁷⁹ Moscow has plans to spend 137

²⁷⁶ Ibid.

²⁷⁷ Thomas R. Fedyszyn, "Renaissance of the Russian Navy," *Proceedings Magazine*, 2012. See also Huebert et al., "Climate Change and International Security: The Arctic as a bellwether," 32.

²⁷⁸ Ibid.

²⁷⁹ "Russian naval build-up towers over Canadian shipbuilding," Daniel Proussalidis, <http://www.torontosun.com/2012/08/03/russian-naval-build-up-towers-over-canadian-shipbuilding>

billion dollars by 2020 on its naval forces. In comparison, Canada, a state with a similar sized economy, plans to only spend 33 billion dollars on its ship-building program in that timeframe.²⁸⁰

However, election year promises to massively upgrade Russian forces should be taken with a grain of salt. In July of 2007, the Russian Admiralty announced that Russia would build five-to-six carrier groups with three based in the Northern Fleet.²⁸¹ However, the Russian navy later admitted that no carrier could be laid down until 2020 and that the target date for the deployment of the carrier groups had been postponed until 2060!²⁸² That said, the Russian military budget has expanded rapidly since the beginning of the 21st century and a large fraction of its budget has been earmarked for its navy.²⁸³ The Russian navy has continued to upgrade its nuclear powered attack submarines in addition to its ballistic and cruise missile submarines. Russia has prioritized its submarine fleet, investing in the construction of eight fourth-generation Borei class ballistic missile submarines, which are set to be completed by 2015.²⁸⁴

It is difficult to make clean inferences about Russia's Arctic interests and intentions by looking at its overall force structure. Many of these assets are dual-use and the degree to which Russia's rhetoric regarding upgrading its force structure will

²⁸⁰ Daniel Proussalidis, "Russian naval-build up towers over Canadian shipbuilding," *News Canada Parliamentary Bureau*, August 3, 2012.

²⁸¹ Lasserre, Le Roy, and Garon, "Is There an Arms Race in the Arctic?," 34.

²⁸² Ibid.

²⁸³ Huebert et al., "Climate Change and International Security: The Arctic as a bellwether," 32.

²⁸⁴ Katarzyna Zysk, "Russia's Arctic Strategy," *Joint Forces Quarterly*, no. 52 (2010): 108.

be matched by actual funding is unclear. What is clear is that the Russian government has made investments in Arctic infrastructure and capabilities such as Arctic military bases, which I cover next.

In 2009, the Russian government released a document that called for the creation of Russian military bases along the Arctic coast. The strategy, which was approved by then-President Dmitry Medvedev, called the Arctic “the most important area for international and military strategy.”²⁸⁵ As part of this plan, Russia is planning to build 20 frontier posts on Arctic islands and along the Northern Sea Route.²⁸⁶

Russia plans to establish a comprehensive coastal defense infrastructure, which will include forward-deployed air bases in the Arctic regions, by 2017.²⁸⁷ In August of 2009, the Russian military announced that it would upgrade its northernmost border post on Franz Josef Land archipelago (a territory deep in the Arctic). This base is slated to receive a runway allowing “military aircraft of all classes” to operate there.²⁸⁸ The Russian Air Force also recently upgraded airfields on Novaya Zemlya and Franz Josef Land. Graham Bell Island, part of the Franz Joseph Archipelago, has a 7,000 foot year-round runway.²⁸⁹ These upgrades will allow their airfields to serve as operational strategic bomber stations.

²⁸⁵ Tony Halpin, "Russian bases stake claim to Arctic wealth," *The Australian*, March 30, 2009.

²⁸⁶ "NATO, Russia stage Arctic war games," Ilya Kramnik, http://english.ruvr.ru/2012_04_19/72301024/

²⁸⁷ Zysk, "Military Aspects of Russia's Arctic Policy: Hard Power and Natural Resources," 103.

²⁸⁸ "Russia to rebuild Arctic runway for use by "military aircraft of all classes"," BBC Monitoring Former Soviet Union-Political, August 6, 2009.

²⁸⁹ Bruce and Parfitt, "Russia Reasserts Ownership Over The North Pole."

Russian Force Deployments

When considering the major shift in Russian policy in the Arctic, it is important to remember that after the Cold War ended, Russia dramatically decreased its presence in the Arctic. Russia had stopped deploying bombers or regular Arctic naval patrols.²⁹⁰ What followed was a period of peaceful neglect, in which the Arctic was relatively free of military activity from any state. Prior to 2007, the Russian military projected relatively little power into the Arctic; however, there were a few incidents in which Russia deployed forces into the Arctic. In 2001, a Norwegian Coast guard cutter arrested a Russian fishing trawler in the disputed fishery protection zone around the Svalbard Islands. The Russians reacted by deploying a warship, the Severomorsk, to the disputed zone.²⁹¹ In 2005, the Norwegians engaged in a failed attempt to seize a Russian fishing trawler, whose crew then held two Norwegian coast guard officers hostage, but the incident ended without violence. Finally, on October of 2006, Russian ballistic missile submarines conducted a set of missile drills near the North Pole.²⁹² These incidents were generally the exception rather than the norm prior to 2007. In general, after the Cold War and prior to 2007, Russia chose to project relatively little power into the Arctic. Thus, the expected level of military competition and the

²⁹⁰ Newsday, "U.S. is phasing out attack sub patrols under Arctic ice Cat-and-mouse game with Russians is ending."

²⁹¹ Oystein Jensen and Svein Vigeland Rottem, "The politics of security and international law in Norway's Arctic waters," *Polar Record* 46, no. 01 (2010): 80.

²⁹² "Russia Nuclear Chronology," Nuclear Threat Initiative, http://www.nti.org/media/pdfs/russia_nuclear.pdf?_=1316466791

observed level of competition are both low.

The major break in Russian Arctic policy began in the summer of 2007 when Russia began to regularly project military force into the Arctic for the first time since the end of the Cold War. In July of 2007, Russian forces deployed Tupolev Tu-95 bombers into the Arctic. Tu-95s are heavy strategic bombers capable of delivering a large payload of bombs and long-range cruise missiles. This was not the deployment of a coast guard ship or surveillance plane. These bombers represented powerful military assets capable of projecting a substantial amount of firepower. These flights would serve as the “warm-up” for a massive set of exercises in August of 2007, involving 30-50 bomber flights per day and the use of far north Arctic bases that until that point had rarely been used.²⁹³ Later that August, and shortly after Russia planted its flag on the bottom of the sea under the North Pole, the Kremlin announced that the 12 Tu-95 strategic bombers stationed in the Arctic would fire cruise missiles at targets in an exercise designed to demonstrate Russia’s reach in the region.²⁹⁴ The decision to resume bomber flights represented a major departure in Russia’s foreign policy in the Arctic.

Following the successful completion of these exercises, President Putin announced that Russia would resume patrolling the Arctic regularly. In addition to the turboprop Tu-95 bombers, the Russian military has deployed super-sonic bombers

²⁹³ Pavel K Baev, "Russia's Race for the Arctic and the New Geopolitics of the North Pole," *Washington, DC: The Jamestown Foundation* (2007).

²⁹⁴ Howard, *The Arctic Gold Rush: The new race for tomorrow's natural resources*: 158; Zysk, "Military Aspects of Russia’s Arctic Policy: Hard Power and Natural Resources."

such as the Tu-160 (Black Jack) and Tu-22M3 (Backfire). The Tu-160 is the most powerful aircraft in the Russian air force; it is capable flying over 2,000 kilometers per hour and carrying 80,000 pounds of bombs or missiles (to provide some perspective, that is 10,000 more pounds than America's massive B-52).²⁹⁵ The deployment of these bombers represents the Russia's decision to deploy one of its most expensive and powerful weapons systems into the Arctic.²⁹⁶

In addition, Russia began deploying its military forces close to those states with whom it has maritime border disputes. As part of this general shift in policy, Russia also began provocatively flying its bombers right up to the borders of Canada, Norway and the United States, in some cases violating the 12-mile Air Defense Identification Zone. Russia has overlapping maritime claims with both Norway and Canada, and views the United States as a competitor for influence in the region. In 2007 alone, Russian bombers violated the 12-mile air defense zone around Alaska 18 separate times.²⁹⁷

Despite the fact that Russia had resolved some of its Arctic disputes, they have insisted on continuing to project power into the Arctic. On June 30, 2011, just days before Russia deployed a nuclear-powered ice-breaker to the North Pole, Putin

²⁹⁵ "Tu-160 Blackjack Strategic Bomber, Russian Federation," *airforce-technology.com*, <http://www.airforce-technology.com/projects/tu160/>

²⁹⁶ Because of limitations in the data, it is not always possible to determine the exact location in the Arctic where the Russian military has deployed its forces. When possible, I state the precise location. However, the sharp increase military deployment to the Arctic region generally is informative in that it signals Russia's prioritization of the region after the exposure of resources in 2007.

²⁹⁷ Cohen, "Russia in the Arctic: Challenges to U.S. Energy and Geopolitics in the High North," 21.

announced that, “Russia intends without a doubt to expand its presence in the Arctic.”²⁹⁸ The following day, Anatoly Serdyukov (Putin’s defense minister) announced that 10,000 troops were being deployed to the Arctic. Russia maintained regular bomber patrols in the Arctic through 2011 and 2012. The table below shows data collected by the Norwegian Air Force regarding the number of missions and identifications of foreign aircraft that were flown. The missions represent incidents in which Norwegian F-16s have been scrambled to intercept foreign aircraft at Bodo airbase. The Norwegian military’s website notes that in 2012, the number of identifications are slightly higher due to an increase in Russian traffic.²⁹⁹

Table 4.3: Incidents of Norwegian F-16s Being Scrambled

	2008	2009	2010	2011	2012
Scrambles	32	38	36	34	41
Identifications	87	77	39	48	71

As of the spring of 2013, Russia has continued to patrol the Arctic militarily, deploying Tu-95 and Tu-142M bombers and Ilyushin Il-38 anti-submarine warfare aircraft to patrol the Northern Sea Route and Arctic Ocean.³⁰⁰ Any of these incidents

²⁹⁸ "As Russia Stakes a Claim, the Race to Control the Arctic Heats Up," Shuster Simon, <http://www.time.com/time/world/article/0,8599,2082207,00.html>

²⁹⁹ "På vingene 41 ganger (English Translation On Wings 41 Times)," Norwegian Armed Forces, <http://forsvaret.no/om-forsvaret/fakta-om-forsvaret/publikasjoner/rapport2012/Sider/qra.aspx>

³⁰⁰ "Two Russian strategic bombers effectively patrol Arctic water area," The Voice of Russia, http://english.ruvr.ru/2013_02_06/Two-Russian-strategic-bombers-effectively-patrol-Arctic-water-area/; "Russian Navy Warplanes Start Arctic Patrols," Vitaliy Ankov, 14/02/2013 http://en.ria.ru/military_news/20130214/179466119/Russian-Navy-Warplanes-Start-Arctic-Patrols.html; Russia, "Two Russian strategic bombers effectively patrol Arctic water area".

of power projection taken independently might be explained away by temporarily high tensions related to non-Arctic issues or the actions of an over-zealous maverick commander. However, because the incidents of power projection have been numerous, provocative, and sustained over time, they become harder to dismiss.

Observable implications

In sum, the Russian government views the Arctic as a major source of resource wealth and has made it a central part of its maritime strategy.³⁰¹ Russia is also the only state of the five Arctic powers that is governed by a predatory state. My theory predicts that Russia will project power to secure private goods such as rents, resources and territory. Although Russia has not seized territory, it has projected more power into the Arctic than any other state and it has behaved the most aggressively regarding its claims over Arctic territory and resources.

Russian policy in the Arctic has pursued a dual-track strategy of paying lip-service to international law and working within international institutions, while also projecting military power into maritime areas of dispute. Russia's behavior appears particularly aggressive when we compare it with the behavior of the Arctic's liberal states, who have been far more restrained in terms of building and deploying military force in the Arctic. Since 2007, the Russian military has regularly deployed military forces into the Arctic. Russia has projected military power in the most provocative manner of any Arctic state, harassing foreign military units, violating other Arctic

³⁰¹ Zysk, "Military Aspects of Russia's Arctic Policy: Hard Power and Natural Resources," 96.

states' air space, and patrolling in contested areas.

Russia's behavior in the Arctic appears to be part of a greater strategy of using gunboat diplomacy to signal its interest in the Arctic. Russian military presence can be interpreted as an attempt to strengthen her bargaining position by demonstrating her ability to project power and increasing the level of risk that other Arctic states must take on when pressing competing claims. Thus far, Russian behavior appears consistent with my theory's predictions of how a predatory state will behave in regards to the appropriation of newly accessible resources.

III Disputes and Regional Comparison

Part III is designed to test my theory of geopolitical competition. First, I evaluate how states behaved in their disputes with one another. I consider how states behaved in the Arctic, analyzing the liberal/liberal (i.e. U.S. and Canada dyads) and then the liberal/non-liberal or mixed dyads (i.e. Russia and Canada). If my theory is correct, then I should observe high levels of power projection and competition in the mixed dyads. Second, I compare how states reacted to exogenous exposure of resource in the North Sea (a region with only liberal states) to how states reacted in the Arctic. If the theory is accurate, then disputes over North Sea resources should be handled without states building or projecting military force. This cross-regional comparison allows me to test my hypotheses regarding when states project power.

The Liberal States' Arctic Disputes

The dispute dyads and my theoretical expectations regarding whether states in the dyad should project power and engage in military competition regarding their dispute can be seen below. In general, I expect the level of power projection or military competition in each of the dispute dyads to be low before and after the exogenous shock of climate change. I code the level of competition in the dyad as low if instances of power projection in the dyad were infrequent or non-existent, medium if there were a few instances or an instance of higher intensity, and high if instances of power projection were frequent and intense. The level of intensity is gauged according to the type of military assets used and the manner in which they were deployed (i.e. did they fly close to or violate another airspace). In order to engage in the pre-/post-shock comparison, I only observe disputes that existed prior to and after the 2007 shock.

Table 4.4: Liberal State Disputes

Liberal States Dispute	States	Pre-Shock- (expected value)	Pre-Shock (actual value)	Post-Shock (Expected value)	Post-Shock (Actual value)
North Pole Potential Claim	Canada vs. Denmark	Low	Low	Low	Low
Status of the Beaufort Sea	Canada vs. U.S.	Low	Low	Low	Low
Hans Island	Canada vs. Denmark	Low	Medium	Low	Low
Status of Northwest Passage	Canada vs. U.S.	Low	Low	Low	Low

We can see from looking at Table 4.4 that the observed behavior of liberal states matches the expected behavior. In the following section, I elaborate more on how the liberal states have chosen to handle their Arctic disputes. I also analyze how liberal states react to the exposure of Arctic resources more generally in terms of their claims, force deployment and force structure.

Canada and Denmark both likely have over-lapping claims to the Lomonosov Ridge. Canada claims an extended EEZ emanating from its Northern Continental Shelf. The Canadian government has estimated that its EEZ extends a whopping 1.7 million kilometers!³⁰² Since 2004, Canada has been engaged in an effort to gather

³⁰² Isted, "Sovereignty in the Arctic: An Analysis of the Territorial Disputes and Environmental Policy Considerations," 357.

enough data to demonstrate its claims. This claim runs all the way to the North Pole and conflicts with claims by Denmark and Russia. Sections of the claim may also overlap with potential claims from the United States. The Danish have been conducting research and are expected to claim an extended continental shelf before their November 2014 deadline.³⁰³ However, neither side has projected power with regards to these potential claims. Canada and Denmark also have an overlapping claim regarding Hans Island. As was mentioned previously, both Canada and Denmark deployed military force to the island in the so-called battle of the bottles (in which each side left a bottle of their national liquor on the island). However, both sides have refrained from deploying military forces to the island since 2005. In September of 2012, the Canadian defense minister issued a directive that “Canadian Forces’ operations in the vicinity of Hans Island be minimized with the exception of search and rescue (SAR) or emergency operations.”³⁰⁴ Although Canada and Denmark’s states have made Arctic claims, they have been relatively restrained in terms of their willingness to back those claims by projecting military force outside of their respective EEZs.

As was previously mentioned, Canada and the United States also have a dispute over the status of the Northwest Passage. The dispute has been relatively peaceful and cordial since the 1988 Arctic Cooperation Agreement, which stated that

³⁰³ Norway ratified UNCLOS in 2004 and is therefore required to submit its maritime claims by 2014. See DeMille, "Denmark 'Goes Viking' in Canada's Arctic Islands "; Revkin, "Jockeying For Pole Position."

³⁰⁴ "Canada suspends military operations near disputed Hans Island," Tyler Dawson, accessed August 15, 2013 <http://o.canada.com/2013/06/07/261064/>

the U.S. would not sail icebreakers through the strait without asking permission, and that Canada would always grant permission. That said, in 2007, the Canadian government did announce that it would refurbish facilities at a deep-water port at Nanisivik at Baffin Bay. However, uncertainty regarding funding has repeatedly pushed back the construction of this facility, which is now set to open in 2016.³⁰⁵ Given that the construction of the minimal facility (five fuel tanks, a shore support building, and a wharf) is estimated to cost only 175 million dollars, the fact that the government has been so slow to build and fund the project is informative as to its level of political will for maintaining an Arctic presence.

The second dispute is with the United States over the Beaufort Sea. The issue is one of overlapping EEZ claims along the coast of the Yukon Territory and Alaska. The Canadian government claims that the dividing line should be a linear extension of the territory, whereas Washington has maintained that the line should be drawn as a right angle from the coast.³⁰⁶ This disagreement about boundaries has created a contested zone. Prior to 2007, the United States leased eight plots of undersea territory in the contested zone for energy exploration, to which Canada responded with a note of diplomatic protest.³⁰⁷ However, neither side has threatened or deployed military force regarding the dispute. In general, disputes between the liberal states have been

³⁰⁵ "Nanisivik Naval Facility opening delayed to 2016," Emily Ridlington, accessed August 15, 2013

³⁰⁶ Isted, "Sovereignty in the Arctic: An Analysis of the Territorial Disputes and Environmental Policy Considerations."

³⁰⁷ Walter B. Parker and John Harlow Byrne, "Sea Change: Perspectives on Alaska's Future Under the Pending United Nations Convention of the Law of the Sea and the Findings of the United States Oceans Commission Report Executive Summary Prepared for the Alaska State Legislature," (Institute of the North, December 20, 2004).

handled mainly without the projection of power. This is consistent with the predictions of my theory, which suggests that liberal states should be less interested in deploying military force to compete over resources.

Table 4.5: The Extractive and Predatory States Disputes

Dispute	States	Pre-Shock- (expected value)	Pre-Shock (actual value)	Post-Shock Behavior (Expected value)	Post- Shock Behavior (actual value)
Svalbard	Russia vs. Norway	Low	Medium	High	High
Barents Sea EEZ	Russia vs. Norway	Low	Low	High	High
North Pole Claim	Russia vs. Canada	Low	Low	High	High
North Pole Claim	Russia vs. Denmark	Low	Low	High	Low
Status of Northern Sea Route	Russia vs. U.S.	Low	Low	High	High

The majority of Norway's disputes had been settled prior to 2007, with the exception of the disputes with Russia around the Svalbard Islands and the Barents Sea. Norway had a number of overlapping claims with Denmark (via Greenland) prior to

2007, with the latest issue involving Svalbard being resolved in 2006.³⁰⁸ Denmark, unlike Russia, agreed to acknowledge Norway's claim to establish a fishery protection zone around Svalbard. All of these disputes were settled via bilateral agreements, without the threat or projection of military force. This is not entirely consistent with the prediction of my theory, which suggests that Norway should be slightly more aggressive regarding the projection of military force than its liberal counterparts.

In 2007, Russia and Norway returned to two long-running disputes that had remained relatively dormant for decades. First was the Barents Sea Dispute and second, the dispute over Norway's claim of its rights to a 200 nautical mile fishery protection zone around the Svalbard Islands. Prior to 2007, these disputes had not generated much military or diplomatic attention. However, after the dramatic decrease in Arctic ice, the Russian military boosted the amount of power it projected along Norway's border and into areas of dispute. The number of Russian bomber flights patrolling the Norwegian coast dramatically increased from 14 in 2006 to 88 in 2007 (more than in the previous 15 years combined).³⁰⁹ Russia has given Norway additional reason for concern by projecting naval military force aggressively along Norway's coast. In late November of 2007, the Russian aircraft carrier, The Admiral Kuznetsov, along with the Russian Northern Fleet, conducted military exercises within close

³⁰⁸ Unit, "Maritime jurisdiction and boundaries in the Arctic region." See also Isted, "Sovereignty in the Arctic: An Analysis of the Territorial Disputes and Environmental Policy Considerations."

³⁰⁹ Zysk, "Military Aspects of Russia's Arctic Policy: Hard Power and Natural Resources," 86.

proximity of the Norwegian Troll oil platform.³¹⁰ This effectively shut down Norwegian airspace around the platform, as the sky was filled with too many Russian military jets to allow the platform to safely ferry personnel via helicopter to the mainland.³¹¹ The Norwegian government submitted a formal diplomatic protest in response.

Norwegian states have chosen to respond to Russian provocations by generally exhibiting restraint in terms of the projection of military power. Norway's fighters do scramble to meet Russian bombers when they approach Norwegian airspace, but Norway generally has not projected military power in a provocative manner either in Russian airspace or in the disputed areas. Oslo has principally responded by moving its military headquarters to the Arctic, increasing Arctic training operations, and enhancing its power projection capabilities (see more on this point in the section on Norwegian Arctic Foreign policy).

In 2008, Russia maintained a high number of bomber flights patrolling the Norwegian coast. Eighty-seven bomber flights were recorded in 2008.³¹² Also, in June of 2008, the Russian Ministry of Defense announced that the Northern Fleet would resume an active presence in the Arctic.³¹³ One of the areas that these patrols have focused on is the Spitsbergen Archipelago, which belongs to Norway. However, the

³¹⁰ "Russian aircraft carrier training next to Norwegian oil platform," BarrentsObserver.com, <http://www.barentsobserver.com/russian-aircraft-carrier-training-next-to-norwegian-oil-platform.4442850.html>

³¹¹ Thomas Nilsen, "'Admiral Kuznetsov' ready for winter migration to the south," *Barents Observer*, September 29, 2011, <http://barentsobserver.com/en/news/admiral-kuznetsov-ready-winter-migration-south>.

³¹² Zysk, "Military Aspects of Russia's Arctic Policy: Hard Power and Natural Resources."

³¹³ *Ibid*, 87.

Russians have refused to acknowledge Norway's claimed EEZ or Fishery Protection Zone and have deployed an anti-submarine warfare destroyer there, followed by a guided missile cruiser armed with 16 long-range cruise missiles.³¹⁴ Norway has also deployed its naval forces to patrol the island and maintains a guard presence in the Fishery Protection Zone (see section on Norwegian Force Deployments).

Russia combined its threatening force posture vis-à-vis Norway with a renewed diplomatic effort to resolve the dispute in the Barents Sea. This is an example of Russia's states pursuing a dual-track policy of diplomacy backed by the projection of military power. These diplomatic efforts were likely driven by the desire to develop the offshore resources in the Barents Sea. According to Dr. Fiona Hill, an expert on the Putin regime, the Russian government agreed to settle the Barents Sea negotiation because it required Norway's technical expertise to develop the offshore resources. The Norwegian government made access to technical expertise conditional on settling the border dispute in the Barents Sea.³¹⁵

The dispute was eventually resolved via a bilateral agreement in 2010, with Moscow gaining approximately half of its original demand of 175,000 kilometers. It is impossible to know with certainty the role that Russian power projection played in the final arbitration of the dispute. However, the goal of my theory is not to explain the degree to which the projection of military power allows states to achieve more favorable bargaining outcomes, but rather when and why states choose to project

³¹⁴ Cohen, "Russia in the Arctic: Challenges to U.S. Energy and Geopolitics in the High North," 22.

³¹⁵ Fiona Hill, Interview by Author, (Cambridge, Mass April 29, 2013).

military power to engage in coercive bargaining interactions. Moscow's behavior is consistent with the predictions of my theory that suggest that predatory states should be more willing to project power to bargain or compete over resources.

The resolution of the Barents Sea dispute did not necessarily represent a general softening of Russia's attitude toward its other disputes in the Arctic. Russian states continue to refuse to accept Norway's claim of a fishery protection zone around Svalbard and they have continued to regularly project power into the Arctic.³¹⁶ This stands in contrast to the behavior of Denmark, which has recognized Norway's right to establish the zone.³¹⁷ In general, the liberal states have handled their disputes with one another without the threat or deployment of military forces.³¹⁸ The behavior of Russia vis-à-vis Norway conforms to my theoretical expectations regarding how a predatory state should react to exposure of resources.

Russia has a potential dispute with Canada and Denmark over ownership of the North Pole. Canada and Denmark have both made claims that their continental shelf extends to the North Pole and are currently gathering data to make formal claims. Russia made a formal claim to the North Pole in 2001, but that claim was rejected for lack of evidence. Since the rejection of that claim, Russia has invested in improving the quality of its claims, launching research missions to gather additional data. Many of these missions have been part-scientific expedition, part-military Arctic presence.

³¹⁶ Kraska, "The New Arctic Geography and U.S. Strategy," 250, 51.

³¹⁷ Thilo Neumann, "Norway and Russia Agree on Maritime Boundary in the Barents Sea and the Arctic Ocean," *The American Society of International Law* 13, no. 34 (November 9, 2010).

³¹⁸ There have been some rare exceptions to this rule such as the Canadian and Denmark dispute over Hans Island.

After 2007, it was reported that Russia was deploying armed naval escorts alongside its research vessels as they gathered sediment cores.³¹⁹ Additionally, Russia recently deployed a nuclear-powered military submarine to the Arctic seabed to collect additional data.³²⁰

Despite these efforts, it is expected that Russia will have a difficult time proving its claim.³²¹ Although these missions collect data, they serve an additional purpose in establishing Russian military presence and presumably improving Russia's bargaining position. The previously noted Duma member and Russian explorer, Artur Chillignarov captures this sentiment by stating, "We are going be all over the Arctic. This is not just science: this is presence in the Arctic."³²² Chillignarov is also quoted as saying, "Look at the map. Who is there nearby? All our northern regions are in or come out into the Arctic. All that is in our northern, Arctic regions. It is our Russia."³²³ Putin has echoed these territorial statements when he famously remarked that, "The bear is master of the Arctic."³²⁴

Canadian defense minister Peter MacKay reacted to Russia's flag planting in the

³¹⁹ John Vinocur, "A heads-up on Russia's role in Arctic; Politicus", *The International Herald Tribune*, December 8, 2009.

³²⁰ IISS, "Russia in the Arctic: economic interests override military aspirations", (The International Institute For Strategic Studies, 2012).

³²¹ Baev, "Russia's Race for the Arctic and the New Geopolitics of the North Pole."

³²² Howard, *The Arctic Gold Rush: The new race for tomorrow's natural resources*: 205.

³²³ Tony Halpin, "Russia sends troops to frozen north in bid to claim Arctic's wealth of resources; Russia", *The Times*, March 28, 2009.

³²⁴ LexisNexis: As Arctic melts, Russia jostles for pole position: Putin signals the start of a heated battle for vast oil and gas reserves, Tony Halpin. National Edition. September 20, 2010.

Arctic by saying:

This is posturing. This is the true north strong and free, and they're fooling themselves if they think dropping a flag on the ocean floor is going to change anything. There is no question over Canadian sovereignty in the Arctic. We've made that very clear. We've established—a long time ago—that these are Canadian waters and this is Canadian property. You can't go around the world these days dropping a flag somewhere. This isn't the 14th or 15th century.³²⁵

Canada's government responded to Russia's moves to project power in the Arctic with strong rhetoric and promises to boost Canada power projection capabilities and Arctic presence. Canadian F-18's scramble to meet Russian bombers when they approach Canadian airspace, but they do not generally operate outside of Canada's EEZ. Canada has not projected military power provocatively against Russia, nor has it deployed forces into the potential disputed zones in the North Pole.

In contrast, Russia has projected military power in a provocative manner against Canada. In February of 2009, less than 24 hours before the official state visit of President Barack Obama, Russian long-range strategic bombers patrolled near the Canadian border.³²⁶ In July of 2009, the Russian navy sailed a fleet of nuclear and attack ballistic missile submarines to an area near the North Pole and tested a set of submarine-launched ballistic missiles.³²⁷ This training operation occurred near the

³²⁵ Doug Struck, "Russia's Deep-Sea Flag-Planting at North Pole Strikes a Chill in Canada," Washington Post Foreign Service August 7, 2007, <http://www.washingtonpost.com/wp-dyn/content/article/2007/08/06/AR2007080601369.html>; Nicholas Breyfogle and Jeffrey Dunifon, "Russia and the Race for the Arctic," *Origins: Current Events in historical perspective* 5, no. 11 (August 2012).

³²⁶ "Canadian jets intercept Russian bomber," Associated Press, http://www.nbcnews.com/id/29433116/ns/world_news-americas/t/canadian-jets-intercept-russian-bomber/#.UTDUWxmW4

³²⁷ It should be noted that Russia had conducted a similar test in 2006. This was the first test at the North Pole in 11 years. See "Russian Submarine-Launched Ballistic Missiles Tested," Defense Update, http://defense-update.com/20090724_russian_sub_test.html

North Pole, an area that Russia has claimed as its own. Also, in August of 2009, the Russian navy deployed two attack subs to patrol near the Canadian border.

In February 2010, Russian Navy Commander Admiral Vladimir Vysotsky claimed that Russian submarines and ships had already conducted 10 military patrols in the Arctic.³²⁸ As of July 2010, the Canadian defense minister claimed that NORAD fighters had intercepted 12 to 18 Russian bombers per year since flights began in mid-2007.³²⁹ These military deployments are representative of how Russia has backed its Arctic claims through military power projection. This behavior also stands in stark contrast to how Canada has pursued its Arctic claims and disputes. I elaborate more on Canada's response in the Canadian Foreign Policy section.

Denmark and Russia also share a potential dispute over the North Pole. Therefore, I expect Russia to be more aggressive in terms of projecting military power against Denmark. As noted previously, Russia does project power into areas in which they have potentially conflicting claims (the North Pole). On occasion, Russia has deployed its bombers near Dutch airspace; however, Russia has projected relatively little power directly against Denmark or Greenland. Additionally, other than the occasional interception of Russian bombers, Denmark has not projected power against Russia. I cover Denmark's limited sovereignty patrols in the section on its foreign policy. In this dyad, the observed level of military competition between Russia and

³²⁸ "Russia increases combat capabilities in Arctic," Vasilii Batanov, <http://en.rian.ru/russia/20101002/160804543.html>

³²⁹ "Canadian Jets Repel Russian Bombers," Brian Lilley, <http://www.torontosun.com/news/canada/2010/07/30/14874221.html>

Denmark is lower than theoretically expected.

Russia does not have a formal territorial dispute with the United States, but it does compete with the United States for influence in the Arctic region. The U.S. has objected to Russia charging a toll for ships to pass through the Northern Sea Route, as it violates freedom of navigation. Russia claims sovereignty of the Northern Sea Route, whereas the United States views it as an international strait.³³⁰ However, prior to 2007, military competition between the U.S. and Russia had been relatively dormant, at least since the end of the Cold War.

The United States responded with surprise and concern to Russia's flag planting in the Arctic. John B. Bellinger III, a legal adviser to the U.S. Secretary of State, reacted by saying: "We knew they were going to the North Pole, but we didn't know they were going to plant the flag. It was a provocative action, and took us aback."³³¹ However, in general, the U.S. has done relatively little to respond to Russia's provocations militarily. The United States has not made significant new investments in its power projection capabilities, nor has it chosen to project much power into the Arctic. Although the U.S. has disputes with Russia, it has not chosen to escalate those disputes militarily or to project power in a provocative manner near the Russian border.³³²

³³⁰ Margaret Blunden, "Geopolitics and the Northern Sea Route," *International Affairs* 88, no. 1 (2012): 116.

³³¹ Breyfogle and Dunifon, "Russia and the Race for the Arctic."

³³² The United States has not projected military power in a provocative manner against Russia. It is possible that the U.S. or other states are conducting covert operations that are not captured by the news media. However, the fact that very little power has been projected publicly is still informative.

In November of 2007, Russian bombers flew close enough to Alaska to cause American F-22's there to scramble to intercept the bombers. As noted previously, Russian bombers violated Alaskan airspace 18 times in 2007. In September of 2010, a Russian Il-28 submarine hunter, armed with bombs and missiles, buzzed the USS Taylor in the Barents Sea, flying within 170 feet of the American ship. The following day, the Russians deployed a Ka-27 submarine hunting helicopter from a warship to continue harassing the American ship.³³³ In the summer of 2012, two Russian Tu-95 bombers violated Alaskan airspace as part of a larger Arctic exercise involving over 30 Russian aircraft.³³⁴ These incidents do not indicate that conflict between Russia and the United States is likely, but only that Russia has chosen to signal its interests in the Arctic by deploying military force against states with which it has disputes.

In summary, the level of competition between mixed dyads appears to be higher than in liberal dyads. In general, liberal states appear less willing to build and deploy military forces in their disputes with other liberal states. However, we should be cautious in interpreting the results from how a small set of states reacted to a single exogenous shock. The case of the North Sea provides an additional out-of-sample test of the theory.

The North Sea Case

³³³ Caroline Gammell, "Military forces 'will keep the Arctic safe'," *The Daily Telegraph*, October 23, 2010.

³³⁴ "Russia Violates U.S. Airspace: Northcom says Russian nuclear bombers violated U.S. airspace during arctic war games," Bill Gertz, accessed December 26, 2012 <http://freebeacon.com/russia-violates-u-s-airspace/?print=1>

The Shock

In 1959, the Slochteren gas field in Groningen, Holland was found. This find was enormous, approximately 56 million cubic feet of gas.³³⁵ To provide some perspective, this was the largest gas field discovery to date outside of the Soviet Union. It resulted in a dramatic shift in the expectations of finding large gas reserves offshore. Although the find was on land, because the geology of the North Sea is similar to that of Holland, oil companies began to prospect for oil and gas offshore. Thus began the search for North Sea oil.³³⁶

In the North Sea, the exogenous shock that exposes resources is driven by three factors: 1) the discovery of the Slochteren gas field; 2) the first offshore gas discovery in 1964 which proved that there were offshore reserves; and 3) new technology, developed in the 1950s, which made offshore exploration and drilling possible.³³⁷ These three factors exogenously manipulated the states' expected payoff for pursuing North Sea resources. One of the new drilling technologies was the self-elevating "jack-up" rig that could house drilling equipment and be towed to various offshore drilling sites.³³⁸ The new drilling technologies allowed states to drill much deeper than ever before. In 1950, the effective limit was 20 feet, but by 1973, drilling down to depths of 350 feet was routine, and some exploratory wells had gone beneath

³³⁵ P. E. Kent, "North Sea Exploration: A Case History," *The Geographical Journal* 133, no. 3 (1967): 5.

³³⁶ Corti and Frazner (21), Daniel Yergin, *The Prize: The Epic Quest for Oil, Money, and Power* (New York: Simon & Schuster, 1992), 688.

³³⁷ For more on these technologies, see Kent, "North Sea Exploration: A Case History."

³³⁸ Gerry Corti and Frank Frazer, *The Nation's Oil: A Story of Control* (London: Graham & Trotman, 1983), 29.

1,000 feet.³³⁹ The impact of these new drilling technologies on the production of offshore resources was profound. In 1950, the amount of oil produced offshore was negligible, but two decades later, submarine reservoirs made up 19% of global production.³⁴⁰

Driven by the prospect of finding gas and oil offshore, and armed with the new technology, a number of states began allowing companies to prospect in the waters close to their own territory. In 1961, the first exploratory offshore well was drilled in the North Sea (albeit just offshore and within the Dutch 3-miles limit).³⁴¹ The following year, the British conducted a survey off Humberside and East Anglia.³⁴² The results from the survey were encouraging enough that a number of international oil companies and the British state-run Gas Council applied for the first round of drilling licenses, issued in 1964. In June of 1964, West Germany made the first offshore discovery of North Sea gas, 55 km north off the Island of Juist.³⁴³ In September 1965, the British made their first large offshore discovery of gas near the Humber estuary which they named West Sole.³⁴⁴

³³⁹ Keith Chapman, *North Sea oil and gas : a geographical perspective*, Problems in modern geography (Newton Abbot ;North Pomfret, Vt.: David and Charles, 1976), 33.

³⁴⁰ Ibid, 33

³⁴¹ Chapman, North Sea oil and gas : a geographical perspective: 41.

³⁴² Corti, Gerry, and Frank Frazer. *The Nation's Oil: A Story of Control*. London: Graham & Trotman, 1983. 21

³⁴³ Chapman, North Sea oil and gas : a geographical perspective: 48.

³⁴⁴ Brent F. Nelsen, *The State offshore: Petroleum, Politics, and State intervention on the British and Norwegian continental shelves* (New York: Praeger, 1991), 26.

These finds increased the expectation that oil and gas existed in commercially exploitable quantities in the North Sea. Thus, the undersea territory that had previously been of little economic or geopolitical interest suddenly became potentially valuable. A number of states border the North Sea and could make claims on the seabed resources, including Britain, Norway, Denmark, the Netherlands and West Germany.³⁴⁵ The exposure of resources in a space that no one state owned, but to which many could lay claim, provides an additional opportunity to observe how states react to the exposure of resources. Additionally, some states in the North Sea, such as Denmark and Norway, were also players in the competition over Arctic resources. This allows me to observe how Denmark and Norway behaved in the competitive vs. cooperative geopolitical environment. It also allows me to compare Norway's behavior in the North Sea as a liberal type and in the Arctic as an extractive type.

My theory makes two predictions regarding how states should react to the exposure of resources in the North Sea. Liberal states should be less likely to react to the exposure of resources by projecting military power to compete over resources. My theory of geopolitical competition also predicts that if only liberal state are present, then the geopolitical environment should be characterized by cooperation rather than competition. Thus, I would expect states to react to the exposure of North Sea resources without building or projecting military force to bargain over the resources. In contrast to the Arctic, I expect the bargaining process to occur solely within the

³⁴⁵ Belgium and France technically border the North Sea, but since both had only marginal claims on North Sea Oil, I do not include them in the analysis.

confines of international institutions. The North Sea is principally useful to test this proposition.

Just as in the Arctic case, I begin by identifying the state types. I then briefly assess how states reacted to the exposure of North Sea resources, in terms of their claims and bargaining strategy. Finally, I conclude with a cross-regional comparison of how states reacted to the exposure of resources in the North Sea and The Arctic.

As Table 4.6 indicates below, all the states are coded as liberal types, as their states are market-oriented democracies. With the exception of France (which plays a relatively minor role in the North Sea negotiation due to a limited adjacent continental shelf), all of the states bordering the North Sea are coded as democracies using the Polity IV and Democracy and Dictatorship dataset.³⁴⁶ None of the states have even 1% of GDP as resource rents in 1970. I chose 1970 because it is the earliest date for which there is data on state resource rents. Ideally, we would have data going back to 1959.

However, it is highly unlikely that any of the states would have resource rents that exceeded 10% of GDP (the cutoff required to be land-oriented) during the period 1959 to 1970, as none of these states was blessed with significant resource rents prior to the discovery of North Sea oil. Relative GDP in 1965 is also shown for all states to demonstrate that the distribution of power in the region was, in fact, economically multipolar.

³⁴⁶ Marshall, Jaggers, and Gurr, "Political Regime Characteristics and Transitions 1800-2007"; Cheibub, Gandhi, and Vreeland, "Democracy and Dictatorship Revisited." In the Polity dataset, all of the states scored a 10, except France, which scored a 5, making it almost a democracy using the standard cutoff of 7. However, the Democracy and Dictatorship codes France as a democracy. I choose to code France as a democracy. Regardless, France's coding is irrelevant for the outcomes of the case, as France plays a relatively minor role in the North Sea negotiation due to her limited adjacent continental shelf.

Table 4.6: State Types in The North Sea

State	GDP in 1965 (billions \$)	Size of W	Land-Oriented (Resource rents as % of GDP)	State Type
United Kingdom	100.59	Democracy	0.10%	Liberal
West Germany	208.8 (1970)	Democracy	0.17%	Liberal
Denmark	10.67	Democracy	0.9%	Liberal
Norway	8.05	Democracy	0.62%	Liberal
Netherlands	21	Democracy	0.81%	Liberal
France	102.16	Democracy	0.22%	Liberal
Belgium	17.371	Democracy	0.62%	Liberal

Background: The Legal Framework for Settling Maritime Boundaries

If states wanted to work within international institutions or within the framework of international law, what options did they have? It is worth understanding these mechanisms because they illustrate the legal options that states had in pursuing various policies. The legal mechanisms or framework for setting maritime boundaries were relatively new at the time that resources in the North Sea were discovered. In 1945, President Truman issued the Truman Proclamation in which the U.S. declared the right to develop mineral resources on its own continental shelf.³⁴⁷ This declaration

³⁴⁷ Chapman, North Sea oil and gas : a geographical perspective: 36.

motivated other states to begin developing a legal international framework under which states' maritime borders could be delimited. The United Nations Convention on the Continental Shelf, which was signed in Geneva in 1958, but did not come into force until May 1964, became the legal framework for handling maritime disputes. The convention has two principal components that would guide state policy in areas of dispute. First, Article 1 stipulates that a state's continental shelf extends out to a depth of 200 meters.³⁴⁸ Because nearly all of the North Sea is less than 200 meters, it is within the rights of states to develop the maritime resources there. Thus, the principal issue is how the continental shelf and, by extension, the maritime seabed resources, in the North Sea are divided between the states.

Second, Article 6 suggests that when states have overlapping continental shelf claims, they should settle the dispute using the principle of equidistance. Specifically, the convention states:

In the absence of agreement, and unless another boundary line is justified by special circumstances, the boundary shall be determined by the application of the principle of equidistance from the nearest points of the baselines from which the breadth of territorial sea of each State is measured.”³⁴⁹

This second point is of particular importance—not all states agreed on whether or how this principle should be applied. Disagreements about the principle would lead

³⁴⁸ Patricia W. Birnie, "The Legal Background to North Sea Oil and Gas Development," in *The Political implications of North Sea oil and gas*, ed. Martin Saeter and Ian Smart (Oslo: Universitetsforlaget, 1975), 20.

³⁴⁹ See text of treaty quoted in D.I. MacKay and G. A. Mackay, *The Political Economy of North Sea Oil* (London: Robertson, 1975), 20.

to a protracted dispute between West Germany, Denmark and the Netherlands over where the line should be drawn.

How did states react to the discovery of resources in the North Sea and how did they handle their overlapping continental shelf claims? All states chose to settle their disputes within the confines of international intuitions and bilateral agreements that drew on principles laid out in international law. Rather than scrambling to project power to signal their resolve to exercise sovereignty over a particular claim, all of the states opted to bargain outside of the shadow of military power. A flurry of bilateral agreements occurred between March 1965 and March 1966 between the United Kingdom, Norway, the Netherlands, and Denmark. These agreements settled the common boundaries that would serve as the basis for the division of maritime resources. Although not all of these states were signatories to the United National Convention of the Continental Shelf, they all adhered to the equidistance principle that specifies how overlapping continental shelves should be handled.

Although all states handled their disputes peacefully, there was variation in the strategies that they employed. The British government, facing pressure to stimulate a flagging economy and in desperate need of finding a reliable source of cheaper energy, chose to prioritize a speedy bargain over making maximal territorial claims.³⁵⁰ This desire for speed resulted in the British offering the Norwegians relatively generous terms. London chose to ignore a deep underwater trough roughly 50 miles off the Norwegian Coast that exceeded the 200-meter depth, instead offering to divide the

³⁵⁰ Ibid., 5.

continental shelf along the equidistance principle. This resulted in the Norwegians receiving a far larger share of the continental shelf than they otherwise would have.

After the bilateral agreements were signed, Norway discovered a number of major oil and gas fields at Ekofisk, Frigg and Strategford, that would have fallen under British control had they chosen to annex the continental shelf up to Norway's trough. This would have been within British rights using a strict interpretation of the 200-meter depth specified in Article 1 of the Convention on the Continental Shelf. However, once the agreement was signed, the British would have to renegotiate their agreement. There is some evidence the British considered seeking to renegotiate the agreement; however, they decided against this when British Secretary of State for Energy sent a letter to the Secretary of State for Foreign and Commonwealth affairs that acknowledged that the agreement with Norway was binding and that the Norwegians would likely refuse to renegotiate.³⁵¹ The British could have chosen to unilaterally reinterpret the treaty and annex the resources, which could have been interpreted as rightly theirs in the first place. The fact that they adhered to the agreement is consistent with my theory's prediction that liberal states generally have weaker incentives to appropriate resources and therefore are both more willing and better able to credibly commit to working within international institutions.

The British case is informative because it challenges the notion that power is the only thing that matters and that interests or preferences are secondary. The British

³⁵¹ Alex Kemp, "The Official History of North Sea Oil and Gas : Vol. II: Moderating the State's Role." (Hoboken: Taylor and Francis, 2011), <http://UCM.eblib.com/patron/FullRecord.aspx?p=958251>.

were much more powerful than the Norwegians and, after discovering huge reserves that could have belonged to them, possessed strong incentives to renegotiate the terms of the treaty. It is thus informative that in this case the strong did not do as they could and the weak did not suffer what they must.

In the dispute between Denmark, the Netherlands and West Germany, both Denmark and the Netherlands favored the equidistance principle. West Germany did not, as it would have resulted in its receiving a smaller share of the continental shelf. Negotiations between the three parties dragged on through 1965 and 1966, delaying the exploitation of offshore resources. However, Germany, having longer time horizons than the British, insisted on bringing its dispute with Denmark and the Netherlands to the International Court of Justice in February of 1967. On February 20, 1969, the court delivered an ambiguous ruling, reaffirming the principle of equidistance, but also suggesting that the goal of maintaining a proportional relationship between coastline length and continental shelf might justify the use of alternative methods of settling the dispute, using “equitable principles.”³⁵² West Germany was able to parlay this ruling into agreements with Denmark and the Netherlands. In October 1970, the governments reached an agreement that was ratified in November of 1972. Denmark ceded 7,000 square kilometers of continental shelf to West Germany and the Netherlands transferred 5,000 square kilometers to West

³⁵² MacKay and Mackay, *The Political Economy of North Sea Oil*: 21. See also Chapman, *North Sea oil and gas : a geographical perspective*: 73.

Germany. This was nearly a 50% increase in West Germany's offshore territory and fell only 1,000 kilometers short of Bonn's original claim.³⁵³

When the dust cleared from the various bilateral agreements, Britain wound up with one of the largest shares, due to its long coastline, receiving 46.7% of the North Sea continental shelf. The Norwegians, also possessing a long coastline, received the second-largest share with approximately 25.1% of the North Sea continental shelf falling under their control. Of the remaining North Sea states, the Netherlands received 10.7%, Denmark 9.2%, Germany 6.8% and France and Belgium each received .08%.³⁵⁴ While the British received the largest share of the North Sea, the Norwegians were the big winners in terms of the difference between their relative population and power, and the share of continental shelf they received. Norway had a population of roughly 3.7 million and a GDP of only 8 billion U.S. dollars in 1965 (the year it signed the agreement with Britain). In comparison, Britain's GDP was roughly 100 billion dollars and its population was 54.35 million. By any measure, Norway was an incredibly weak country in comparison to the United Kingdom. If the division of resources was based on calculations of relative power, then Norway would have received a far smaller share of the shelf. Instead, the division of resources occurred within the framework of international law. This meant that the length of Norway's continental shelf, rather than its relative power, was the deciding factor in terms of its share of continental shelf. The bottom line is that, among liberal states, the institution

³⁵³ Chapman, *North Sea oil and gas : a geographical perspective*: 73.

³⁵⁴ MacKay and Mackay, *The Political Economy of North Sea Oil*: 21.

of state sovereignty and international law mattered more than relative power in terms of the final division of resources.

Comparison of the North Sea and the Arctic

Did States React to Exposure of Resources in the Arctic Differently than in the North Sea?

In both the North Sea and the Arctic, states reacted to exposure of resources by making claims on resources within the framework prescribed by international law. The key difference is that, whereas in the North Sea the bargaining occurred solely within international institutions, in the Arctic, some states employed a dual-track policy of making formal legal claims while also building and deploying military force to protect or further their Arctic maritime claims. There are, of course, many differences between the North Sea and the Arctic region; however, from the standpoint of testing my theory against its competitors, both regions are similar in terms of their value on a number of covariates. Both regions had multipolar distributions of power, as there were a number of states that possessed the economic and technological capacity to build and project power if they so chose. Second, in each region, states were geographically close to one another and therefore within reach of one another's potential capabilities. Third, in each region, resources were exposed in a geographic space where there were competing claims over sovereignty and high levels of uncertainty about the size and value of the goods in question.

From the perspective of testing the predictions of my theory regarding state type, liberal states exclusively populate the North Sea case, whereas the Arctic is comprised of both liberal, extractive, and predatory type states. Because of this, my theory predicts that the level of geopolitical competition should be higher in the Arctic, and that states should take this into account in terms of how they choose to protect their Arctic interests. States in both regions will anticipate the level of geopolitical competition in their environment and this will condition their response to the exposure of resources. In the Arctic, it should cause them to arm (or build power projection capabilities) to protect their offshore resources.

Observers of the Arctic have suggested that all of the states thus far have peacefully worked within the confines of international law to make Arctic claims and settle disputes. On one hand, this is true; disputes between Arctic states have not broken out in open conflict and, despite some provocative rhetoric and behavior, Russia seems to have decided, for now at least, to pursue its interests mainly through international institutions. However, as events in Crimea have recently demonstrated, this is no guarantee that Russia will not continue to pursue its interests by projecting military power. On the other hand, describing relations between Arctic states as peaceful does not capture the level of geopolitical competition between Arctic states. If we define peace as the absence of war, then the Cold War relationship between the U.S. and U.S.S.R. was a peaceful one, just as the relationship between the U.S. and the

U.K. may be characterized as peaceful. However, few would describe the nature of the relationship between these two sets of states as the same.

To be clear, my theory is not a theory of why coercive bargaining breaks down into conflict, but why states build and deploy the capabilities to engage in coercive bargaining. Focusing only on war or its absence misses other dynamics that are central to international relations, one of which is the level of geopolitical competition between states, and in the international system more generally. It is this variable that determines the utility of building and projecting military force to protect one's interests. In the North Sea, a set of resources was exposed over which states had an incentive to bargain competitively. However, states did not believe that they needed to build or project power to protect or further their interests. North Sea states assessed the other governments in their environment and determined that other regional powers did not pose a threat to their interests. Based on this assessment of the geopolitical competition, they bet that they could bargain over division of resources without building or deploying military forces. This stands in stark contrast to the Arctic where states reacted to the exposure of resources by building and deploying military force to protect their interests. Although there was variation in terms of the amount of military force states invested and projected, most states reacted to the exposure of resources by investing in Arctic military capabilities and redeploying their forces to the Arctic. Arctic states have generally pursued their interests via international institutions, but they have also chosen to hedge and build or project power to protect their interests.

In comparing regions, the behavior of Norway and Denmark is particularly informative, as they were members of both regions. In both cases, Denmark and Norway were small states tip-toeing around the interests of much more powerful states. However, in the Arctic, both Norway and Denmark reacted to the exposure of Arctic resources by increasing their level of military training, investing in additional Arctic capabilities and redeploying military assets to the Arctic region. In the Arctic, Norway, which had become an extractive state, chose to make substantial investments in building and projecting military power to protect its offshore energy reserves. This policy differed markedly from how these states reacted to the exposure of resources in the North Sea, where both the Norwegian and Danish governments decided that international institutions were sufficient for protecting their offshore energy interests.

The more powerful North Sea states did not use their dominance to work outside international institutions to coercively achieve their foreign policy objectives. France, Germany, and Britain all chose to work within international institutions and did not threaten or project power to coercively bargain over North Sea resources. The behavior of North Sea states is consistent with both my theory of geopolitical competition and my theory of foreign policy. The choices of North Sea states stand in contrast to the behavior of some of the powerful Arctic states, particularly Russia.

In sum, the principal difference between the Arctic and the North Sea case is the presence of non-liberal states. The presence of an extractive and, in particular, a

powerful predatory state raised the level of geopolitical competition and increased the incentives of other Arctic states to arm to protect their interests. In contrast, in the North Sea, where no such states were present, states were able to bargain over their interests without investing in and deploying power projection capabilities. The behavior of Arctic and North Sea states is consistent with the predictions from both my theory of foreign policy and my theory of geopolitical competition.

Competing Explanations

How does my theory stack up against competing theoretical explanations? The two strongest competing explanations are realism and theories of the rent-seeking state. Why are these the strongest explanations for the behavior of Arctic states? Why not a less theoretically general, but more case-specific explanation, like the size of each Arctic state's EEZ? The size of each Arctic state would explain why Russia projects more military power than any other Arctic state, but it would not explain why Canada (which has the second biggest EEZ) projects so little power or why Norway projects so much more military power than Canada.³⁵⁵ Moreover, the size of a state's EEZ is not likely to be a particularly generalizable theory. Such a theory would be unable to explain why states projected power beyond their EEZ or before 1982 (when EEZs were established). Thus, the EEZ explanation cannot explain variation in the

³⁵⁵ For more on the relative size of each state's Arctic EEZ, see Sea Around US Project, "Exclusive Economic Zones," (The PEW Charitable Trust). <http://www.seaaroundus.org/eez/> (Date Accessed September 23, 2013)

behavior of the Arctic states, nor is it an explanation that would explain many other cases.

In comparison, structural realism and the rent-seeking states are highly generalizable theories that make predictions regarding when and why states project power and thus represent much more formidable theoretical competitors. Structural realism and its variants provide one of the most powerful explanations in international politics and produce strong predictions regarding which states are the most likely to project power.³⁵⁶ Theories of the rent-seeking state have been a foundational principle amongst theories of states' domestic and foreign policy behavior.³⁵⁷

Structural realism has two major predictions regarding states' power projection behavior that may be applied to the Arctic. First, the most powerful states should be the most likely to project power.³⁵⁸ Second, when states project power, they should be most concerned with their own security. A number of prominent realist scholars have adopted the proposition that capabilities drive intentions.³⁵⁹ Thus, drawing from this proposition, it seems reasonable to suggest that those Arctic states with the most

³⁵⁶ Kenneth N. Waltz, *Theory of International Politics* (Reading, MA: Addison-Wesley, 1979); John Mearsheimer, *The Tragedy of Great Power Politics* (WW Norton & Company, 2001). Like Hamilton and Rathbun, I consider defensive and offensive realism to be structural theories that rely primarily on the distribution of power for their explanatory power. See Eric J. Hamilton and Brian C. Rathbun, "Scarce Differences: Toward a Material and Systemic Foundation for Offensive and Defensive Realism," *Security Studies* 22, no. 3 (2013): 438.

³⁵⁷ Lane, Profits from power: Readings in protection rent and violence-controlling enterprises; Ronald Wintrobe, "The Tinpot and the Totalitarian: An Economic Theory of Dictatorship," *The American political science review* 84, no. 3 (1990); David A. Lake, "Powerful Pacifists: Democratic States and War," *The American Political Science Review* 86, no. 1 (1992).

³⁵⁸ Mearsheimer, *The Tragedy of Great Power Politics*.

³⁵⁹ For a set of realist explanations that suggests that capabilities drive intentions, see Hans J. Morgenthau, *Politics Among Nations: The Struggle for Power and Peace*. (New York: Knopf, 1973 [1948]); Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981); Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Power from 1500 to 2000* (New York: Random House, 1987); Mearsheimer, *The Tragedy of Great Power Politics*.

military potential and/or capabilities should be the most likely to project power into the Arctic.

The core assumption of neo-realism is that a state's primary interest is security and that this concern governs its behavior.³⁶⁰ Those who have focused on security as the prime motive of Arctic states have suggested that it is territorial sovereignty rather than resources that is driving the foreign policy behavior of Arctic states. Proponents of this view argue that states should care about the Arctic because of overlapping EEZs and disputed borders that affect their sovereignty and security.³⁶¹ In short, states care about where borders are drawn because it affects their security.³⁶² Those that adhere to this view have argued that states principally view the Arctic through the prism of sovereignty. If states care principally about sovereignty, then the exposure of new resources should not alter their foreign policy choices. For those in the realists/sovereignty camp, Arctic state behavior is not driven by resources, but rather by concerns about sovereignty and security.³⁶³

The trouble with sovereignty/security explanations is that for realists concerns about sovereignty/security are a constant interest, not one that varies over time (i.e. states are always trying to maximize security). However, the level of interest that

³⁶⁰ Waltz, *Theory of International Politics*; G. John Ikenberry, Michael Mastanduno, and William C. Wohlforth, eds., *International Relations Theory and the Consequences of Unipolarity* (Cambridge, UK ;New York: Cambridge University Press, 2011).

³⁶¹ Howard, *The Arctic Gold Rush: The new race for tomorrow's natural resources*.

³⁶² David B. Carter and Hein E. Goemans, "The Making of the Territorial Order: New Borders and the Emergence of Interstate Conflict," *International Organization* 65, no. 02 (2011): 276.

³⁶³ Howard, *The Arctic Gold Rush: The new race for tomorrow's natural resources*: 153.

states have expressed in the Arctic has changed tremendously. The Arctic was a hotbed of geopolitical competition during the Cold War, but interest waned during the 1990's. It was not until after Arctic ice began rapidly exposing seabed resources that states began to take renewed interest in the Arctic. States may care about sovereignty, but they certainly did not appear to care about sovereignty when the Arctic was thought to be a mass of frozen ice with no accessible resources or shipping lanes. In short, states care about sovereignty over something and in this case that something in the Arctic is newly accessible resources.

Rent-seeking theories of the state suggest that a state's principal concern is not security, but rather rents,³⁶⁴ or revenue.³⁶⁵ Many sensationalist accounts of the Arctic, that view international relations there as a "land-grab free-for-all," have implicitly endorsed this narrative.³⁶⁶ For proponents of this view, the rapid exposure of Arctic resources should cause all states to expand into the Arctic to try and grab as many resources as possible. In contrast, more nuanced theories have incorporated the role of regime type to explain why autocracies should be more willing to project power to appropriate territory and the rents and private goods that go along with it.³⁶⁷ I build on these explanations in my own theory; however, I differ in that, in addition to the size

³⁶⁴ Lane, Profits from power: Readings in protection rent and violence-controlling enterprises.

³⁶⁵ Douglass C. North, *Structure and Change in Economic History* (New York: W. W. Norton, 1981); Margaret Levi, *Of Rule and Revenue* (University of California Press, 1989).

³⁶⁶ Scott G. Borgerson, "Arctic meltdown: The economic and security implications of global warming," *Foreign Affairs* 87(2008).

³⁶⁷ Lake, "Powerful Pacifists: Democratic States and War."; Bruce Bueno de Mesquita et al., *The Logic of Political Survival* (Cambridge, MA: MIT Press, 2003).

of the winning coalition or regime type, I also include the economic interests of the individuals in the winning coalition. This allows me to explain why some democracies are more interested in pursuing land rents than others.

Whereas unitary actor theories of the rent-seeking state suggest that all states will project power to secure Arctic resources and regime type explanations suggest that autocracies should behave more aggressively than democracies, my theory suggests that the economic interests represented within the state's governing coalition will condition the effect of regime type. Specifically, in the Arctic, I predict that democracies that are more economically dependent on land rents (extractive types) should be more willing to project power to secure resources than democracies that are less dependent on land rents. In contrast, realist theories suggest that the most powerful states should be the most likely to project power into the Arctic and that, when doing so, states are principally concerned with security and sovereignty.³⁶⁸

In order to test my theory against its competitors, I gather data on theoretically relevant covariates such as relative power, geographic proximity (representing realist arguments) and the accessibility of land-rents (representing theories of the rent-seeking state). For an evaluation of the relevant covariates, see Table 4.6. We can see from looking at Table 4.7 (below) that for all five Arctic states, there are accessible and contestable resources allowing me to match on a key causal variable (resource rents) for theories of the rent-seeking state. We can also see that the case is biased against my theory and in favor of realist theories in that the most powerful actor is not

³⁶⁸ Mearsheimer, *The Tragedy of Great Power Politics*.

Russia, but rather the United States.³⁶⁹ Thus, if realist theories are correct and capabilities drive intentions, then the United States should project more power than Russia into the Arctic.³⁷⁰ This is of course not what we observe. The most powerful state, the United States, projects little power into the Arctic, whereas the least powerful state, Norway, projects a great deal of power into the Arctic.

³⁶⁹ I use the measure of GDP as a standard measure of power. There are obvious shorting comings associated with this measure; however, regardless of the measure that is used it is reasonable to assume that the U.S. is dramatically more powerful than Russia.

³⁷⁰ I recognize that the U.S. was relatively preoccupied in Iraq and Afghanistan in 2007. However, since the U.S. has largely withdrawn from Iraq, it has not shifted its forces or attention to the Arctic or even invested in building Arctic capabilities (like icebreakers). This suggests that the U.S. is less interested in projecting power to compete over Arctic resources than other Arctic states.

Table 4.7: Covariates

State	Power 2007 GDP	Borders Arctic	Contestable Resources	State Type
U.S.	13.961 Trillion	Yes	Yes	Liberal
Canada	1.424 Trillion	Yes	Yes	Liberal
Denmark	.311 Trillion	Yes	Yes	Liberal
Norway	.395 Trillion	Yes	Yes	Extractive
Russia	1.299 Trillion	Yes	Yes	Predatory

Theories of the rent-seeking state suggest that all states should project power to compete over resources in the Arctic. However, only some states projected power to compete over resources, while others did not, despite the fact that all states border contestable resources. Theories of the rent-seeking state that incorporate domestic political institutions, such as Lake (1992) and Bueno De Mesquita et al. (2003), can explain why some of the democratic states will be less willing to project power, but they cannot explain why democratic Norway builds and deploys more military force regarding Arctic disputes than other Arctic democracies.³⁷¹ In short, these competing explanations cannot account for the variation in the behavior of Arctic states, as well as the theory that I have developed and tested here.

³⁷¹ This finding has implications for the democratic peace and may explain why democracies in the 19th century were more likely to take territory when they were more economically dependent on its control for the generation of wealth.

Conclusion

Domestic political institutions and economic interests shape states' foreign policy interests. This matters for two reasons: first, because states' interests condition their foreign policy choices or how they react to their geopolitical environment, and second, because states' interests interact with structural factors to determine the very nature of the geopolitical environment. The exogenous exposure of resources in the Arctic allowed us to observe how differences in states' interests drove their foreign policy responses. This provided us with a rare opportunity to see which states reacted by projecting military power to compete over resources and which did not.

Comparing the behavior of actors in the Arctic and North Sea states suggests that state types play a central role in determining the level of geopolitical competition and the incentives of states to build power projection capabilities to protect their interests. Both the cross-national (comparing Arctic states) and cross-regional tests (comparing the North Sea and the Arctic) are biased in favor of my theoretical competitors. Theories of the rent-seeking state suggest that there should be no difference in the willingness of states to project military force to seek rents. In both cases, there were large sets of appropriable land rents and thus, if theories of the rent-seeking state are correct, we should observe all states projecting power to compete over these rents. Additionally, if regime type is the only variable that explains restraint in seeking land rents, then there should be little variation among the Arctic democracies in terms of their foreign policies.

Structural realist theories suggest that state behavior will be a product of their relative capabilities and the structure of the international system. In both cases, the regional distribution of power was multipolar and there was a dramatic disparity in the relative level of power of actors. If structural realist theories are correct, we should observe the most powerful actors projecting the most power, and actors in each region should have a greater incentive to engage in military competition. The choices of Arctic and North Sea liberal states are not consistent with the theoretical predictions of either of these rival explanations. My findings suggest that in at least these cases, states do not possess uniform incentives to seek land rents and that their interests are driven by the interaction of structural factors and domestic politics, rather than solely by relative material capabilities and the distribution of power.

The behavior of powerful liberal states in both cases demonstrates that they are more likely to choose restraint even when they are dramatically more militarily powerful (like the U.S. in the Arctic or the U.K. in the North Sea) and the potential payoffs for appropriating additional territory and resources are large. The extractive state (Norway) chose to project more power into the Arctic than its liberal counterparts, despite its democratic institutions and relatively small size. Norway's behavior highlights the importance of incorporating societal economic interests in explaining states' foreign policy choices. The actions of the predatory states in the Arctic are consistent with the proposition that they have comparatively stronger interests in pursuing additional territory and resources. The choice of predatory states

to project power to pursue exclusionary foreign policies even at the risk of antagonizing more powerful Arctic states indicates the strength of their preferences. This explains why the presence of predatory and extractive states increases the level of geopolitical competition in the Arctic and why their absence allowed for peaceful bargaining in the North Sea, even when valuable resources were at stake.

This case study focused on the five Arctic states that can make claims to the Arctic seabed resources. However, a number of non-Arctic states have taken an interest in the rapidly changing region. Recently, the Arctic Council admitted China, India, Italy, South Korea and Singapore as permanent observers. With the exception of China and Singapore, liberal states govern all of these states. My theory predicts that liberal states should have fairly similar interests in the Arctic and should principally be concerned with access to markets and sea-lanes. Thus, the incentives to compete militarily over these goods should be fairly low. As a highly market-oriented state, Singapore should share these interests, but even if it did not, it lacks the military potential to choose to project power to the Arctic.

China has the military potential to build the capabilities to project power to the Arctic if it so chooses, but is unlikely to do so to compete over resources. China has taken an active interest in the Arctic, making five research expeditions there since 1999³⁷² and seeking to make major investments in Greenland. China has also invested in building ice-breakers and a research station on Svalbard Island.³⁷³ My theory

³⁷² The Economist, "Arctic Diplomacy: A warmer welcome," *The Economist*, May 18, 2013.

³⁷³ Jakobson, "China Prepares for an Ice-Free Arctic."

suggests that, from the perspective of military competition, Arctic states should not be particularly worried about China's presence in the Arctic for two reasons. First, China is a great distance from the Arctic and is unable to make formal claims or project large amounts of military power into Arctic waters. Second, China's market-oriented economic interests should make them less interested in militarily pursuing land rents than their land-oriented Russian counterpart. Relating to the first reason, the cost of building the military capabilities to overcome the tyranny of distance are large.³⁷⁴ Even if China chooses to build such capabilities over the long-term, it will be forced to operate far from its own waters and close to a number of powerful states. The loss of strength, combined with the presence of other powerful actors, should deter China from deciding to further its interests in the Arctic via the projection of military power.

Additionally, as a market-oriented, small winning-coalition state, China should be principally interested in facilitating access to markets and sea-lanes. China has expressed interest in Arctic resources and may opportunistically pursue private goods and resources, but they will need to do so by cooperating with Arctic states. China's moves to cooperate with Russia in developing offshore energy reserves and attempts to invest in mining in Greenland show that it is doing just this. However, from the perspective of military competition, China likely lacks the willingness to pursue Arctic resources by projecting military power, and they currently lack the military capabilities or opportunity to coercively bargain over Arctic resources. China's largest

³⁷⁴ Kenneth Boulding, *Conflict and Defense* (New York: Harper and Brothers, 1962); Jonathan N. Markowitz and Christopher J. Fariss, "Going the Distance: The Price of Projecting Power," *International Interactions* 39, no. 2 (2013).

impact on Arctic geopolitics will likely be through economic investment rather than military power projection. It is possible that China will pursue exclusionary or mercantilist policies via trade, but it is unlikely to back such policies through the projection of military force.

My theory and findings are also relevant for understanding the political implications of climate change. Climate change has confronted policy makers with two major challenges: mitigating its causes and dealing with its effects.³⁷⁵ The United States Quadrennial Defense Review suggests that the link between climate change and conflict represents one of the clearest examples of non-conventional threat to international security.³⁷⁶ Previously, researchers have warned that climate change might lead to conflict due to resource scarcity;³⁷⁷ however, paradoxically, climate change in the Arctic may lead to increased competition because of resource abundance. My results suggest that the causal pathway through which climate change affects the probability of conflict may be more complex than previously suggested. Climate change will have different local impacts on resource abundance and scarcity. Where climate change results in more resources, rather than less, it may result in

³⁷⁵ For more on these two challenges, see Petersen, "The Arctic as a new arena for Danish foreign policy: the Ilulissat initiative and its implications," 73.

³⁷⁶ U.S. Department of Defense, "Quadrennial Defense Review Report," (Washington D.C. February 2010).

³⁷⁷ Solomon M. Hsiang, Kyle C. Meng, and Mark A. Cane, "Civil conflicts are associated with the global climate," *Nature* 476, no. 7361 (2011).

³⁷⁸ Whether military competition results in conflict is of course indeterminate, but, *ceteris paribus*, more military competition should increase the risk of conflict.

greater incentives to militarily compete.³⁷⁸ Additionally, my results provide additional evidence that climate change may alter where states choose to compete.³⁷⁹

Finally, this case study has implications for the geopolitics of energy. Rapidly improving technology has resulted in the exposure of maritime seabed resources across the globe. As technology drives down the costs of finding and exploiting maritime seabed resources, how will states react to the exposure of private goods? Will they build and project power to militarily compete over the control of maritime resources, or bargain via international institutions and engage in diplomacy without the aid of gunboats? My theory predicts that domestic political institutions and economic interests will drive states' reactions. The findings from the Arctic case provide some support for this conclusion. Rather than suggesting that military competition over maritime resources is inevitable, the level of military competition will be a function of the type of states capable of competing over the resources in question. If all the states are liberal types, then disputes over maritime resources will be more likely to be handled through international institutions. For evidence of this conclusion, one need look no further than the case of the North Sea, where maritime resources were peacefully divided amongst a group of liberal states. However, where non-liberal states are present, I would expect them to be more likely to militarily

³⁷⁹ A. Erik Gartzke, "Blame it on the Weather: Seasonality in Interstate Conflict," *Working Paper* (2012).

compete over resources. The ongoing military competition over maritime resources in the South and East China Sea illustrate this dynamic.

References

- "46 Vessels through Northern Sea Route." Barents Observer, November 23, 2012, <http://barentsobserver.com/en/arctic/2012/11/46-vessels-through-northern-sea-route-23-11>.
- (Policy), OUSD. "Report to Congress on Arctic Operations and the Northwest Passage." edited by Department of Defense. Washington D.C., 2011.
- Affairs, Norwegian Ministry of Foreign. "The High North Visions and Strategies." edited by Norwegian Ministry of Foreign Affairs, 2011.
- "Operation Nanook," Affairs, The Munk School of Global, http://gordonfoundation.ca/sites/default/files/images/Operation_NANOOK.pdf
- "Tu-160 Blackjack Strategic Bomber, Russian Federation," airforce-technology.com, <http://www.airforce-technology.com/projects/tu160/>
- "Russian Navy Warplanes Start Arctic Patrols," Ankov, Vitaliy, 14/02/2013 http://en.ria.ru/military_news/20130214/179466119/Russian-Navy-Warplanes-Start-Arctic-Patrols.html
- "Arctic Strategically Important for Russia - Medvedev." BBC Monitoring Former Soviet Union-Political , September 17, 2008.
- Baev, Pavel K. "Russia's Race for the Arctic and the New Geopolitics of the North Pole." Washington, DC: The Jamestown Foundation (2007).
- Baker, Betsy. "Law, Science, and the Continental Shelf: The Russian Federation and the Promise of Arctic Cooperation." American University International Law Review 25, no. 2 (2010): 10-38.
- Bank, World. The Changing Wealth of Nations: Measuring Sustainable Development in the New Millennium: World Bank, 2011.
- "Total Natural Resources Rents (% of Gdp)," Bank, World, accessed August 16, 2013 <http://data.worldbank.org/indicator/NY.GDP.TOTL.RT.ZS>
- "Russian Aircraft Carrier Training Next to Norwegian Oil Platform," BarrentsObserver.com, <http://www.barentsobserver.com/russian-aircraft-carrier-training-next-to-norwegian-oil-platform.4442850.html>

- "Russia Increases Combat Capabilities in Arctic," Batanov, Vasiliy, <http://en.rian.ru/russia/20101002/160804543.html>
- Beckley, Michael. "China's Century? Why America's Edge Will Endure." *International Security* 36, no. 3 (2012): 41-78.
- Birnie, Patricia W. "The Legal Background to North Sea Oil and Gas Development." In *The Political Implications of North Sea Oil and Gas*, edited by Martin Saeter and Ian Smart, 167 p. Oslo: Universitetsforlaget, 1975.
- Blunden, Margaret. "Geopolitics and the Northern Sea Route." *International Affairs* 88, no. 1 (2012): 115-29.
- Borgerson, Scott G. "Arctic Meltdown: The Economic and Security Implications of Global Warming." *Foreign Affairs* 87 (2008): 63.
- Boswell, Randy. "Arctic Sea Floor to Be Contested; Canada, U.S. To Spar over Rich Resources." *National Post*, February 13, 2008.
- Boulding, Kenneth. *Conflict and Defense*. New York: Harper and Brothers, 1962.
- Bower, Tom. *The Squeeze: Oil, Money and Greed in the Twenty-First Century*. London: HarperCollins UK, 2009.
- Breyfogle, Nicholas, and Jeffrey Dunifon. "Russia and the Race for the Arctic." *Origins: Current Events in historical perspective* 5, no. 11 (August 2012).
- Brigham, Lawson. "Author Interview." Cambridge, Mass, May 15, 2013.
- Bruce, Jones, and Tom Parfitt. "Russia Reasserts Ownership over the North Pole." *Business Insider*, September 28 2012.
- Bueno de Mesquita, Bruce, Alastair Smith, Randolph M. Siverson, and James D. Morrow. *The Logic of Political Survival*. Cambridge, MA: MIT Press, 2003.
- "Foundations of the Russian Federation's State Policy in the Arctic until 2020 and Beyond," Burgess, Philip, http://icr.arcticportal.org/index.php?option=com_content&view=article&id=1791:foundations-of-the-russian-federations-state-policy-in-the-arctic-until-2020-and-beyond&catid=45:news-2007&Itemid=111&lang=sa
- Byers, Michael. *Who Owns the Arctic?: Understanding Sovereignty Disputes in the North*. Toronto: Douglas & McIntyre, 2010.

- Byers, Michael, and Suzanne Lalonde. "Who Controls the Northwest Passage." *Vanderbilt Journal Transnational Law* 42 (2009): 1133.
- Caitlyn, Antrim L. "The Russian Arctic in the Twenty-First Century." In *Arctic Security in an Age of Climate Change*, edited by James Kraska. New York: Cambridge University Press, 2011.
- "Canada's Northern Strategy: Our North, Our Heritage, Our Future." edited by Minister of Indian Affairs and Northern Development and Federal Interlocutor for Métis and Non-Status Indians. Ottawa, 2009.
- "Canadian Rangers," <http://www.army.forces.gc.ca/land-terre/cr-rc/index-eng.asp>
- Carter, David B., and Hein E. Goemans. "The Making of the Territorial Order: New Borders and the Emergence of Interstate Conflict." *International Organization* 65, no. 02 (2011): 275-309.
- Change, Intergovernmental Panel on Climate, ed. *Climate Change 2007: The Physical Science Basis. Contribution of Working Group I to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change*. Edited by S. Solomon. Cambridge, UK: Cambridge University Press, 2007.
- Chapman, Keith. *North Sea Oil and Gas : A Geographical Perspective, Problems in Modern Geography*. Newton Abbot ;North Pomfret, Vt.: David and Charles, 1976.
- Cheibub, Antonio Jose, Jennifer Gandhi, and James Raymond Vreeland. "Democracy and Dictatorship Revisited." *Public Choice* 143, no. 2-1 (2010): 67-101.
- "Norway F-35 Deliveries to Begin in 2017," Chuter, Andrew, <http://www.defensenews.com/article/20130426/DEFREG01/304260023/Norway-F-35-Deliveries-Begin-2017>
- CIA-Factbook, <https://http://www.cia.gov/library/publications/the-world-factbook/geos/rs.html>
- "Canada," CIA-Factbook, <https://http://www.cia.gov/library/publications/the-world-factbook/geos/ca.html>
- "Norway," CIA-Factbook, accessed December 29, 2012 <https://http://www.cia.gov/library/publications/the-world-factbook/geos/no.html>
- "The United States," CIA-Factbook, 2012 <https://http://www.cia.gov/library/publications/the-world-factbook/geos/us.html>

- Cohen, Ariel. "Russia in the Arctic: Challenges to U.S. Energy and Geopolitics in the High North." In *Russia in the Arctic*, edited by Stephen J. Blank. Carlisle, PA: Strategic Studies Institute, 2011.
- Coll, Steve. *Private Empire : ExxonMobil and American Power*. New York: Penguin Press, 2012.
- Collier, Paul, and Anke Hoeffler. "Testing the Neocon Agenda: Democracy in Resource-Rich Societies." *European Economic Review* 53, no. 3 (2009): 293-308.
- Conley, Heather A. "The Colder War: U.S., Russia and Others Are Vying for Control of Santa's Back Yard." *The Washington Post*, December 25, 2011.
- "Second Cable," Copenhagen, American Embassy, http://news.bbc.co.uk/2/shared/bsp/hi/pdfs/12_05_11_wikicables_artic.pdf
- Corti, Gerry, and Frank Frazer. *The Nation's Oil : A Story of Control*. London: Graham & Trotman, 1983.
- Cox, Bob. "Defense Department Says F-35 Fighter Program's Costs to Significantly Rise." *The Fort Worth Star-Telegram*, April 7, 2010.
- "Canada Suspends Military Operations near Disputed Hans Island," Dawson, Tyler, accessed August 15, 2013 <http://o.canada.com/2013/06/07/261064/>
- Defense, U.S. Department of. "Quadrennial Defense Review Report." Washington D.C. , February 2010.
- DeMille, Dianne. "Denmark 'Goes Viking' in Canada's Arctic Islands " *Canadian American Strategic Review* (2005).
- Denmark, Kingdom of. "Kingdom of Denmark Strategy for the Arctic 2011-2012." 2011.
- Economist, The. "Arctic Diplomacy: A Warmer Welcome." *The Economist*, May 18, 2013.
- Economist, The. "The Rich Cousin: Oil Makes Norway Different from the Rest of the Region, but Only up to a Point." Feb 2, 2013, 2013.
- Economist, The. "Special Report the Arctic: The Melting North." *The Economist*, June 16 2012.

Eilperin, Juliet. "Commercial Fishing Is Barred in Parts of Arctic." *The Washington Post*, February 6, 2009.

Emmerson, Charles. *The Future History of the Arctic*. 1st ed. New York: PublicAffairs, 2010.

Federation, Russian. "National Security Strategy of the Russian Federation up to 2020." Russian Security Council 12 (2009).

"Icex 2011 Demonstrates Naval Research Projects," Fein, Geoff S., <http://www.thenorthwestnavigator.com/news/2011/apr/07/icex-2011-demonstrates-naval-research-projects/>

Finkel, Michael "The Cold Patrol." *National Geographic* (2012).

Flikke, Geir. "Norway and the Arctic." In *Arctic Security in an Age of Climate Change*, edited by James Kraska. New York: Cambridge University Press, 2011.

"På Vingene 41 Ganger (English Translation on Wings 41 Times)," Forces, Norwegian Armed, <http://forsvaret.no/om-forsvaret/fakta-om-forsvaret/publikasjoner/rapport2012/Sider/qra.aspx>

Gammell, Caroline. "Military Forces 'Will Keep the Arctic Safe'." *The Daily Telegraph*, October 23, 2010.

Gartzke, A. Erik. "Blame It on the Weather: Seasonality in Interstate Conflict." Working Paper (2012).

Gartzke, Erik A. "War Is in the Error Term." *International Organization* 53, no. 03 (1999): 567-87.

Gautier, Donald L., Kenneth J. Bird, Ronald R. Charpentier, Arthur Grantz, David W. Houseknecht, Timothy R. Klett, Thomas E. Moore, Janet K. Pitman, Christopher J. Schenk, John H. Schuenemeyer, Kai Sørensen, Marilyn E. Tennyson, Zenon C. Valin, and Craig J. Wandrey. "Assessment of Undiscovered Oil and Gas in the Arctic." *Science* 324, no. 5931 (2009): 1175-79.

"Russia Violates U.S. Airspace: Northcom Says Russian Nuclear Bombers Violated U.S. Airspace During Arctic War Games," Gertz, Bill, accessed December 26, 2012 <http://freebeacon.com/russia-violates-u-s-airspace/?print=1>

- Gilpin, Robert. *War and Change in World Politics*. Cambridge: Cambridge University Press, 1981.
- Gold, Russell, Greg White, and Guy Chazan. "Exon Wins Arctic Deal, Gives Russia U.S. Access." *Wall Street Journal*, August 31, 2011.
- Golts, Alexandr. "The Arctic: A Clash of Interests or Clash of Ambitions." In *Russia in the Arctic*, edited by Stephen J. Blank. Carlisle, PA: Strategic Studies Insittue, 2011.
- Government, U.S. "National Security Presidential Directive/Nspd 66 and Homeland Security Presidential Directive/Hspd 25." January 2009.
- Grant, Shelagh D. *Polar Imperative : A History of Arctic Sovereignty in North America*. Vancouver: Douglas & McIntyre, 2010.
- Halpin, Tony. "Russia Sends Troops to Frozen North in Bid to Claim Arctic's Wealth of Resources; Russia." *The Times*, March 28, 2009.
- Halpin, Tony. "Russian Bases Stake Claim to Arctic Wealth." *The Australian*, March 30, 2009.
- Hamilton, Eric J., and Brian C. Rathbun. "Scarce Differences: Toward a Material and Systemic Foundation for Offensive and Defensive Realism." *Security Studies* 22, no. 3 (2013): 436-65.
- "Service Members Support Arctic Care in Rural Alaska," Hayes, Maj. Guy <http://www.af.mil/news/story.asp?id=123253450>
- Hill, Fiona, Interview by Author. Cambridge, Mass, April 29, 2013.
- Ho, Joshua. "Arctic Meltdown Brings Opportunities." *The Straights Times*, July 14, 2011.
- Home, Andy. "Will the Real Norilsk Owner Please Stand Up?" *Reuters*, 2012, <http://www.reuters.com/article/2012/12/07/column-home-norilsk-nickel-idUSL5E8N790C20121207>.
- "Russia," House, Freedom, accessed December 12,, 2012 <http://www.freedomhouse.org/country/russia>
- Howard, Roger. *The Arctic Gold Rush: The New Race for Tomorrow's Natural Resources*. New York: Continuum, 2009.

- Hsiang, Solomon M., Kyle C. Meng, and Mark A. Cane. "Civil Conflicts Are Associated with the Global Climate." *Nature* 476, no. 7361 (2011): 438-41.
- Huebert, Rob. "Canada and the Newly Emerging International Arctic Security Regime." In *Arctic Security in an Age of Climate Change*, edited by James Kraska. New York: Cambridge University Press, 2011.
- Huebert, Rob. "Canadian Arctic Sovereignty and Security in a Transforming Circumpolar World." Canadian International Council, 2009.
- Huebert, Rob. "'The Newly Emerging Arctic Security Environment.'" In *Canadian Defence & Foreign Affairs Institute* (2010): Canadian Defence & Foreign Affairs Institute, 2010.
- Huebert, Rob, Heather Exner-Pirot, Adam Lajeunesse, and Jay Gullledge. "Climate Change and International Security: The Arctic as a Bellwether." 2012.
- Huebert, Robert. "The Return of the Vikings." In *Breaking Ice: Renewable Resource and Ocean Management in the Canadian North*, edited by F Berkes, Robert Huebert, Helen Fast, Micheline Manseau and Alan Diduck. Calgary: University of Calgary Press, 2005.
- IISS. "Russia in the Arctic: Economic Interests Override Military Aspirations." The International Institute For Strategic Studies, 2012.
- Ikenberry, G. John, Michael Mastanduno, and William C. Wohlforth, eds. *International Relations Theory and the Consequences of Unipolarity*. Cambridge, UK ;New York: Cambridge University Press, 2011.
- "In the True North Almost No One Is "on Guard"." *The Toronto Star*, July 22, 2000.
- "Russia Nuclear Chronology," Initiative, Nuclear Threat, http://www.nti.org/media/pdfs/russia_nuclear.pdf?_=1316466791
- "Sovereign Wealth Fund Rankings," Institute, SWF accessed August 15, 2013 <http://www.swfinstitute.org/fund-rankings/>
- International, Advanced Resource. "Eia/Ari World Shale Gas and Shale Oil Resource Assessment." June 2013.
- Isted, Kathryn. "Sovereignty in the Arctic: An Analysis of the Territorial Disputes and Environmental Policy Considerations." *Transnational Journal of Law and Policy* 18.2 (2009).

- Izundu, Uchenna. "The Battle for Baffin Bay." *The Sunday Telegraph* September 26, 2010, 2012.
- Izyumov, Alexei, and John Vahaly. "Old Capital Vs. New Investment in Post-Soviet Economies: Conceptual Issues and Estimates." *Comparative Economic Studies* 50, no. 1 (2008): 79-110.
- Jakobson, L. "China Prepares for an Ice-Free Arctic." *SIPRI Insight on Peace and Security* (2) (2010).
- Jarvenpaa, Pauli, and Thomas Ries. "The Rise of the Arctic on the Global Stage." In *Arctic Security in an Age of Climate Change*, edited by James Kraska. New York: Cambridge University Press, 2011.
- Jensen, Oystein, and Svein Vigeland Rottem. "The Politics of Security and International Law in Norway's Arctic Waters." *Polar Record* 46, no. 01 (2010): 75-83.
- "Skjold-Class Littoral Combat Craft Are Now "Corvettes," Jorissm, Janssen Lok, <http://www.aviationweek.com/aw/blogs/defense/index>
- Kemp, Alex. "The Official History of North Sea Oil and Gas : Vol. Ii: Moderating the State's Role." Hoboken: Taylor and Francis, 2011.
- Kennedy, Paul. *The Rise and Fall of the Great Powers: Economic Change and Military Power from 1500 to 2000*. New York: Random House, 1987.
- Kent, P. E. "North Sea Exploration: A Case History." *The Geographical Journal* 133, no. 3 (1967): 289-301.
- Kinnard, Christophe, Christian M. Zdanowicz, David A. Fisher, Elisabeth Isaksson, Anne de Vernal, and Lonnie G. Thompson. "Reconstructed Changes in Arctic Sea Ice over the Past 1,450 Years." *Nature* 479, no. 7374 (2011): 509-12.
- Kramer, Andrew E. "Putin Needs Higher Oil Prices to Pay for Campaign Promises." *New York Times*, March 16, 2012.
- Kramer, Andrew E., and Stanley Reed. "Bp Will Switch Russian Partners through a Deal with Rosneft." *New York Times*, October 22, 2012.
- "Nato, Russia Stage Arctic War Games," Kramnik, Ilya, http://english.ruvr.ru/2012_04_19/72301024/

- Kraska, James, ed. *Arctic Security in an Age of Climate Change*. New York: Cambridge University Press, 2011.
- Kraska, James. "The New Arctic Geography and U.S. Strategy." In *Arctic Security in an Age of Climate Change*, edited by James Kraska. New York: Cambridge University Press, 2011.
- Lackenbauer, P. Whitney. "Polar Race or Polar Saga? Canada and the Circumpolar World." In *Arctic Security in an Age of Climate Change*, edited by James Kraska. New York: Cambridge University Press, 2011.
- Lake, David A. "Powerful Pacifists: Democratic States and War." *The American Political Science Review* 86, no. 1 (1992): 24-37.
- Lane, Frederic C. *Profits from Power: Readings in Protection Rent and Violence-Controlling Enterprises*. Albany: SUNY Press, 1979.
- Laruelle, Marlène. "Russian Military Presence in the High North: Projection of Power and Capacities of Action." In *Russia in the Arctic*, edited by Stephen J. Blank. Carlisle, PA: Strategic Studies Institute, 2011.
- Lasserre, Frederic, Jerome Le Roy, and Richard Garon. "Is There an Arms Race in the Arctic?" *Journal of Military and Strategic Studies* 14, no. 3 & 4 (2013).
- Levi, Margaret. *Of Rule and Revenue*: University of California Press, 1989.
- "Canadian Jets Repel Russian Bombers," Lilley, Brian, <http://www.torontosun.com/news/canada/2010/07/30/14874221.html>
- Lindqvist, Andreas. "Danish Defence Intelligence Service: Danger of Military Clashes in the Arctic." *BBC Monitoring International Reports*, November 09, 2011.
- MacKay, D.I., and G. A. Mackay. *The Political Economy of North Sea Oil*. London: Robertson, 1975.
- Markowitz, Jonathan N., and Christopher J. Fariss. "Going the Distance: The Price of Projecting Power." *International Interactions* 39, no. 2 (2013): 119-43.
- "Political Regime Characteristics and Transitions 1800-2007," Marshall, Marshall G., Keith. Jagers, and Ted R. Gurr, accessed August 15, 2013
- Marshall, Marshall G., Keith. Jagers, and Ted R. Gurr. "Political Regime Characteristics and Transitions 1800-2010." edited by University of Maryland.

Data retrieved from [www. systemicpeace. org/inscr/inscr. htm](http://www.systemicpeace.org/inscr/inscr.htm) Polity IV Project, 2011.

"Arctic Blocks 'in the Bag' for Rosneft," Marshall, Steve, accessed Monday February 11, 2012 <http://www.upstreamonline.com/live/article1316019.ece>

McLeary, Paul "Top of the World." Defense Technology International, 2010.

Mearsheimer, John. *The Tragedy of Great Power Politics*: WW Norton & Company, 2001.

Moe, Arild, and Elana Wilson Rowe. "Northern Offshore and Oil and Gas Resources." In *Russia and the North*, edited by Elana Wilson Rowe. 2009: University of Ottawa, 2009.

Morgenthau, Hans J. *Politics among Nations: The Struggle for Power and Peace*. New York: Knopf, 1973 [1948].

Mullen, M.G. *The National Military Strategy of the United States of America*, 2011: Redefining America's Military Leadership: Joint Chiefs of Staff, 2011.

Nelsen, Brent F. *The State Offshore: Petroleum, Politics, and State Intervention on the British and Norwegian Continental Shelves*. New York: Praeger, 1991.

Neumann, Thilo. "Norway and Russia Agree on Maritime Boundary in the Barents Sea and the Arctic Ocean." *The American Society of International Law* 13, no. 34 (November 9, 2010).

Newsday. "U.S. Is Phasing out Attack Sub Patrols under Arctic Ice Cat-and-Mouse Game with Russians Is Ending." *The Baltimore Sun*, November 16, 1997, http://articles.baltimoresun.com/1997-11-16/news/1997320037_1_subs-arctic-russian.

Nilsen, Thomas. "Limits of Norway's Arctic Seabed Agreed." *Barents Observer*, April 16, 2009, <http://barentsobserver.com/en/node/19278>.

"Norway's First Ice-Classed Research Vessel," Nilsen, Thomas, <http://barentsobserver.com/en/arctic/norways-first-ice-classed-research-vessel-19-09>

Nilsen, Thomas "“Admiral Kuznetsov” Ready for Winter Migration to the South." *Barents Observer*, September 29, 2011, <http://barentsobserver.com/en/news/admiral-kuznetsov-ready-winter-migration-south>.

- North, Douglass C. *Structure and Change in Economic History*. New York: W. W. Norton, 1981.
- "A Northern Vision: A Stronger North and a Better Canada." edited by Yukon; Premier's Office Premier's Office, Northwest Territories; Premier's Office, Nunavut, 2007.
- NRC. *National Security Implications of Climate Change for US Naval Forces*. Edited by National Research Council. Washington D.C.: National Academy Press, 2011.
- O'Rourke, Ronald. "Crs Report: Coast Guard Polar Icebreaker Modernization: Background, Issues, and Options." edited by Congressional Research Service, September 29, 2010.
- Obama, Barak, and Leon E. Panetta. *Sustaining Us Global Leadership: Priorities for 21st Century Defense*. Vol. 1: Washington DC: The White House, 2012.
- Parker, Walter B. , and John Harlow Byrne. "Sea Change: Perspectives on Alaska's Future under the Pending United Nations Convention of the Law of the Sea and the Findings of the United States Oceans Commission Report Executive Summary Prepared for the Alaska State Legislature." Institute of the North, December 20, 2004.
- Petersen, Nikolai. "The Arctic Challenge to Danish Foreign and Security Policy." In *Arctic Security in an Age of Climate Change*. New York: Cambridge University Press, 2011.
- Petersen, Nikolaj. "The Arctic as a New Arena for Danish Foreign Policy: The Ilulissat Initiative and Its Implications." *Danish Foreign Policy Yearbook 2009 (2009)*: 38-39.
- Pettersen, Trude. "Norway Establishes 'Arctic Battalion'." *BarentsObserver*, 2012, <http://barentsobserver.com/en/topics/norway-establishes-arctic-battalion>.
- "Norway Sends Warship to Svalbard," Pettersen, Trude, accessed August 14, 2013 <http://barentsobserver.com/en/security/norway-sends-warship-svalbard-15-11>
- Posen, Barry. "The U.S. Military Response to Soviet Build up in the High North." In *The Military Buildup in the High North: American and Nordic Perspectives*, edited by Kare Nyblom and Sverre Jervell, xiii, 159 p. Cambridge, Mass.] :Lanham, MD: Center for International Affairs, Harvard University; University Press of America, 1986.

- Posen, Barry R. "Command of the Commons: The Military Foundation of U.S. Hegemony." *International Security* 28, no. 1 (Summer 2003): 5-46.
- President, Office of the. "National Security Presidential Directive/Nspd 66 – Homeland Security Presidential Directive/Hspd 25 – Subject: Arctic Region." edited by Office of the President, January 9, 2009.
- "Canadian Jets Intercept Russian Bomber," Press, Associated, http://www.nbcnews.com/id/29433116/ns/world_news-americas/t/canadian-jets-intercept-russian-bomber/#.UTDUWxmxWa4
- Press, The Canadian. "Icy Clinton Leaves Arctic Summit." *The Telegram*, March 30, 2010, <http://www.thetelegram.com/World/2010-03-30/article-1440150/Births-1847>.
- Project, Sea Around US. "Exclusive Economic Zones." The PEW Charitable Trust.
- "Russian Naval Build-up Towers over Canadian Shipbuilding," Proussalidis, Daniel, <http://www.torontosun.com/2012/08/03/russian-naval-build-up-towers-over-canadian-shipbuilding>
- Proussalidis, Daniel. "Russian Naval-Build up Towers over Canadian Shipbuilding." *News Canada Parliamentary Bureau*, August 3, 2012.
- Pugliese, David. "Arctic Sovereignty at Risk: Military Warns North's Riches Open to Plunder by Foreign Lands; Threat Rises as Forces' Power Slips." *The Ottawa Citizen*, December 7, 2000
- Pugliese, David. "Troops Head North to Reassert Sovereignty: Arctic Exercise Is Canada's Biggest in Years, with 500 Personnel, Choppers and 2 Ships." *The Gazette*, August 7, 2004, 2004.
- R. Fedyszyn, Thomas. "Renaissance of the Russian Navy." *Proceedings Magazine*, 2012.
- Rampal, P, J Weiss, C Dubois, and JM Campin. "Ipcc Climate Models Do Not Capture Arctic Sea Ice Drift Acceleration: Consequences in Terms of Projected Sea Ice Thinning and Decline." *Journal of Geophysical Research* 116 (2011): C00D07.
- Reed, Stanley, and Andrew E. Kramer. "Bp Board Approves Rosneft Deal." *New York Times*, October 22, 2012.
- Revkin, Andrew C. "Jockeying for Pole Position." *New York Times*, October 10, 2004, 2004. 4.

- "Nanisivik Naval Facility Opening Delayed to 2016," Ridlington, Emily, accessed August 15, 2013
- Rodgers, W. "War over the Arctic? Global Warming Skeptics Distract Us from Security Risks." *Christian Science Monitor*, March 2, 2010.
- "Third Cable," Rogozin, Russian Ambassador to NATO Dmitriy, accessed August 15, 2013 http://news.bbc.co.uk/2/shared/bsp/hi/pdfs/12_05_11_wikicables_artic.pdf
- "Two Russian Strategic Bombers Effectively Patrol Arctic Water Area," Russia, The Voice of, http://english.ruvr.ru/2013_02_06/Two-Russian-strategic-bombers-effectively-patrol-Arctic-water-area/
- "Russia to Rebuild Arctic Runway for Use by "Military Aircraft of All Classes"." *BBC Monitoring Former Soviet Union-Political*, August 6, 2009.
- "As Russia Stakes a Claim, the Race to Control the Arctic Heats Up," Simon, Shuster, <http://www.time.com/time/world/article/0,8599,2082207,00.html>
- States, President of the United. "National Strategy for the Arctic Region." May 2013.
- Stavrakis, Peter J. "Russia's Evolution as a Predatory State." In *Russia's Uncertain Economic Future*, edited by John Pearce Hardt, xxii, 481 p. Armonk, N.Y.: M.E. Sharpe, 2003.
- Stroeve, Julianne, Marika M. Holland, Walt Meier, Ted Scambos, and Mark Serreze. "Arctic Sea Ice Decline: Faster Than Forecast." *Geophysical research letters* 34, no. 9 (2007): L09501.
- Struck, Doug. "Russia's Deep-Sea Flag-Planting at North Pole Strikes a Chill in Canada." *Washington Post Foreign Service* August 7, 2007, <http://www.washingtonpost.com/wp-dyn/content/article/2007/08/06/AR2007080601369.html>.
- Tammes, Rolf. "Arctic Security and Norway." In *Arctic Security in an Age of Climate Change*, edited by James Kraska. New York: Cambridge University Press, 2011.
- Thurber, Mark C., and Benedicte Tangen Istadm. "Norway's Evolving Champion: Statoil and the Politics of State Enterprise." In *Oil and Governance : State-Owned Enterprises and the World Energy Supply*, edited by David R. Hulst, Mark C. Thurber and David G. Victor. Cambridge: Cambridge University Press, 2012.

- Trenin, Dmitri, and Pavel K Baev. "The Arctic a View from Moscow." Washington, D.C.: Carnegie Endowment for International Peace, 2010.
- Unit, Durham University International Boundaries Research. " 'Maritime Jurisdiction and Boundaries in the Arctic Region'." 2008.
- "Russian Submarine-Launched Ballistic Missiles Tested," Update, Defense, http://defense-update.com/20090724_russian_sub_test.html
- USGS. "90 Billion Barrels of Oil and 1,670 Trillion Cubic Feet of National Gas Assessed in the Arctic." edited by United States Geological Study, 2008.
- Victor, Nadejda, and Inna Sayfer. "Gazprom: The Struggle for Power." In *Oil and governance : state-owned enterprises and the world energy supply*, edited by David R. Hulst, Mark C. Thurber and David G. Victor. Cambridge: Cambridge University Press, 2012.
- Vinocur, John "A Heads-up on Russia's Role in Arctic; Politicus." *The International Herald Tribune*, December 8, 2009.
- Waltz, Kenneth N. *Theory of International Politics*. Reading, MA: Addison-Wesley, 1979.
- Wang, Muyin, and James E. Overland. "A Sea Ice Free Summer Arctic within 30 Years?" *Geophysical Research Letters* 36 (2009).
- "Russia as a World Leader in Nuclear-Powered Icebreaker Fleet Construction," *Weekly, The Journal of Turkish*, <http://www.turkishweekly.net/news/141578/russia-as-a-world-leader-in-nuclear-powered-icebreaker-fleet-construction.html>
- Wezeman, Siemon T. "Military Capabilities in the Arctic." In *SIPRI Background Paper*: SIPRI, 2012.
- Wilson, Andrew. *Virtual Politics : Faking Democracy in the Post-Soviet World*. 1st ed. New Haven [Conn.]: Yale University Press, 2005.
- Wintrobe, Ronald. "The Tinpot and the Totalitarian: An Economic Theory of Dictatorship." *The American political science review* 84, no. 3 (1990): 849-72.
- Wohlforth, William C. "The Stability of a Unipolar World." *International Security* 24, no. 1 (1999): 5-41.
- Yergin, Daniel. *The Prize: The Epic Quest for Oil, Money, and Power*. New York: Simon & Schuster, 1992.

Yergin, Daniel, and Joseph Stanislaw. *The Commanding Heights : The Battle for the World Economy*. [Rev. and updated] ed. New York: Simon & Schuster, 2002.

Zysk, Katarzyna. "Military Aspects of Russia's Arctic Policy: Hard Power and Natural Resources." In *Arctic Security in an Age of Climate Change*, edited by James Kraska. New York: Cambridge University Press, 2011.

Zysk, Katarzyna. "Russia's Arctic Strategy." *Joint Forces Quarterly*, no. 52 (2010).

Chapter 5
The South China Sea

Introduction

For hundreds of years, the South China Sea has been a zone of contention and competition, where states have vied for control of rich fisheries, trade routes and, more recently, maritime sea-bed energy resources that lie beneath the ocean floor. However, the level of competition and the degree to which it has involved the deployment of military force has varied over time. More recently, for a period in the late 1990s and early 2000s, it appeared that disputes might be settled peacefully and that joint economic development of sea-bed resources might be on the horizon.³⁸⁰ The prospect of cooperation led some to suggest that economic development and free markets, ushered in by globalization, were making older forms of power politics, such as gun-boat diplomacy, obsolete. However, in the past several years, gun-boat diplomacy has returned to the South China Sea in a dramatic fashion.³⁸¹ States there have increased the frequency and intensity with which they have projected military power into the disputed region. In addition, states across Southeast Asia are investing their newly-created wealth in expeditionary forces and increasing their ability to project power into contested waters.

The purpose of this chapter is to assess the degree to which the foreign policy behavior of states in the South China Sea is consistent with the predictions of my

³⁸⁰ Mikael Weissmann, "The South China Sea Conflict and Sino-Asean Relations: A Study in Conflict Prevention and Peace Building," *Asian Perspective* 34, no. 3 (2010).

³⁸¹ Christian Le Mièrre, "The Return of Gunboat Diplomacy," *Survival* 53, no. 5 (2011).

theory (see Chapter 2). Recall that my research question is when and why do states project power? The South China Sea is a particularly interesting area because it allows me to observe how different types of states reacted to a rapidly changing geopolitical environment, revealing their true preferences, as they chose how to respond to increasing energy prices and dramatically-improved drilling technology. This provides me another opportunity to observe how states reacted to an exogenous exposure of resources and serves as an out-of-sample test of the predictions of my theory.

I find that the behavior of most South China Sea states is consistent with the predictions of my theory; however, there are some interesting anomalies. As my theory would predict, the liberal states—the Philippines and Taiwan—are generally restrained in terms of their willingness to project power beyond their EEZ to compete over resource rents. However, Taiwan is more assertive regarding its claims than I would expect. Interestingly, and also puzzling for my theory, the extractive states—Malaysia and Indonesia—have chosen to pursue relatively restrained policies with regards to the South China Sea. That said, both countries have become relatively less resource-dependent over time and have recently transitioned to democracy. To the extent that these changes in domestic political institutions and economic orientation have moved Malaysia and Indonesia closer to being liberal states, their behavior is consistent with the predictions of my theory.

In contrast, as my theory would predict, the opportunistic state—China—and the predatory state—Vietnam—have projected power into the South China Sea with

greater frequency and intensity in comparison to other claimants. Additionally, they have done so to pursue their claims to resources and exclude other states from the region. However, China has also exercised greater restraint in some important ways, often choosing to project power through coast-guard vessels rather than through the PLA. This is consistent with my theoretical predictions, which suggest that an opportunistic Chinese state should be more restrained than if it were a predatory state that was highly economically-dependent on resource rents. Finally, Vietnam, the predatory state, has pursued a particularly assertive policy and made a major investment in developing offshore resources, building power projection capabilities and asserting its claims despite its relatively weak power position.

Road Map

This chapter contains the following parts. Part I sets up the research design, explaining the nature of the exogenous trends and justifies my case selection and the time period. Part II lays out my theoretical expectations, given my coding of the independent variable (state type). Part III tests my theoretical expectations. I first defend my coding of seven states in the South China Sea as falling into one of four ideal state types. I then perform two tests of the theory. The first test is a time-series analysis of each of the states' foreign policy towards the South China Sea from 1970 to 2014. The purpose of this test is to assess whether changes in a state's domestic political institutions or economic orientation are associated with shifts in its foreign

policy towards the South China Sea. Consistent with my theoretical expectations I find that as states became more democratic or market-oriented, they generally pursued a more restrained foreign policy regarding South China Sea resources.

The second test is a time series cross-national comparison of foreign policy behavior of each state from 2000-2014. The goal of this test is to analyze how variation across each state's type conditioned its reaction to exogenous trends that exposed resources in the South China Sea. The analysis begins in 2000 because by this time the state types have stabilized (i.e. their domestic political and economic interests were no longer changing) and this allows for a comparison across states.³⁸² I code the value on the dependent variable (i.e. did states respond to the higher energy prices and advances in drilling technology by projecting power to pursue exclusionary or open foreign policies?) and evaluate the degree to which their behavior is consistent with my theoretical predictions. Their actions are generally consistent with my expectations, but I also discuss some important areas in which they diverge.

Part I Research Design and Theoretical Expectations

My unit of analysis is the state. Just as in the Arctic and the North Sea case, I include the universe of states that could make claims on resources in the South China Sea using international law, *and* are powerful enough to choose to project power to

³⁸² It would be inappropriate to make cross-national comparison before the states have stabilized because it would be difficult to assess whether changes in a state's foreign policy were attributable to differences across states or within states.

compete over those claims.³⁸³ I use these selection criteria because I am interested in the degree to which states pursue their maritime resource claims, either by projecting military force or purely within the confines of international institutions. If states cannot choose one of these options, then there is not much of a choice to explain. Furthermore, this case does not include a formal analysis of U.S. claims since the United States does not (and cannot legally) make formal claims on South China Sea resources. However, the U.S. does project a great deal of power into the South China Sea and its presence is taken into account when analyzing the behavior of the South China Sea states.

The South China Sea case is included in this study because it represents an out-of-sample test of my theory's predictions about how states will react to the exogenous exposure of resources in a contestable space. Just as in the case of the Arctic and the North Sea, the case is selected on the basis of the exogenous exposure of resources and the type of states that occupy the region. This allows me to test my theory's predictions regarding how a state's domestic political institutions and economic interests should affect their foreign policy behavior. Additionally, the South China Sea case permits me to test my expectations regarding the behavior of an opportunistic state as China is both autocratic and market-oriented. This was not possible in the Arctic or the North Sea because opportunistic states do not exist there.

³⁸³ I should note that I exclude Brunei from the analysis because with a population under 500,000, it is too small to be considered a state using Polity's guidelines. Excluding Brunei does not affect the analysis, as it is likely too small and weak (it has a GDP of less than 17 billion dollars) to choose to project power.

The First Test: Time Series Analysis

The first test assesses the foreign policy behavior of each of the South China Sea states since 1970, or after their inception as independent states. The analysis begins in 1970 because this is the first year for which data is available to code the economic orientation of the state. Fortunately from the perspective of testing the theory, there is relatively little activity in the South China Sea prior to 1970. Many states had made claims over the South China Sea, but Taiwan was the only state to permanently occupy any of the features³⁸⁴ in the region and most states did not regularly project power into the region.

The time series analysis series serves two purposes. First, it provides a historical background for each state's claims and foreign policy behavior in the South China Sea. Second, when the data is available, it permits me to observe the degree to which changes in states' political institutions or economic orientation were associated with a change in their foreign policy regarding the South China Sea. In many of the cases, this analysis is severely limited by a small number of observations concerning the indicators used to operationalize the dependent variable (a state's choice of foreign policy). We can only make inferences about a state's foreign policy behavior when enough observations allow an assessment of change. In many cases, this is not possible because states were either not active in the South China Sea (in terms of

³⁸⁴ A feature is a term commonly used in the literature on maritime boundary delimitation. Here, I use feature to describe a reef, shoal or island. Under UNCLOS, only islands are awarded a 200 nautical mile EEZ. Islands must be capable of supporting human habitation or commercial activity. If they cannot, they are only rocks and do not receive an EEZ. However, there are no hard and fast rules for determining what is technically an island. For an interesting discussion on this issue, Peter Dutton, "Carving up the East China Sea," (DTIC Document, 2007), 64.

making claims or military deployments) or because there is no record of their activity. When the data is available to code whether there was a change in their foreign policy, I do so.

I code a change in a state's type if there is a shift in its domestic political institutions or economic orientation. I record a change in a state's domestic political institution in the year in which the POLITY and Democracy and Dictatorship dataset code the state as transitioning from autocracy to democracy or vice versa and its regime type remains stable (i.e. does not change again for at least 5 years). I code a state's economic orientation as shifting from land-oriented to market-oriented when its resource rents as a percentage of GDP fall below 10% of GDP and remain below for at least 5 years. Correspondingly, I code a state's economic orientation as being land-oriented if it climbs above 10% resource rents as a percentage of GDP and remains above on average for at least 5 years.³⁸⁵ The 5-year criteria serves as a robustness check to ensure that the codings are not driven by short-term changes that do not hold over time.

When data is available, the time series analysis allows us to observe how states' behavior changed as they developed economically. The long-term exogenous trend of regional economic development has made South East Asian states dramatically more economically powerful. Their increasing economic capabilities allow us to assess how their preferences inform their *willingness* to invest in various

³⁸⁵ I borrow Collier and Hoeffler definition of a high rent state. Paul Collier and Anke Hoeffler, "Testing the neocon agenda: Democracy in Resource-Rich Societies," *European Economic Review* 53, no. 3 (2009). Should be consistent re use of first-letter capitalization.

foreign policies that would not have been possible prior to their newly acquired wealth. My theory proposes that states' preferences are a product of their domestic political institutions and economic orientation. According to my theory, state preferences do not change whether the states are strong or weak. A state's relative power only affects its opportunity to *realize* its preferences. For illustration, my theory suggests that states that are autocratic and/or economically dependent on the control of territory will have a strong preference to project power to appropriate additional land rents. However, if a state is extraordinarily weak, then we might not observe it projecting any power because it lacks the capability to do so. In this case, it would be difficult to test the observable implications of my theory vs. a competing theory that suggests that states no longer have a preference to compete over territory, because their observed behavior (not projecting force) will be observationally equivalent.

For example, China has laid claim to the South China Sea since at least 1949. But, for many decades, China was simply too weak vis-à-vis other powers, such as the United States, to actively maintain a presence in the South China Sea. Today, China and many other states in the region have become wealthy enough to *choose* to build and project military power to back up their maritime claims. My theory is designed to explain this choice: whether to build power projection capabilities and, if they choose to do so, what objectives to pursue. China's economic growth allows us to observe whether they have chosen to invest their newly created wealth in a manner that is consistent with the predictions of my theory vs. my competitors'. If my theory is

correct, then we should observe China not only building power projection capabilities, but also deploying those forces to compete over the control of rents.

This is also true for states like Vietnam that are still relatively weak, but are dramatically wealthier than they were in 1970 or even 15 years ago. For example, Vietnam has claimed the Spratlys and the Paracel Islands since at least the 1970s. However, until very recently, Vietnam was so poor that it lacked the ability to choose to project substantial amounts of military power to back these claims. Today, Vietnam's newly acquired wealth has allowed it to *choose* to invest in the power projection capabilities required to protect and further its claims. This investment in power projection capabilities will allow Vietnam to maintain a far more robust presence than was previously possible. Just like China, Vietnam's newly acquired wealth permits us to observe the degree to which its observed behavior is matched by the theoretical expectations of my theory.

The Second Test: A Cross-national Analysis that Utilizes Exogenous Trends

The second test (cross-national test) focuses on comparing the foreign policy behavior across or between states from 2000-2014. This is, in essence, a time-series cross-sectional design that assesses the predictive validity of my theory by evaluating whether the observed outcomes matched the theory's expected outcomes. A number of states have maintained various claims that fall within and outside of existing legal norms. What makes the South China Sea interesting from the perspective of testing

my theory is that we can observe whether states were more likely to deploy military force to compete over these claims after an exogenous exposure of resources. Two major exogenous trends conspired to increase the incentives of states to compete over the control of the sea-bed of the South China Sea. First, energy prices dramatically increased from 2004 onward, increasing the payoff for states that could successfully claim and extract energy resources.³⁸⁶ Second, advances in deep-sea drilling technology and exponential increases in computational power made it increasingly possible for states to discover offshore resources and less costly to extract them. In 2004, the deepest rig could only drill to an oceanic depth slightly greater than 1.5 kilometers. By 2010, this had nearly doubled to 3.0 kilometers, allowing energy companies to extract resources that were previously unavailable. Generally, after 2004, energy prices have remained high and deep-sea drilling and exploration technology has dramatically improved due to increases in computational power.

However, given that these are trends that occur over a longer period of time, it would not be appropriate to treat them as shocks. Thus, the cross-national assessment of states' types in the South China Sea will not be divided into pre- and post-shock periods, as was the case in the Arctic and the North Sea. The lack of shocks and absence of a pre-shock period in which there was little military activity makes it difficult to obtain clear causal identification of what is driving states' foreign policy behavior. Consequently, although I can assess the degree to which my theory's

³⁸⁶ It should be noted that energy prices still fluctuated during this period and crashed after peaking at 150 dollars a barrel during the 2008 crises. However, energy prices recovered relatively rapidly and stayed high, relative to the pre-2004 period.

theoretical predictions correlate with the observed outcome, I cannot definitely rule out other competing explanations. Because of this, the case is not designed as a stand-alone test of the theory, and the evidence should be assessed within the context of the results from the other cases. The primary value of this test is that it provides me with an additional out-of-sample test of my theory's predictions.

I begin the analysis in 2000 because prior to this year, many of the states' domestic political institutions were undergoing change, confounding our ability to make inferences about how states should react to changes in their environment. By 2000, with the exception of Malaysia which democratized in 2008, all of the states domestic political institutions and economic orientation (land-oriented vs. market-oriented) were constant (i.e. did not change from 2000-2014).³⁸⁷ This helps to alleviate concerns that changes in a particular state's foreign policy were being driven by changes in its domestic political institutions or economic interests.

Theoretical Predictions

My theory makes two different sets of predictions regarding how states should behave in the South China Sea. Both sets of predictions are derived from my theory of foreign policy. The first set concerns the degree to which states make their claims through international institutions and within the confines of international legal norms. The second delineates expectations about how states pursue their claims. Specifically,

³⁸⁷ Most of the states are stable after 1998, when Indonesia transitioned from autocracy to democracy, but I chose to begin the analysis in 2000 in order to account for any lag in Indonesian foreign policy.

I make predictions regarding which states will be the most *willing* to project power to defend and further their claims. Test 1 and 2 focus on evaluating this set of predictions.

My theory suggests that states' foreign policy preferences will be influenced by their domestic political institutions and economic orientation. A state's economic orientation plays a critical role in influencing the type of goods it is interested in pursuing, and its domestic political institutions condition the degree to which these are narrowly or broadly distributed throughout society (for more on this, see Chapter 2). My theory suggests that predatory states (autocratic, land-oriented states) should have the strongest incentives to project power to compete over resource rents. In contrast, liberal states (democratic, market-oriented states) should have the weakest incentives to compete over resource rents. Finally, the hybrid types—extractive (democratic, land-oriented) and opportunistic (autocratic, market-oriented) states—should have weaker incentives to engage in resource competition than predatory states, but stronger incentives than liberal states.

Thus, I would expect predatory states to respond to the exposure of resources in the South China Sea by projecting military force with more frequency and intensity than all other states, given their relative power.³⁸⁸ During the period examined, there are only two states that remain predatory for the entire period of analysis—Vietnam and Brunei—with the latter being too weak to project power even if it has a strong

³⁸⁸ It is important to note that these are relative, not absolute claims. Weaker states will be expected to project less *absolute* power than stronger states. Given a certain level of power my theory predicts that predatory states will more likely to project power to compete over resources than other states.

interest in doing so. Malaysia is a predatory state in 2000, but then transitions to democracy and becomes an extractive state in 2008. Thus, my theory would predict that Vietnam should be the most willing to project power to further its resource claims in the South China Sea. My theory's predictions regarding Malaysia are more ambiguous as it is increasingly market-oriented and democratic. That said, I do predict that Malaysia should project less power to compete over resources in the South China Sea as it democratizes and becomes less dependent on resource rents.

Lastly, the liberal states should be the least likely to project power to compete over resources. I predict that the Philippines and Taiwan should be relatively restrained in terms of their willingness to invest in projecting power to further their resource claims. This is not to say that these states will not seek to defend resources that exist in their own EEZ, but they will be less willing to project power beyond their EEZ to bargain over additional resources. In addition, as market-oriented island nations, both of these states should have an interest in maintaining access to sea-lines of communication and so I would expect them to invest in the capability to do so. The area in which they should differ from other state types is terms of their willingness to project force to coercively bargain over the control of additional resource rents (i.e. maritime sea-bed resources beyond their EEZ).

Identifying the Legality of States' Claims

Most of the disputes in the South China Sea are over ownership of reefs and

islands. This matters because control of an island accords a state an EEZ around the island, which gives the state the right to develop the resources beneath the island. It is important to note that, in order for a feature to be defined as an island, it must be above the water line at high tide and independently capable of supporting life. Under international law, there are two principal ways in which a state may claim sovereignty over an island. The first is by demonstrating “effective occupation.” The Permanent Court of Arbitration established this precedent in the *Island of Palmas* case in April 1928.³⁸⁹ In order establish effective occupation, the state must be able to exercise continuous and uninterrupted jurisdiction over an area. To give an illustration of how this principle might be applied in the South China Sea case, none of the states under examination can demonstrate effective occupation for *all* of the Spratlys or the Paracels.

The second way in which a state can make claims regarding sovereignty is through UNCLOS (United Nations’ Convention on the Law of the Sea). All states that have signed and ratified UNCLOS may claim an Exclusive Economic Zone (EEZ) up to 200 nautical miles from their shores. If states can demonstrate that their continental shelf extends into their EEZ, they may make claims out to 350 nautical miles. States have legal control over the sea-bed resources within their EEZ. For the purpose of resource competition, EEZs are especially relevant because they essentially represent a system of property rights. Recognizing another state’s EEZ claim effectively means recognizing its ownership of the sea-bed resources within that EEZ. The demarcation

³⁸⁹ Lezek Buszyński Spring 2012 Washington Quarterly. Page 140.

of EEZs can become contentious when states have over-lapping EEZ claims (i.e. more than one state claims a geographic space as falling within its EEZ). This can happen when two states' territories are separated by less than 400 nautical miles of ocean or when one or more states claims a geographic space beyond its EEZ that is also claimed by another state. If a state can prove its continental shelf extends beyond its EEZ, it submits a claim with its evidence to the Commission on the Limits of the Continental Shelf (CLCS). States may submit claims up to 350 nautical miles from their shores. If the CLSC approves the state claim *and* no other state has claims this space, then that state effectively gains control of those sea-bed resources that fall within its claim.

However, if states have competing claims over their existing EEZs or continental shelf extensions, CLCS does not have jurisdiction to arbitrate a resolution to the dispute. Under UNCLOS, states must handle their disputes via bilateral negotiations. The international legal precedent is that states should use the "median line principle" when adjudicating competing EEZ claims. This "median line principle" states that nations should divide their EEZ using the median line that is equidistant from each state's territory. Understanding these international legal principles and legal norms is important for our ability to identify *ex ante* the degree to which states choose to handle their disputes using these norms or when they choose to make claims outside international law, *and* when they choose to back those claims by building and projecting military force.

Conflict over EEZs can emanate from a number of issues, but generally fall into one of three categories: 1) sovereignty disputes over the legal status and control of island features; 2) disputes over the control of sea-bed resources; 3) disputes regarding the authority of a state to limit the activities of other countries within its EEZ.³⁹⁰ For the purposes of resource competition, I am principally interested in the second category of disputes; however, it is often difficult to identify *ex ante* what kind of dispute states are involved in. States may claim that they are interested in regulating their EEZ for environmental or national security purposes when they are really more interested in claiming control of the resources there. For this reason, it is important to examine states' specific claims as well as the degree to which they are preparing to engage in exploiting offshore resources. For example, China's claim to exercise indisputable sovereignty of the area of the nine-dash line could be consistent with all three of these objectives. However, its decision to auction off the rights to develop blocks of maritime sea-bed territory in areas also claimed by other states suggests that it is also interested in developing the resources there.

Part II Empirics

In this section, I justify my coding of states' types by assessing their domestic political institutions and economic orientations. More precisely, I use data from POLITY and the Democracy and Dictatorship dataset to code a state as possessing

³⁹⁰ Peter Dutton, "Introduction," in *Military Activities in the EEZ: A US-China Dialogue on Security and International Law in the Maritime Commons*, ed. Peter Dutton, *China Maritime Studies* (Newport, RI: China Maritime Studies Institute, US Naval War College Press, 2010), 5.

democratic or autocratic political institutions. When the data disagree on the coding of a state in a certain year, I make note of it and use area experts to justify my coding. When both datasets agree on the coding in a given year, I simply defer to their coding. This serves as proxy measure of size of state's winning coalition, which I cannot directly observe. I use data from the World Bank to code a state's economic orientation.³⁹¹ Utilizing Collier and Hoffer's definition of a high-rent state, I code states with resource rents that are greater than 10% of GDP as land-oriented and states that are below this threshold as market-oriented.

Establishing a threshold is necessary in order to define ideal types; however, for the purpose of the time series test, these measures of the economic interests should be treated as continuous rather than dichotomous. I do not expect there to be a major difference between two states that are just above and below the threshold. However, I do expect there to be a difference between a state in which 1% of GDP is derived from resource rents and a state that has 9% of rents as a percentage of GDP (even though both are below the threshold). Similarly, a state in which resource rents account for 11% of GDP should have weaker incentives to pursue land rents than a state in which resource rents account for 30% of GDP. This should also apply to my measure of domestic political institutions. A highly autocratic state (-10 on the POLITY scale), likely has a smaller coalition and fewer constraints on rent-seeking than an anocracy (a state somewhere between an autocracy and democracy). Thus, it is important to

³⁹¹ Note that this data from the World Bank's World Development Indicators is updated four times a year and the values for the relative resource dependence are sometimes retroactively updated. The data used in this chapter was downloaded on April 5, 2014.

consider “varying levels of democracy within non-democracies”.³⁹² Taking this variation into account guards against making “naive” predictions based on states that are just over or below the arbitrary cutoffs for regime type, or coding for economic interests.³⁹³ I code the state types for the time series analysis beginning in 1970 and for the cross-national analysis from 2000-2014.

³⁹² For a discussion of the value of investigating democratic variation within non-democracies, see Zachary Elkins, "Gradations of democracy? Empirical tests of alternative conceptualizations," *American Journal of Political Science* 44(2000).

³⁹³ These cutoffs are established in order to generate ideal types that are useful from the perspective of theoretical simplicity, but blindly making predictions based on the cutoffs is unnecessary from the perspective of testing theory.

Table 5.1: Coding of State Types

State	Size of W	Land-Oriented (Resource rents as % of GDP)	State Type
Taiwan	Democracy	2011: below 10 (no formal data)	Liberal
Philippines	Democracy	2011: 3.57% (20 year mean: 1.56%)	Liberal
Indonesia	Democracy*	2011: 9.998% (20 year mean: 11.1%)	Extractive
Malaysia	Democracy*	2011: 10.257% (20 year mean: 12%)	Extractive
China	Autocratic	2011: 9.09% (20 year mean 6.3%)	Opportunistic
Vietnam	Autocratic	2011: 13.64% (20 year mean 11.9%)	Predatory
Brunei*	Autocratic	2011: 40.99% (20 year mean 45.1%)	Predatory

Liberal States: Philippines and Taiwan

Using the ideal point cutoffs I code the Philippines as an opportunistic state from 1970-1985 and a liberal state from 1986-2014. Thus, the Philippines is a liberal state for the entire period of the cross-national analysis. Both datasets code the Philippines as an autocracy in 1970. There is a small difference between the two datasets in coding the transition to democracy in 1986, which is the result of arbitrary coding rules and is not substantively important. Thus, here I defer to the Democracy and Dictatorship dataset and code the Philippines as transitioning to democracy in

1986. That said, many country experts consider the Philippines to be a consolidating democracy today. For the purposes of the time series analysis, I observe whether the Philippines altered its behavior after transition to democracy in 1986. The transition is rapid and involves a major movement in the Philippines' POLITY score, moving from -6 to 8. This dramatic change is useful, because it increases my confidence that we are actually observing a substantial change in the Philippines' domestic political institutions and that this should be associated with a change in its foreign policy preferences.

The Philippines is coded as market-oriented (not economically-dependent on resource rents) for both the time series and cross-sectional analysis. Since 1970, resource rents have accounted for an average of only 2.7% of GDP and this value has never climbed above 6.58% of resource rents as a percentage of GDP (this value was recorded in 1973). In 2011, the last year for which data is available for all states, resource rents represented only 3.57% of the Philippines' GDP. From 1991 to 2011, resource rents have accounted for an average of only 1.56% of the Philippines' GDP.

Although the Philippines are not economically dependent on resource rents, agriculture still accounts for a substantial portion of GDP (12%) and roughly a quarter of this is derived from fisheries. Agriculture employs roughly a quarter of the workforce. With a PPP (Purchasing Power Parity) per-capita GDP of only \$4410, the Philippines is still a developing country and many of its citizens rely on fish as a

source of protein. Thus, the Philippines has a strong economic interest in governing fisheries to maximize its consumption (in this case, literally).

Therefore, although the Philippines is a liberal state from 1986 forward, I would expect it to have a stronger interest in jurisdictional issues in the South China Sea than if fisheries were less of an issue. However, because the Philippines is a liberal state, I expect the Philippines to be more likely to pursue its claims within the confines of existing international institutions and that it will be less likely to project power to secure additional resources. This is not to say that the Philippines will not be willing to project military power to protect its own territory and EEZ. I argue only that the Philippines should be relatively unlikely to project military power to secure additional territory or resources and should be more likely to handle its claims and disputes within the confines of existing international institutions. Additionally, I expect the Philippines to be more restrained in terms of its willingness to pursue an exclusionary foreign policy after 1986, when it transitions to a liberal state.

Taiwan is coded as an opportunistic state from 1970-1995 and a liberal state from 1996-2014. I rely on POLITY, the Democracy and Dictatorship Dataset and expert opinion to code Taiwan's domestic political institutions. Here the two datasets disagree as the Democracy and Dictatorship codes Taiwan as autocratic from 1970 until 1996, when it transitions to democracy, while POLITY codes the transition occurring in 1992.³⁹⁴ For POLITY the transition is relatively rapid and constitutes a large movement in polity scores. Taiwan moves -1 to a 7 in 1992. Taiwan remains a

³⁹⁴ Cheibub, Gandhi, and Vreeland, "Democracy and Dictatorship Revisited."

democracy though 2014. Given the disagreement between the two datasets I consider the period from 1992-1996 to be a transitional period in which Taiwan is a consolidating democracy. This coding decision does not affect the analysis of my results, and for the purposes of the cross-national analysis Taiwan is coded as a liberal state.

With regards to Taiwan's economic interests, it is not possible to code Taiwan with some of the previously-used indicators because there is no formal data from the World Bank. Although there is no formal data on Taiwan's resource rents as a percentage of GDP, resource rents likely represent a negligible fraction of Taiwanese economy. Taiwan has relatively small reserves of oil, coal, gas and other minerals and is forced to import the vast majority of its energy.³⁹⁵ Given that the only states that climb above the 10% threshold are resource-rich states that export these resources, it is highly unlikely that Taiwan is even close to the 10% threshold. These alternative indicators demonstrate that the Taiwanese state is reliant upon a large winning coalition that is economically-dependent on manufactured goods and services to generate wealth.

In the time series analysis, I expect Taiwan to become less willing to project power to compete over South China Sea resources after it transitions from an opportunistic to a liberal state in 1996. For the cross-national analysis, given that Taiwan is a liberal state, I expect it to be less interested in pursuing control over South

³⁹⁵ "Taiwan," U.S. Energy Information Administration, accessed Feb 18, 2013 <http://www.eia.gov/countries/country-data.cfm?fips=TW>

China resources and more likely to handle its disputes through existing international institutions and legal norms. However, due to its unusual diplomatic status, Taiwan may have fewer opportunities to work within existing international institutions and legal norms. For example, Taiwan cannot sign and ratify UNCLOS because the United Nations does not recognize Taiwan as a state.³⁹⁶ This prevents Taiwan from using these international institutions to make formal legal claims. Additionally, it is more difficult for Taiwan to settle its disputes through bilateral agreements, as Beijing pressures other states to limit their diplomatic interactions with Taipei.³⁹⁷

However, these caveats aside, my theory predicts that Taiwan should be relatively less interested in projecting power to secure resource rents than its more autocratic or resource-dependent counterparts.

The Extractive States: Malaysia and Indonesia

For the purposes of the time series analysis, Malaysia is coded as an opportunistic state in 1970, transitioning to a predatory state in 1976, as it becomes economically dependent on resource rents. After 1976, resource rents became a much larger source of Malaysian wealth. From 1979 to 1989, resource rents represented over 16% of Malaysia's GDP on average. From 1990-2000, this figure dropped to roughly 10% of GDP. The following decade, from 2001-2011, this average increased to 14.2%

³⁹⁶ Florian Dupuy and Pierre-Marie Dupuy, "A Legal Analysis of China's Historic Rights Claim in the South China Sea," *The American Journal of International Law* 107, no. 1 (2013): 137.

³⁹⁷ Sarah Raine and Christian Le Mièrre, *Regional Disorder: The South China Sea Disputes* (New York: Routledge, 2013), 129.

of GDP (however, most of this increase was driven by rapid increases in commodity prices from 2004-2008, after which prices fell).

The Democracy and Dictatorship dataset codes Malaysia as an autocracy from 1970 to 2008 (the final year for which it has data). Using the ideal type cut-off, it remains a predatory state until 2008, when it transitions to democracy and becomes an extractive state. However, a closer look at the data reveals that Malaysia moves in a more democratic direction after 1970. Additionally Malaysia is coded as a 4 by POLITY from 1971 to 1993, before falling to a 3 from 1993-2007. In 2008, Malaysia moves from a 3 to a 6 — a substantial but not revolutionary change. If we consider the measure of Malaysia's democratic political institutions to be continuous (more or less democratic), rather than dichotomous (autocratic or democratic), then the impact of transition becomes less important for my theoretical predictions. For illustration, if Malaysia had gone from a -10 (the most autocratic) to a 10 (the most democratic), then this transition would have a major impact on my theoretical predictions. This is because Malaysia's winning coalitions would have gone from very small to very large and this would have impacted the degree to which the state would have had a preference to seek rents. As formulated, POLITY scores are not especially helpful for parsing less dramatic institutional changes.

For the purposes of the cross-national analysis, Malaysia is coded as a predatory state in 2000 (when the cross-national analysis begins) and an extractive state after 2008, when it transitions to democracy. POLITY codes Malaysia as a 6,

nearly a democracy in 2008.³⁹⁸ Using the ideal type cut-off in 2008, Malaysia is coded as an extractive state because it is democratic but still dependent on resource rents. Malaysia is coded as land-oriented because resource rents as a percentage of GDP are above the 10% threshold, although just barely. In 2011, the last year for which data is available, resource rents represented 10.257% of GDP, which is just above the 10% threshold.

In short, I would expect Malaysia to be more likely to project power to compete for resource rents from 1979-1989, less likely do so from 1990-2000, and more likely from 2001-2011. For the time series analysis, my theory would predict that Malaysia should be less willing to project power to compete over resources after 2008, when it transitions to democracy and resource rents begin to fall as a percentage of GDP.

Indonesia is coded as a predatory state in 1970. It remains a predatory state until 1992, when it dips just below the 10% resource rent threshold and remains below until 1997. Interestingly, in 1998, Indonesia climbs above 10% threshold and, on average, remains there until 2011 (the last year for which data is available), while simultaneously transitioning from autocracy to democracy, as the government falls to a military coup. Following both POLITY and the Democracy and Dictatorship dataset,

³⁹⁸ Today some area experts still consider Malaysia to be a consolidating democracy and therefore we should be careful when interpreting these quantitative indicators to code Malaysia's type. For an example of how Malaysian democratic institutions have been designed to limit electoral political competition, see Kai Ostwald, "How to Win a Lost Election: Malapportionment and Malaysia's 2013 General Election," *The Round Table* 102, no. 6 (2013).

I code Indonesia as a democracy in 1999. Unlike Malaysia, Indonesia's transition to democracy involves a major shift in the POLITY score, moving from a -5 (very autocratic) to a 6 (fairly democratic). For the purposes of the time series analysis, I code Indonesia as an opportunistic state from 1992-1998 and an extractive state from 1999-2014. However, as I previously noted these thresholds are used for the purposes of ex-ante coding the ideal types of each state.

Indonesia's shift provides us with an opportunity to examine how a transition to democracy affected Indonesia foreign policy vis-à-vis its South China Sea maritime claims. Indonesia's transition to democracy is relatively rapid, but resource rents as percentage of GDP have been relatively stable over the past 20 years, fluctuating between a low of 7.75% (1995) and a high of 17% (2008), with most of this variation likely driven by fluctuations in global energy prices. The vast majority of years fall between 8 and 13%. Thus, although resource rents as a percentage of GDP have hovered around the 10% threshold over time, Indonesia's transition to democracy in 1998/1999 is a dramatic one. Indonesian democracy further consolidates in 2004, receiving a score of 8. This makes me more confident about making predictions about Indonesia's foreign policy following its transition to democracy. All else equal, my theory would predict that Indonesia should be less willing to project power to compete over South China Sea resources than it was prior to its transition to democracy in 1999.

For the purposes of the cross-national analysis, Indonesia's coding is ambiguous. Using resource rents as a percentage of GDP, Indonesia is right at the threshold of being land-oriented vs. market-oriented. Resource rents represented 9.998% of Indonesian GDP in 2011 and an average of roughly 11.1% over the past 20 years. Thus, Indonesia's type, like Malaysia, is ambiguous using the ideal point cutoffs. But if we think of the measure of resource rents as a continuous measure of the degree to which a state is economically dependent on the physical control of territory, then we come to the conclusion that resource rents have played an important although not dominant role in determining Indonesia's economic interests.

With regards to the cross-sectional analysis, using the ideal point cut offs, my theory predicts that as an extractive state, Indonesia should have greater incentives to project power than a liberal state, but weaker incentives than if it were a predatory state. However if taken into account the relative resource dependence within ideal types, my theory would predict that Indonesia should be even less willing to project power than the average extractive type because it is barely above the cutoff. Therefore, I would expect Indonesia to be somewhere in between an extractive and a liberal type in terms of its willingness to project power to compete over resources.

The Opportunistic State: China

According to the indicators, China's domestic political institutions are highly autocratic and stable over the entire period of analysis. The only change occurs in

1975 when POLITY records China as moving from a -8 to -7 in 1975 and it does not change again through 2012 (the final year for which there is data).³⁹⁹ Besides Vietnam (which is also a -7), China is the most autocratic state in the sample and remains so for the entire period (both the time series and cross sectional analyses). The fact that China's domestic political institutions do not vary provides us with an opportunity. Specifically it allows us to assess how variation in a state's economic interests drive its foreign policy preferences while holding domestic political institutions constant. For this reason I focus more on describing the change in China's economic interests in terms of the degree to which it derives wealth from the control of territory vs. goods and services.

Using the ideal type cutoff, in 1970 China is coded as an opportunistic state, but then transitions to a predatory state in 1975, as it becomes economically dependent on resource rents. Thus, my theory would predict that China should become more willing to project power to assert its claims from 1975 to 1991. However, China transitions back to an opportunistic state in 1991, as its economy shifts towards manufactured goods and services. Resource rents as a percentage of GDP fall from nearly 9% in 1992 to 3.472% in 2003, with the absolute low being 1999 at 2.72%. My theory predicts that China's preference to compete over resource rents should decrease during this period. This also provides us with a novel opportunity to deal with power-based explanations that suggest that growing power is the primary reason why China

³⁹⁹ The degree to which these indicators accurately capture the level of domestic institutional change in China is contestable. For a more nuanced account of changes in China's domestic political institutions see Susan L. Shirk, *The Political Logic of Economic Reform in China* (University of California Press, 1993).

has chosen to project more power to compete over South China Sea sea-resources. Between 1992 and 2003 China's GDP increased from 422.7 billion to 1.641 trillion. This suggests that China became dramatically more powerful during this period. This design is especially useful for evaluating the competing explanation because it is biased in favor of power-based explanations given that China was dramatically more powerful during the 1992-2003 period than it was from the 1981- 1992 period. Thus, if increasing material power is the central variable driving China's foreign policy behavior then we should observe China being more likely to project power during this period. If however, my explanation is correct, and states' preferences condition their material power, then China should not necessarily project power with greater frequency or intensity in comparison to the previous decade.

In 2004, global commodity prices began to rise and this exogenously increased the value of the resource rents captured by states. The decade following 2004 provides me with another opportunity to test an observable proposition of my theory. Specifically, that the degree to which the state is economically dependent on wealth derived from territory influences its preference to project power to gain control over additional land rents. This increase in global commodity prices resulted in a surge in the amount of resource rents flowing into the Chinese economy. The value of these rents increased so rapidly that resource rents as percentage of GDP increased, despite China's breakneck growth. In 2008 (which was an outlier year for all states due to extremely high energy prices), resource rents climbed to nearly 11% of GDP.

According to the World Bank, China's GDP was approximately 4.42 trillion dollars in 2008, and so this represents a monstrous 482 trillion dollars of resource rent. To provide some perspective, this is approximately the same size as the entire GDP of Saudi Arabia, which was the number one oil producer in the world in 2008. Even Russia, the state that earned the most resource rent in the world in absolute terms that year, earned just a few billion more (approximately 499.1 billion, however, this represented nearly 32% of Russia GDP).

Although 2008 was an outlier year, resource rents have remained a higher percentage of China's GDP in the post-2004 period, compared to pre-2004 period. If we examine the eight years prior (1996-2003) and the eight years after 2004 (until 2011), we find that resource rents make up an average of 3.67% of GDP in the pre-2004 period, in comparison to 7.9% in the post-2004 period. Even if we remove 2008 from the average, resource rents still account for an average of 7.43% of GDP in the post-2004 period. The implication is that resource rents have more than doubled, in terms of their value added to the Chinese economy, over roughly the past decade in comparison to the previous decade. Thus, my theory would predict that China should have a stronger interest in projecting power to compete over resource rents after 2004, in comparison to the previous decade.

Shifting to the perspective of the cross-national test, China is valuable because it allows us to observe how a state that is market-oriented (i.e. economically-dependent on manufactured goods and services rather than land rents), but autocratic

should react to the exposure of resources. Due to China's size there is no state in the South China Sea with similar levels of material capabilities that allow comparison. Because China has no peer in the South China Sea, the relevant comparisons are essentially two counter-factual states of similar scale: one that is autocratic and resource dependent (such as a predatory state like Russia) and one that is both market-oriented *and* democratic (i.e. a liberal state like Britain, France, the United States). If it is the case that domestic political institutions are unimportant and that a state's economic interests are the principal driver of its foreign policy behavior, then, all else equal, China should have weaker incentives to pursue additional resource rents. This is because China, unlike Russia, is not economically dependent on resource rents to generate wealth. Thus, if domestic political institutions do not matter and state's foreign policy preferences are driven purely by its economic interests, then, all else equal, we should expect to observe no difference between China, an opportunistic state (market-oriented, autocratic), and a liberal (market-oriented, democratic) state, in terms of its willingness to project power to compete over maritime resources.

However, if it is the case that the Chinese state is more interested in pursuing rents because the benefits accrue to and remain concentrated within a small ruling coalition, then China should be more interested in pursuing control of maritime resources (as a source of rents) than if it were democratic. This is because if China were democratic, the benefits captured from securing additional resource rents would be more broadly distributed, and thus the incentives to capture them would shrink.

Because China is autocratic, the benefits should remain concentrated and therefore I expect Chinese leaders to have a stronger incentive to pursue control over additional rents. Although the sources of China's wealth may have shifted from a land-oriented to a manufactured goods and services-oriented economy, its political institutions remain authoritarian and the coalition that rules China remains relatively small relative to the size of China's population.⁴⁰⁰ Additionally, as I demonstrate, the amount of resource rents flowing into the Chinese economy has increased faster than the economy has grown for nearly the past decade.

In sum, my theory predicts that China should be more interested in projecting military power to compete over additional resource rents than a liberal state (market-oriented, democratic), but less interested than a highly resource-dependent autocracy like Russia. Observing how China reacted to the exposure of maritime resources is informative because it allows me to assess the degree to which China's behavior matches my theoretical expectations vs. those of my theoretical competitors. That said, in the cross-national analysis I can only compare China's behavior to a theoretical rather than observed counter-factual. Thus, for China the stronger test of the theory is the time-series analysis, which allows me to compare China's behavior against itself.

The Predatory State: Vietnam

⁴⁰⁰ China is coded as authoritarian in the Democracy and Dictatorship dataset and is coded a -7 by Polity IV. Cheibub, Gandhi, and Vreeland, "Democracy and Dictatorship Revisited." See also, Shirk, *The Political Logic of Economic Reform in China*; Susan Shirk, *China: Fragile Superpower: How China's Internal Politics Could Derail Its Peaceful Rise* (New York: Oxford University Press, 2007); Marshall G. Marshall, Keith. Jagers, and Ted R. Gurr, "Political Regime Characteristics and Transitions 1800-2010," ed. University of Maryland. Data retrieved from www.systemicpeace.org/inscr/inscr.htm Polity IV Project (2011).

The time series analysis for Vietnam begins in 1976 because this is first time in modern history it has been a unified independent state. Vietnam is coded as an autocracy from 1976 on. Unfortunately, the World Bank does not have data on Vietnam's resource rents as a percentage of GDP until 1985. However, we can be relatively certain that Vietnam was below the threshold 10% from 1976 to 1985. This is because from 1985-1988 Vietnamese resource rents as a percentage of GDP averaged only 2.51%. In 1989, resource rents as percentage of GDP suddenly shot to 12% of GDP and would remain above 10% until 1994. From 1994-1999, resource rents fell below 10% of GDP, going as low as 5.6% in 1998. However, the following year resource rents climbed above 10% of GDP again and averaged over 14% of GDP from 2000-2012. Vietnam is the only state in the analysis that fluctuates multiple times between being coded as an opportunistic and a predatory state. If the data allowed for more finite measures of the annual variation in the dependent variable it might provide me with a research design opportunity to conduct an interrupted time series analysis. The interrupted treatment would be economic orientation as operationalized by being above or below resource rents as a percentage of GDP. Vietnam's political institutions are held constant during the entire period, but its economic orientation changes relatively rapidly and exogenously (due to global energy prices and offshore energy discoveries).

Using the ideal type cutoffs I code Vietnam as an opportunistic state from 1976-1988, a predatory state from 1989-1993, an opportunistic state from 1994-1999

and a predatory state from 2000-2014. A closer look at the data, however, reveals that Vietnam, like China, became more resource dependent after 2003. Yet on average between 1994 and 2003 Vietnam's resource rents as percentage of GDP were lower than from 1989-1993 or 2003-2011. Thus, I would expect Vietnam to be less interested in projecting power to compete over resource rents from 1994-2003. Despite Vietnam's rapid economic growth, resource rents began to play a much larger role in terms of the value added to the Vietnamese economy after 2003. During the 8 years from 1996 to 2003, resource rents averaged approximately 8.83% of Vietnam's GDP. This number increased to approximately 15.8 % of GDP from 2004-2012. Thus, I would expect Vietnam to have a stronger preference to project power to compete over resource rents after 2004.

For the cross-national analysis, Vietnam is coded as a predatory type because it possesses both autocratic political institutions and is relatively dependent on resource rents. In 2011, resource rents represented 13.64% of Vietnam's GDP. Over the past 20 years resource rents have averaged 11.9% as a percentage of GDP. For the past two decades Vietnam has been relatively dependent on resource rents as a source of wealth, despite this dependence having fluctuated during the mid-1990's. Vietnam has also been an autocracy for its entire history as a unified polity. Thus, because Vietnam is coded as a predatory type I would expect the Vietnamese state to have stronger preferences to acquire additional lands rents than any other state in the analysis.

However, of those states that could compete over South China Sea resources, Vietnam is one of the weakest. With a GDP of only \$323 billion, even when measured by Purchasing Power Parity, Vietnam has the smallest economy of any state in the South China Sea.⁴⁰¹ It is also by far the region's poorest state with a per-capita GDP of only \$1,755. Thus, because of its domestic political economy, Vietnam should be more *willing* to compete over resources than other states. However, *opportunity* and *willingness* are not the same thing. If preferences represent *willingness* and power represents *opportunity*, then Vietnam should be more willing to compete over South China Sea resources, but will have less opportunity to do so because it is so weak.

From the perspective of testing my theory, Vietnam's relative weakness is useful because if it chooses to invest its extremely limited wealth in building and projecting power to compete over resources, then this is informative as to the strength of its preferences. Put another way, Vietnam's relative weakness vis-à-vis other states should act as a signal-weaker. If we observe Vietnam projecting power to compete over South China Sea resources, then this should give us greater confidence that it is not that Vietnam has greater *opportunities* to compete over South China Sea resources (we know that it is weaker), but rather that it is more willing to do so.

Part III Times Series and Cross-National Analysis

⁴⁰¹ With the exception of Brunei which following Polity's coding is not considered a state. For data on Vietnam's GDP see World Bank <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD>. Accessed on March 23, 2014.

The following section analyzes the observed behavior of each of the states. The assessment of each state begins with a time series analysis (Test 1), which assesses the degree to which changes in domestic political institutions or economic orientation affected their foreign policy behavior in the South China Sea. The time series analysis provides a substantive historical background on each state's foreign policy behavior over time. I then conduct the cross-national analysis (Test 2) by comparing the behavior across each of the states from 2000-2013.

The Philippines' South China Sea Foreign Policy

Prior to 1970, the Philippines was not particularly active in the South China Sea. In 1986, the Philippines transitioned to democracy, but it is not clear whether this changed its foreign policy regarding the South China Sea. Given that there is so little activity before and after the change, it is not possible to detect whether there was a change. Therefore, this section will focus principally on providing a historical background for the Philippines' claims up to the cross-national analysis.

In 1956, a private Filipino citizen named Thomas Cloma claims to have discovered the Kalayaan Islands Group (KIG), also known as Freedom Island, a set of 33 inlets in the South China Sea. He claimed these inlets as well as the 65,000 square nautical miles of sea surrounding the islands.⁴⁰² In 1968 the Filipino government took

⁴⁰² Ian Storey, *South East Asia and the Rise of China: The Search for Security* (New York: Routledge, 2011), 265.

control of three of these islands and began stationing troops there.⁴⁰³ These claims would serve as the basis for the Philippines' formal claims that were made in 1978 by Presidential Decree.⁴⁰⁴ The justification for this claim was the inlets' geographic proximity to the Palawan Islands. In that same year, Manila chose to again occupy the inlets there. Throughout the 1970's, the Philippines continued to reinforce the military forces there and by the end of the 1970's, the garrison there reached battalion strength.⁴⁰⁵ Around this time, the Philippines also began exploring for natural gas and found offshore reserves near Reed Bank. However, the Chinese government protested these actions and the Philippines chose to abandon development of the resources.⁴⁰⁶

In 1979, the Philippines chose to declare a 200 nautical mile EEZ.⁴⁰⁷ After the Philippines transitioned to democracy in 1986, it drafted a constitution that designated the KIG islands as part of Filipino territory.⁴⁰⁸ The Chinese again protested this development, declaring it to be a violation of Chinese sovereignty. The Chinese would become an increasing threat to the Philippines' maritime claims, as the Chinese moved into the Spratlys in 1988. Given this threat, it is surprising that in the following years the Filipino government was unable to reach a deal with the United States over how

⁴⁰³ "Spratly Islands Dispute," Trade and Environmental Database, <http://www1.american.edu/projects/mandala/TED/ice/spratly.htm>

⁴⁰⁴ James Goldrick and Jack McCaffrie, *Navies of South-East Asia: A Comparative Study* (London: Routledge, 2013), 121.

⁴⁰⁵ *Ibid.*, 126.

⁴⁰⁶ "South China Sea," U.S. Energy Information Administration (EIA), accessed March 15, 2014 <http://www.eia.gov/countries/regions-topics.cfm?fips=scs>

⁴⁰⁷ Goldrick and McCaffrie, *Navies of South-East Asia: A Comparative Study*: 123.

⁴⁰⁸ Storey, *South East Asia and the Rise of China: The Search for Security*: 255.

much the U.S. should pay to receive basing rights. In July of 1991, nature stepped in to hasten the Americans' departure when a volcano on Mount Pinatubo spewed so much ash that it made Clark Air Force Base unusable. A few months later, the Philippine Senate voted to end all U.S. basing rights. By the end of the following year, the last American service personnel withdrew.⁴⁰⁹ This was significant because the Philippines had been able to make their claims by hiding behind the U.S. military presence.

The Chinese wasted no time in taking advantage of the American withdrawal and in 1992 the Chinese National People's Congress passed a law on Territorial Waters and their Contiguous Areas, claiming sovereignty over the entire South China Sea, as well as the Spratly and Parcel Islands.⁴¹⁰ In late 1994, the Chinese moved to encroach on the Philippines' claims on Mischief Reef. The Chinese built structures on the reef, which were later destroyed by the Philippines.⁴¹¹ This marked the beginning of more intense competition between China and the Philippines over claims in the South China Sea. In a separate incident in 1996, a Philippine ship exchanged gunfire for 90 minutes with two Chinese flagged vessels that were raiding a merchant ship. It is unclear whether the Chinese ships were operating with official approval.⁴¹² In March of 1997, Chinese warships entered the Philippine EEZ and began to survey around the Kota

⁴⁰⁹ Ian James Storey, "Creeping Assertiveness: China, the Philippines and the South China Sea Dispute," *Contemporary Southeast Asia* 21, no. 1 (1999): 103.

⁴¹⁰ *Ibid.*, 255

⁴¹¹ Lindsay Murdoch, "Spratly Bombing Fuels Row," *The Age*, March 25, 1995.

⁴¹² Goldrick and McCaffrie, *Navies of South-East Asia: A Comparative Study*: 126.

Islands.⁴¹³ Later that year, in April, both sides returned to Scarborough Shoal and erected markers there.⁴¹⁴

In 1998, Malaysia moved to install communication equipment on the Investigator Shoal, which is also claimed by Manila, but was deterred after the arrival of Philippine forces. In the same year, it was discovered that the Chinese had been constructing military facilities on Mischief Reef. Four Chinese ships were found to have anchored there. The Philippines reacted by ordering a blockade of Mischief Reef, but later renamed this action “increased surveillance” to avoid the appearance of an act of war.⁴¹⁵ This did little to deter the Chinese, and in October of 1999, Philippines Air Force reconnaissance aircraft found seven Chinese ships, including an armed auxiliary vessel, at Mischief Reef. In addition, construction was found be continuing on the reef. The Philippines responded by deploying light strike aircraft to nearby Palawan Island and increased naval patrols in the region, stopping short of directly confronting the Chinese ships.⁴¹⁶ In that same year, in two separate incidents, the Philippines confronted and sank Chinese fishing ships that were operating in the Spratlys.⁴¹⁷

The Philippines remains a liberal state for the entire cross-national analysis. Thus, I would expect it to be relatively restrained in terms of willingness to make extralegal claims and project military power to compete over resources. The

⁴¹³ "Chinese Refuse to Leave Philippine Waters," *Courier Mail*, May 3, 1997.

⁴¹⁴ Michael Klare, *Resource Wars: The New Landscape of Global Conflict* (New York: Henry Holt, 2001), 164.

⁴¹⁵ Goldrick and McCaffrie, *Navies of South-East Asia: A Comparative Study*: 128.

⁴¹⁶ *Ibid.*, 121.

⁴¹⁷ *Ibid.*, 128.

Philippines' observed behavior regarding its claims and willingness to project force are in line with the predictions of my theory. The Philippines has worked primarily within the confines of existing international institutions, adhering to international legal norms when pursuing its claims. The Philippines has a number of unresolved disputes with Malaysia, Brunei, China, Taiwan and Vietnam.⁴¹⁸ The crucial distinction is that these disputes have either resulted from legitimate overlapping EEZ claims or foreign states claiming pieces of Manila's EEZ, not from the Philippines making extralegal claims. When the Philippines sought to make claims beyond its EEZ (as it did in 2009, although not in the South China Sea), it did so by submitting evidence for its claims of an extended continental shelf to the CLCS.⁴¹⁹

Given that the Philippines has made no claims outside of its own EEZ in the South China Sea, its principal objective appears to be defending its claims within in its own EEZ, rather than seeking to expand its claims. In 2005, the Philippines, China and Vietnam entered into an agreement to engage in joint exploration of maritime resources in the South China Sea, known as the Joint Marine Seismic Undertaking (JMSU). However, this agreement broke down after domestic political opposition parties revealed that the Philippine government agreed to explore areas that were part

⁴¹⁸ Rommel C. Banlaoi, "Philippine naval modernization: nature, causes and consequences," in *Naval modernisation in South-East Asia: Nature, causes and consequences*, ed. Geoffrey Till and Jane Chan, *Cass series: naval policy and history* (Abingdon, Oxon: Routledge, 2014), 62.

⁴¹⁹ Mary Ann Palma, "Maritime challenges in the Philippines," in *Maritime Challenges and Priorities in Asia: Implications for Regional Security*, ed. Joshua Ho and Sam Bateman (New York: Routledge, 2012), 116.

of the Philippines' EEZ, not just those with overlapping claims by China or Vietnam.⁴²⁰

The Philippines has an interest in protecting its right to develop resources in its Exclusive Economic Zone. In addition to developing energy resources, the Philippines has an interest in protecting its fisheries. As mentioned earlier, the Filipino population is relatively dependent on fisheries as a source of protein. With regards to energy resources, many of the Philippines' offshore reserves have remained dormant for decades. However, deep-sea drilling technology has allowed for the development of these deep-sea offshore deposits. The ability to develop these deep-sea reserves has resulted in an increase in the country's oil production since 2007. It is estimated that the Philippines has 709,000 kilometers of rich resource regions, in which 3.9 billion barrels of oil equivalent exist. Approximately 80% of these resources are believed to exist offshore.⁴²¹ In December of 2007, the Filipino Parliament passed the Maritime Boundary Act. This act incorporated part of the distributed Spratly Islands into Filipino Territory.⁴²²

The Philippines' Force Structure

The Philippines has historically been mainly concerned with issues of internal security and has shown little interest in building a military force structure capable of

⁴²⁰ Ralph Emmers, *Geopolitics and Maritime Territorial Disputes in East Asia* (New York: Routledge Security in Asia Pacific, 2010), 75.

⁴²¹ Palma, "Maritime challenges in the Philippines," 117.

⁴²² Emmers, *Geopolitics and Maritime Territorial Disputes in East Asia*: 75.

projecting even into its own EEZ. It has by far the weakest navy of any of the South East Asian states.⁴²³ Manila has kept military spending at low levels and this has only dropped as a percentage of GDP over time, even as the number of incidents with China has increased. In 2011, the Philippines spent just 1.19% of its GDP on defense.⁴²⁴

One of the ways that the Philippines has been able to maintain a military presence in the South China Sea is by physically garrisoning a small number of troops on features it claims in the Spratlys. Some of these bases are fortified with heavy artillery, as well as radar and meteorological equipment.⁴²⁵ However, many of the locations are sparsely manned. Reports have indicated that the Philippines has only deployed 55 naval personnel in the 9 occupied features of the South China Sea.⁴²⁶ These troops are sometimes extremely poorly equipped and lack even basic supplies such as food.⁴²⁷

Following the 1994-1995 Mischief Reef incident, Manila allocated additional funding to the armed forces and promised to build a second base for the Philippine Navy in Cebu.⁴²⁸ However, funding has remained relatively anemic and this has resulted in the Philippines lacking the capabilities to even defend its own EEZ.

⁴²³ Banlaoi, "Philippine naval modernization: nature, causes and consequences," 155.

⁴²⁴ Emmers, *Geopolitics and Maritime Territorial Disputes in East Asia*: 83.

⁴²⁵ Ibid., 75.

⁴²⁶ Banlaoi, "Philippine naval modernization: nature, causes and consequences," 161.

⁴²⁷ "A Game of Shark and Minnow," Jeff Himmelman, accessed March 23, 2014 <http://www.nytimes.com/newsgraphics/2013/10/27/south-china-sea/>

⁴²⁸ Goldrick and McCaffrie, *Navies of South-East Asia: A Comparative Study*: 127.

Despite promises from Manila, military spending as a percentage of GDP has remained stagnant, and actually dropped slightly from 2.29% in 1995 to 2.26% in 1996. This indicates that the Philippines has not prioritized upgrading its force structure to defend its claims.

The ships that it has tasked with patrolling its EEZ have a 40-mile radius, which is hardly sufficient to cover a 200 nautical mile EEZ.⁴²⁹ As one Filipino Naval officer commented:

“Should the Chinese or Vietnamese naval forces size the Spratly Island, the PN ships may not even reach the scene of battle in the South China Sea. They can fire their missiles even we can see them on radar and we may never know that hit us.”⁴³⁰

Efforts to allocate additional funding have also been plagued by corruption. In 1998, after a number of incidents with the Chinese, the legislature in Manila allocated a small amount of additional funding (7.8 billion pesos) for the Navy, only to have it go missing when it was “misplaced.” In the end only 5.5 billion pesos were allocated.⁴³¹

More recently, the Filipino government has made efforts to strengthen its military position in the Spratlys. In 2008, the military announced that the airstrip on Kalayaan Island (the largest island occupied by the Philippines) would undergo repairs and be lengthened. Also, troop quarters would be built there. The U.S. recently announced that it would transfer a second decommissioned U.S. coast guard cutter to

⁴²⁹ Banlaoi, "Philippine naval modernization: nature, causes and consequences," 155.

⁴³⁰ Ibid.

⁴³¹ Goldrick and McCaffrie, *Navies of South-East Asia: A Comparative Study*.

the Philippines.⁴³² Perhaps more importantly, Manila has increased cooperation with the U.S. military since 9/11 to fight Islamic militants with ties to Al Qaeda. More recently, this cooperation has shifted to balancing against China, as the U.S. and the Philippines have increased joint training exercises. Additionally, Manila is currently negotiating the details of an agreement to grant the U.S. basing rights in a number of locations in the Philippines.⁴³³ This could signal a major return of U.S. forces to the Philippines; however it remains to be seen whether the deal will be finalized.

The Philippines' Force Deployments

The Philippines has not projected much military power into the South China Sea and it has done so only to defend its claims within its own EEZ. Unlike other states, it has not projected power beyond its own EEZ to compete over securing additional resources. Most of the incidents covered below are the result of disputes that occurred within the Philippines' EEZ. In February of 2001, the Filipino Navy boarded 14 Chinese flagged ships and confiscated their catch.⁴³⁴

There are very few incidents until March 2011, when two Chinese boats threatened to ram a survey ship conducting seismic tests. After this incident, Manila

⁴³² Rodger in CNAS 91

⁴³³ "US-Philippines Reach Deal on US Military Access," Zachary Keck, accessed March 22, 2014 US-Philippines Reach Deal on US Military Access. <http://thediplomat.com/2014/03/us-philippines-reach-deal-on-greater-us-military-access/>.

⁴³⁴ "Row Grows Over Disputed Spratly Island," CNN, accessed May 19, 2014 http://articles.cnn.com/2001-03-21/world/China.Philippine.row_1_mischief-reef-chinese-fishing-philippine-navy?_s=PM:asiapcf

ordered the Navy to increase patrols along its Western Maritime Border.⁴³⁵ The following year in April, the Philippines and Chinese engaged in a standoff over Scarborough Shoal. The incident began after a Philippine Navy aircraft spotted 8 ships operating off Scarborough Shoal. Filipino naval personnel attempted to arrest the Chinese fishermen, but were prevented by Chinese Marine Surveillance, which placed ships between the Chinese fishing boats and the Philippine Navy vessels. Some accounts suggest that the Chinese ships informed the Filipino ships that they had strayed into Chinese territorial waters. If true, this is a remarkable claim, given that the shoal is 124 nautical miles from Luzon, and therefore well within the Philippines' EEZ.⁴³⁶ During the standoff, the U.S. and Philippines conducted military exercises.⁴³⁷ However, as these exercises had been held annually for many years, it was unclear the degree to which this was intended to send a signal. That said, the U.S.S. North Carolina, a Virginia fast-attack submarine arrived in Subic Bay on May 13, 2012.⁴³⁸ The US brokered an agreement in 2012 for mutual withdrawal, which the Philippines followed. However, the Chinese remained and are still in control of the Shoal.

Observable Implications

⁴³⁵ Ian Storey, "China and the Philippines: Implications of the Reed Bank Incident," *China Brief* 11, no. 8 (2011).

⁴³⁶ Carlyle A. Thayer, "Standoff in the South China Sea " *Yale Global* (12 June 2012). <http://yaleglobal.yale.edu/content/standoff-south-china-sea>. Accessed on March 22, 2014

⁴³⁷ "US, Filipino troops start drills near disputed sea," Jim Gomez, accessed April 8, 2014 <http://www.deseretnews.com/article/765568995/US-Filipino-troops-start-drills-near-disputed-sea.html>

⁴³⁸ Cruz De Castro, "Abstract of "China's Realpolitik Approach in the South China Sea Dispute: The Case of the 2012 Scarborough Shoal Stand-Off"".

Despite increasing threats from the Chinese, the Philippines has projected relatively little power into the South China Sea. As previously illustrated, this is partially because the Philippines lacks the capabilities to deploy its forces over great distances or for long periods of time. However, this is a function of political choices not to invest in the force structure required to make such deployments. The Philippines is a poor country, but it has a far larger economy than Vietnam, a GDP of \$250 billion vs. \$141 billion for Vietnam. The Philippines is also wealthier, with Vietnam possessing a per capita GDP of 1,232 vs. 1,832 in current U.S. dollars or 4,410 vs. 3,778 using Purchasing Power Parity.⁴³⁹ This is significant as a point of comparison because Vietnam has made its claims in the South China Sea a priority and has allocated the funding to build the capabilities to militarily compete over those claims, while the Philippines has not. In closing, the behavior of the Philippines is consistent with the predictions of my theory, which suggests that liberal states should be more likely to operate within the confines of international institutions and have weaker incentives to compete over maritime resources.

Taiwan's South China Sea Foreign Policy

Taiwan's claims date back to 1947, when the Nationalist Government, under the leadership of Chiang Kai-shek, claimed a u-shaped line. Taiwan has chosen to make similar claims over the South China Sea as the PRC, with both states claiming

⁴³⁹ "GDP ranking, PPP based " The World Bank, accessed April 8, 2014 <http://data.worldbank.org/data-catalog/GDP-PPP-based-table>

the historical precedence of the nine-dash line. Having made these claims, Taiwan became the first country to occupy features in the South China Sea, when nationalist Chinese forces occupied Itu Aba on December 12, 1947. Subsequently, a naval force was deployed to occupy Woody Island in the Paracels.⁴⁴⁰ Taiwan has also occupied Dongsha (also known as Pratas) Island. After the Nationalists lost the war, they were forced to abandon many of the islands. However, U.S. Naval presence and territorial threats prevent the PRC from permanently filling the void left by the departing Nationalists. The PRC only occupied Itu Aba until 1950, after which those forces were redirected to China's land borders. In 1956, Taiwan returned to Itu Aba and began permanently garrisoning troops there. To date, Taiwan remains in control of both Dongsha and the Itu Aba. Taiwan also maintains nominal control over Ban Than Reef, just a few thousand meters from Itu Aba.

Taiwanese claims and deployment in the South China Sea pre-date the discovery of resources there. Additionally, as resources were discovered in the South China Sea, Taiwan did not seek to control additional features or increase its military presence in areas outside of Itu Aba. Taiwan makes claims that are similar to China's. However, Taiwan has been much less assertive in seeking to enforce these claims when compared to the PRC.

In August of 1995, the Chinese Petroleum Corporation of Taiwan and the PRC's National Oil Corporation reached a preliminary agreement to jointly explore the area at the North end of the South China Sea. Later that year Taiwan began a

⁴⁴⁰ Emmers, *Geopolitics and Maritime Territorial Disputes in East Asia*: 67.

construction project on Ban Than Reef.⁴⁴¹ However, in general Taiwan has not made major investments in developing off shore resources and it has not projected power to prevent other states from developing resources in the manner that China has. Taiwan's principal interest in the South China Sea is maintaining access to SLOC (sea-lines of communication) and it has done this by building its own naval capabilities, and through an alliance with the United States.

Taiwan's transition to democracy occurred in 1996, but it is difficult to assess whether this caused a change in Taiwan's foreign policy given that is not particularly active in the South China Sea. There have also been relatively few occasions in which Taiwan projecting power into the South China Sea before or after the transition. Taiwan has also not been involved in many militarized involving features or Islands in the South China Sea. One of the few such incidents occurred in 1995, when a Vietnamese cargo ship approached Itu Aba. Taiwanese troops manning the island fired warning artillery rounds at the ship. However, with rare exception, there have been relatively few incidents between Taiwan and other states in the South China Sea.

As an unrecognized state, Taiwan has no formal diplomatic relationship with the other states in the region, which has complicated its ability to work within international institutions. For example, Taiwan was barred from the negotiations over the 2002 Declaration on the Code of Conduct.⁴⁴² In addition, Taiwan is not recognized

⁴⁴¹ Raine and Le Mière, *Regional Disorder: The South China Sea Disputes*: 45.

⁴⁴² Fu-Kuo Liu, "Dilemma and Domestic Uncertainty Taiwan's Insecurity in the South China Sea," *China Report* 49, no. 4 (2013): 394.

by the United Nations and therefore does not have the option of working within existing international legal institutions such as UNCLOS. However, Taiwan has maintained that its claims over the South China Sea are in compliance with UNCLOS.⁴⁴³ Taiwan's precarious status as an unrecognized state may explain why it has chosen to maintain its relatively expansive claims to the South China Sea. Given that it cannot legally claim an EEZ, its only hope of getting some share of maritime sea-bed resources is to cling to its historical claims of the nine-dash line. Leaving aside the precarious nature of its claims, Taiwan's behavior generally adheres to rules of UNCLOS, unlike China and Vietnam, which have both adopted a more exclusionary interpretation of the rules.

Taiwan's Force Structure

From 1956 until the 1990's, Taiwan maintained a garrison of 110-500 troops on Itu Aba.⁴⁴⁴ A few years after Taiwan's transition to democracy, Taipei made the decision to demilitarize Itu Aba, and withdrew the contingent of marines on the island and replaced them with Coast Guard personnel.⁴⁴⁵ To the degree that this represents Taiwan being less willing to project power into the South China Sea, this is consistent with the predictions of my theory. By 2000, Taiwan had removed its troops from the island and replaced them with coast guard personnel. However, in February 2008,

⁴⁴³ Emmers, *Geopolitics and Maritime Territorial Disputes in East Asia*: 12.

⁴⁴⁴ Ibid., Emmers 82.

⁴⁴⁵ Liu, "Dilemma and Domestic Uncertainty Taiwan's Insecurity in the South China Sea," 390.

Taiwanese President Chen Shui-bian visited the island to inaugurate a new 1,150 meter runway there. This effort was likely a strategic response to Beijing constructing an underground nuclear submarine base on Hainan Island.⁴⁴⁶ President Chen Shui-bian was the first ROC head of state to visit the island and was accompanied by nearly half of Taiwan's naval fleet, including Kidd class destroyers and two submarines.⁴⁴⁷ In 2011, Taiwan announced that it was deploying Marine Corps troops to the island to boost its defense capabilities.⁴⁴⁸ In 2013, the government announced that it would spend 106.5 million (US dollars) to build a wharf on Itu Aba.⁴⁴⁹

Taiwan's Force Deployments

Although Taiwan has maintained its claims over the entire South China Sea, it has been very reluctant to project power into the South China Sea to enforce these claims. Besides deploying the Coast Guard to protect Taiping and Tung Sha Islands, Taiwan has not projected much more power into the South China Sea.⁴⁵⁰ Taiwan's principal efforts at power projection have been to reinforce its position on Itu Aba. Noticeably absent from Taiwan's policy are any efforts to occupy additional reefs, as many of the other states in the region have done. The sole exception to this occurred in

⁴⁴⁶ Emmers, *Geopolitics and Maritime Territorial Disputes in East Asia*: 75.

⁴⁴⁷ "President visits disputed islands," Shih Hsiu-chuan, Hsu Shao-hsua, and Jimmy Chuang, accessed February 26, 2014 <http://www.taipeitimes.com/News/front/archives/2008/02/03/2003400014>

⁴⁴⁸ "Taiwan to boost forces in disputed Spratly Islands," Cindy Sui, accessed February 26, 2014 <http://www.bbc.co.uk/news/world-asia-pacific-13130208>

⁴⁴⁹ "Taiwan's Power Grab in the South China Sea," Michael J. Cole, accessed April 8, 2014 <http://thediplomat.com/2013/09/taiwans-power-grab-in-the-south-china-sea/>

⁴⁵⁰ Liu, "Dilemma and Domestic Uncertainty Taiwan's Insecurity in the South China Sea," 390.

2004 when Taiwan deployed a speed boat and eight men to construct a bird watching station on Ban Than Reef. In 2010, Taiwan conducted the first environmental assessment of the reef (it should be noted that Taiwan was already in control of this reef which sits just off Itu Aba).⁴⁵¹ Also, unlike China and Vietnam, the other two states that claim the South China Sea, Taiwan has not assertively deployed survey ships in other states' EEZs to search for resources. Taiwan has not been nearly as assertive as other states in terms of seeking to exclude other states from operating within its claims.⁴⁵² Unlike China and Vietnam, we observe far fewer incidents in which Taiwan has sought to harass other states' fishing ships or survey vessels.

Observable Implications

Some have attributed Taiwan's restraint towards the South China Sea to the threat that it faces from China; however, other states, such as Vietnam, also face a major threat from China, but have demonstrated willingness to invest in building forces to assert their claims in the South China Sea. Thus, Taiwan has demonstrated far greater restraint, despite the fact that it is much more economically powerful than Vietnam.

Taiwan makes more expansionist claims than my theory would predict; however, these claims predate its transition to a liberal state. Moreover, its relative reluctance to invest in building and projecting power to compete over those claims is

⁴⁵¹ Raine and Le Mièrè, *Regional Disorder: The South China Sea Disputes*: 45.

⁴⁵² Cheng-yi Lin, "Taiwan's South China Sea Policy," *Asian Survey* 37, no. 4 (1997): 329.

largely consistent with my theoretical predictions for a liberal state. Taiwan, unlike other states, has not invested heavily in surveying or extracting South China Sea resources or projecting force with frequency or intensity to seek to control those resources. Nor has Taiwan sought to project force to exclude others from accessing the South China Sea or developing the resources there. Thus, outside of its historical claims, Taiwan's foreign policy behavior is consistent with the predictions of my theory, which suggests that liberal states should be less interested in projecting power to compete over resources.

Malaysia's South China Sea Foreign Policy

Malaysia has had a long-term interest in the maritime territorial disputes in the South China Sea. It is one of the region's largest producers of natural gas and many of these reserves exist offshore. Additionally, because the South China Sea literally sits between West and East Malaysia, the body of water plays a central role in terms of Malaysian economic and security interests. Like many states, Malaysian claims over features in the South China Sea have increased over time. In 1969, Malaysia declared that it would extend its territorial waters from 3 to 12 nautical miles. In 1979, it published a map that outlined its maritime boundaries, including 12 insular features.⁴⁵³ Following the passage of the 1982 UNCLOS convention, Malaysia began to militarily project power into the South China Sea to back its claims. These incidents are covered in greater detail in the section on force deployment.

⁴⁵³ Ostwald, "How to Win a Lost Election: Malapportionment and Malaysia's 2013 General Election."

As the 1970's progressed, Malaysia's resource rents became increasingly important as a source of wealth. In 1976, Malaysia transitioned from an opportunistic (autocratic, market-oriented) to a predatory state (autocratic, land-oriented), as resource rents jumped above the 10% threshold. To the extent that it chose to pursue a more assertive policy in 1980's, this is consistent with the predictions of my theory. However, Malaysia's claims have generally been consistent with international law (UNCLOS). In this area, Malaysia is more restrained than my theory would predict. That said, many of Malaysia's claims overlap with the legitimate EEZ claims of other states. In addition to working within international institutions, Malaysia has also chosen to project power to compete over these resources. This behavior is consistent with my theoretical predictions.

Malaysia is the only state in the cross-national analysis whose type changes. In 2008, Malaysia transitioned from autocracy to democracy and moved from a predatory to an extractive state. There is some evidence to suggest that Malaysia has become more restrained in terms of its willingness to project military force to compete over its claims, as we observe markedly fewer incidents of power projection in the South China Sea after 2008. In addition, in 2009 Malaysia made a submission to UNCLOS with Vietnam. This represented a formal claim on the Spratly Islands off the northern coast of Eastern Malaysia. This decision was likely driven by the 2009 UNCLOS deadline to submit claims rather than any change in regime. The Chinese objected to this claim as a violation of their sovereignty.

Malaysia's Force Structure

Maintaining security and asserting its sovereignty claims in the South China Sea has also been a long-time driver of Malaysian force structure acquisitions. In 1969, the same year that Malaysia extended its territorial sea, it acquired a modified Ton class minesweeper that had been refitted to conduct surveys of underwater energy reserves. In 1981, the Malaysian navy constructed an advanced base at Kuantan to cover the South China Sea.⁴⁵⁴ However, like many of the region's states, Malaysian force structure has suffered from a lack of funding and has made few attempts at developing its own capabilities.⁴⁵⁵ This in itself is a political choice and one that demonstrates that Malaysia may not be as concerned about asserting its claims as other states.

In the 1990's Malaysia invested some of its wealth gained from rapid economic development into modernizing its military; however these efforts were relatively modest and focused more heavily on the modernization of the army rather than the navy.⁴⁵⁶ Despite these increases, military spending as a percentage of GDP has been on a general downward trend since 2003. Since 2009, Malaysia has reduced military spending as a percentage of GDP each year through 2012, the last year for which data is available. As we will see in the next section, this reduction in spending

⁴⁵⁴ Ibid, 98.

⁴⁵⁵ Goldrick and McCaffrie, *Navies of South-East Asia: A Comparative Study*. See Chapter on Malaysian Navy

⁴⁵⁶ Joseph Chin Yong Liow, "Malaysia-China Relations in the 1990s: The Maturing of a Partnership," *Asian Survey* 40, no. 4 (2000): 683.

has also occurred during a time in which Malaysia appears to have substantially decreased the frequency with which it has projected power into the South China Sea. This is likely a function of economic growth, which allows the military budget to increase while still taking a smaller piece of the economic pie.

However, Malaysia has also invested in acquiring assets that will allow it to defend its maritime claims. Additionally, Malaysia has acquired foreign weapons systems, which may allow it to gain more bang for its buck in comparison to indigenous programs. From 2005-2009, military spending on foreign weapons systems was five times greater than the 2000-2004 period.⁴⁵⁷ In 2007, the Malaysian Navy justified the acquisition of two French submarines based on the need to protect its maritime claims. These subs were commissioned in 2009 and based in Sabah. This is significant because the Malaysians chose to construct the new submarine base at a location that is geographically proximate to Malaysian maritime disputes in the South China Sea.⁴⁵⁸ There is also some evidence that Malaysia has increased investments in its ability to patrol its littoral waters, purchasing six littoral combat ships, the first of which is to be delivered by France in 2018. This will allow Malaysia to maintain a larger number of ships on constant patrol as part of its maritime deterrence force.⁴⁵⁹ However, Malaysia's relatively low defense spending indicates that militarily

⁴⁵⁷ "Military spending in South-East Asia", *The Economist*, accessed March 20, 2014 <http://www.economist.com/node/21551056>

⁴⁵⁸ Storey, *South East Asia and the Rise of China: The Search for Security*: 228.

⁴⁵⁹ "China's Maritime Expansion: Exploiting Regional Weakness?," Nah Liang Tuang, accessed March 21, 2014 <http://thediplomat.com/2014/03/chinas-maritime-expansion-exploiting-regional-weakness/>

balancing China's presence in the Spratlys is not winning out against other domestic priorities. These indicators appear to be substantiated by the unwillingness of the Malaysian state to fund force modernization efforts like many other East Asian states.

Malaysia's Force Deployments

In 1983, Malaysia began to project power to back its claims by deploying troops to occupy Swallow Reef and Mariveles Bank. Once the initial occupation began, it started to garrison soldiers on both islands. These occupations were followed by amphibious military exercises.⁴⁶⁰ Malaysia deployed forces to Ubi Mantanani and Ardasier Reef in 1986 to back its claims there.⁴⁶¹ The Chinese have protested Malaysian occupation, claiming it to be a violation of their sovereignty. However, these features sit in Malaysia's EEZ. It is worth noting that in the period just prior to Malaysia first moving to occupy features in the South China Sea, resource rents as a percentage of GDP dramatically increased, from an average of roughly 13% GDP to nearly 21% of GDP.⁴⁶²

Malaysian concerns over Chinese encroachment were heightened in 1995 after China occupied Mischief Reef. The government in Kuala Lumpur responded to what it viewed as aggressive Chinese behavior by increasing naval patrols around its claims in

⁴⁶⁰ Goldrick and McCaffrie, *Navies of South-East Asia: A Comparative Study*: 101.

⁴⁶¹ Storey, *South East Asia and the Rise of China: The Search for Security*: 217.

⁴⁶² Note that these averages are computing the five-year average from 1979 to 1983 and 1973 to 1978. Averages are used to reduce the sensitivity of the measure to volatility in year-to-year changes in global commodity prices. See World Bank. World Development Indicators.

the Spratlys. It also held large-scale military exercises close to its disputed atolls. Finally, the prime minister himself went to spend a night on Swallow Reef.⁴⁶³ In a separate incident in March of that year, the Malaysian Navy opened fire on a Chinese fishing trawler that was operating in Malaysia's Exclusive Economic Zone.⁴⁶⁴

In 1998, Malaysia moved to occupy additional land features in the South China Sea.⁴⁶⁵ The following year in June, Malaysia moved to reinforce its claims by occupying Investigator Shoal and Erica Reef.⁴⁶⁶ This move was protested by Vietnam and the Philippines, who asserted that Malaysia had violated the 1992 ASEAN Declaration on the South China Sea.⁴⁶⁷ Later that year, in October, two Philippine surveillance planes and two Malaysian fighters confronted one another over a reef in the Spratly Island that was occupied by Malaysia.⁴⁶⁸

It is interesting to note that there are fairly few records of Malaysia projecting power into the South China Sea during the post-2000 period. This change in its foreign policy appears to have pre-dated the transition to democracy and thus is unlikely to have been caused by changes in its domestic political institutions. However, as I noted previously, this shift to democracy did not necessarily represent a major change in

⁴⁶³ Storey, *South East Asia and the Rise of China: The Search for Security*: 224.

⁴⁶⁴ "Najib Defends Navy's Action," *New Straits Times*, March 24, 1995.

⁴⁶⁵ M. Taylor Fravel, "Maritime Security in the South China Sea and the Competition over Maritime Rights," in *Contested Commons: The Future of American Power in a Multipolar World*, ed. Patrick M. Cronin (Center for A New American Security, 2010), 34.

⁴⁶⁶ Storey, *South East Asia and the Rise of China: The Search for Security*: 224.

⁴⁶⁷ Ibid.

⁴⁶⁸ (EIA), "South China Sea".

Malaysian domestic political institutions. Malaysian economic and political relations with China improved during the mid-1990's and this may also explain why there were fewer incidents in the South China Sea.⁴⁶⁹ Malaysia's lack of interest in projecting power to compete over the South China Sea may be explained away by its concerns over its internal security environment, which have historically represented the greater threat.⁴⁷⁰

Outside of the South China Sea, Malaysia has engaged in military competition with Indonesia over overlapping EEZ claims regarding the Ambalant gas field, which is located in the Sulawesi Sea (not the South China Sea). The overlapping EEZ claim was generated by the Sipadan and Ligitan Islands, which were claimed by both sides. Both sides have demonstrated a willingness to work at least partly within international institutions, and submitted their claims regarding their islands to the ICJ in 2002. However, when the ICJ ruled that the Islands belonged to Malaysia, Indonesia accepted the ruling but refused to acknowledge that the islands generated an EEZ. Thus, both sides continued to have a dispute regarding overlapping EEZ claims. These claims became militarized in 2005, when the dispute over oil exploration licenses resulted in both sides deploying naval forces and military aircraft. This dispute has remained unresolved and was militarized again in 2009 in a minor flare-up involving

⁴⁶⁹ Liow, "Malaysia-China Relations in the 1990s: The Maturing of a Partnership," 691.

⁴⁷⁰ For more on Malaysia's internal security situation see Amitav Acharya, "Containment, Engagement, or Counter-Dominance? Malaysia's Response to the Rise of Chinese Power," *Engaging China: The Management of a Rising Power* (1999).

both states' naval forces.⁴⁷¹ Although this incident occurred outside of the South China Sea, to the degree to which it shows Malaysia as a resource-dependent state projecting power in a dispute involving the control of resources, it is consistent with my theoretical expectations.

In March 2009, Malaysian Prime Minister Badawi made a public visit to Swallow Reef to back his government's claims. Several years later, in October of 2013, the Malaysian defense minister announced that Malaysia would build a naval base in Binulu, which is located just 60 miles from James Shoal (claimed by both Malaysia and China). The naval base would house a marine unit that would be charged with protecting Malaysian offshore resources and counter-terrorism operations.⁴⁷² This announcement came just months after China had deployed its warships to James Shoal, illustrating the dynamic nature of the dispute.

Observable Implications

Consistent with the predictions of my theory, Malaysia's first forays into the South China Sea do seem to correlate with its relative level of resource dependence. Additionally, as Malaysia has become less resource dependent and more democratic over time, it has projected less power into the South China Sea. Additionally, during most of the 1990's Malaysia does not focus on investing heavily in greater power

⁴⁷¹ Goldrick and McCaffrie, *Navies of South-East Asia: A Comparative Study*: 111.

⁴⁷² "Speak Softly and Carry a Big Stick": What is Malaysia Playing At?," Carl Thayer, accessed March 21, 2014 <http://thediplomat.com/2014/03/speak-softly-and-carry-a-big-stick-what-is-malaysia-playing-at/>

projection capabilities, despite its economic growth, nor does it choose to project much power. However, its choice to occupy additional features in 1998 and 1999 is puzzling for my theory. Also, Malaysia appears to be more restrained in its claims and willingness to project military force than my theory would predict, during the 2000's.

In sum, Malaysia has built and projected military force to defend its territorial claims, but has pursued a far more restrained policy than other predatory states like Vietnam, despite being much more powerful. This might appear a puzzle for my theory if Malaysia is coded using the ideal type cut-off. However, if we code Malaysia's type by treating the indicators as varying continually rather than dichotomously, its type appears to be closer to an extractive type. Given this, Malaysia's behavior appears far less of a puzzle for my theory, which suggests that extractive states should have a weaker incentive to project power to compete over resource rents than predatory states.

Indonesia's South China Sea Foreign Policy

Indonesia makes no claim to the Spratly or Paracel Islands. It has generally made its claims within the guidelines of UNCLOS and makes no claims outside of its own EEZ.⁴⁷³ Indonesia does have maritime border disputes with Malaysia regarding overlapping EEZs. Its principal interest in the South China Sea concerns fisheries, freedom of navigation, and protecting its energy reserves in the Natuna Islands, a

⁴⁷³ Storey, *South East Asia and the Rise of China: The Search for Security*: 199.

collection of 272 small islands which sit 400 miles south of the Spratly islands.⁴⁷⁴

These islands also lie within the claim of China's nine-dash line. China's claims also threaten Indonesia's freedom of navigation. Unlike the Spratly and Paracels, the Natuna Islands have a relatively large population of over 60,000 people and have long been a permanent settlement. Indonesia has generally tried to stay a neutral party in the disputes regarding the Spratly and Parcel Islands and has been relatively restrained in terms of its willingness to make claims outside of international law or to project force to areas beyond its own EEZ. Indonesia is a relatively resource-dependent state, but its main area of resource development is outside of the South China Sea.

Indonesia's security interests in the South China Sea became more salient when, in 1993, China declared territorial sea status for the South China Sea and released a map that showed the Natunas as falling within its claims. The Indonesian government asked China for a clarification, but did not receive one.⁴⁷⁵ Other developments, such as China's occupation of Mischief Reef in 1995, may have given Indonesia cause for concern. Additionally, Indonesia had begun to develop natural gas deposits around the Natuna Islands at a cost of 40 billion dollars. This was part of a joint development between Pertamina, Indonesia's state oil corporation, and Exxon.⁴⁷⁶ In 1995, China clarified that it was not making claims on the Natuna islands, but made no such clarification for the gas fields below. This threat may have prompted

⁴⁷⁴ Paul Dibb, "Indonesia: the key to South-East Asia's security," *International Affairs* 77, no. 4 (2001): 832.

⁴⁷⁵ Emmers, *Geopolitics and Maritime Territorial Disputes in East Asia*: 26.

⁴⁷⁶ "Indonesia Plans War Games to Caution China," Michael Richardson, accessed 2014, March 20 http://www.nytimes.com/1996/08/16/news/16iht-indo.t_13.html

Indonesia's navy to begin deploying units there in 1996, following a set of joint military exercises held in the region.⁴⁷⁷ Indonesia also announced that it would base F-16s near the gas fields.⁴⁷⁸ The Chinese responded by deploying five warships to the area.⁴⁷⁹

According to regional experts, Indonesia's perception of threats to its maritime resources claims dissipated.⁴⁸⁰ As evidence, Storey mentions that the Indonesian defense white paper of 2003 does not even mention the problem. The general lack of incidents appears consistent with this assessment. Indonesia looks to have a relative lack of interest in projecting force into the South China Sea, most likely because its oldest and greatest producing oil fields and natural gas reserves are located outside of the South China Sea.⁴⁸¹ In addition, the diplomatic situation appears to have stabilized in the early 2000's. In 2003, Jakarta and Hanoi settled a territorial dispute that had been ongoing since 1978.

Indonesia's Force Structure

Historically, Indonesia has been preoccupied with internal security issues and its force structure reflected such concerns. Recently, Indonesia has prioritized expanding its ability to project force over distance, increasing its defense spending

⁴⁷⁷ Goldrick and McCaffrie, *Navies of South-East Asia: A Comparative Study*: 81, 82.

⁴⁷⁸ Richardson, "Indonesia Plans War Games to Caution China".

⁴⁷⁹ (EIA), "South China Sea".

⁴⁸⁰ Storey, *South East Asia and the Rise of China: The Search for Security*: 206.

⁴⁸¹ (EIA), "South China Sea".

and, perhaps more importantly, investing in additional F-16 fighters and spare parts for its existing force assets, such as C-130 transport aircraft.⁴⁸² In January of 2012, Indonesia also signed a deal for \$1.1 billion to purchase three diesel submarines from Germany.⁴⁸³ An 88% increase in military spending from 2005-2009 has been made possible by Indonesian economic growth.⁴⁸⁴ However, as a percentage of GDP, Jakarta's defense spending has been one of the lowest in the region. In 2012, Indonesian defense spending was just .07% of GDP.⁴⁸⁵ Indonesia has a relatively modest ability to project power, as its military ambitions have consistently been tempered by a lack of funding. For most of its history, Indonesia's military has been focused on internal security issues and managing its enormous internal waters.⁴⁸⁶

Indonesia's Force Deployment

Indonesia has been relatively reserved in terms of its willingness to project power to compete over South China Sea resources. With regards to the South China Sea, Indonesia has generally projected power to protect the fisheries and sea-bed resources that exist within its own EEZ. That said, Indonesia has shown a willingness to hold large scale military exercises in areas that are claimed by other states, but within its EEZ. For example, in September of 1996 it held a set of large scale military

⁴⁸² Economist, "Military spending in South-East Asia"; *ibid.*

⁴⁸³ *ibid.*

⁴⁸⁴ *ibid.*

⁴⁸⁵ World Bank Indicators <http://data.worldbank.org/indicator/MS.MIL.XPND.GD.ZS>. Accessed March 23, 2014

⁴⁸⁶ Goldrick and McCaffrie, *Navies of South-East Asia: A Comparative Study*.

exercises around the Natuna islands (which are also claimed by China). Indonesia has also demonstrated a willingness to use force to defend against illegal fishing in its waters.⁴⁸⁷ In January of 2003, Indonesia's military confronted and sank four Filipino fishing boats. The sailors were arrested on the charge of illegally fishing in Indonesian water.⁴⁸⁸ The most significant event concerned a dispute with Malaysia over the Ambalat offshore gas fields. In 2005, Malaysian and Indonesian forces were deployed in a dispute over the Ambalat area. Both sides deployed ships and aircraft to Ambalat and increased the number of troops on their land border. However, it should be noted that this dispute occurred in the Celebes Sea, outside of the South China Sea.

In May through June of 2010, Indonesian military ships engaged in number of incidents with foreign fishing vessels. This included a confrontation involving a heavily-armed Chinese government fishing management ship.⁴⁸⁹ These incidents occurred near Indonesia's Natuna Islands. Also in June of that year, Indonesian patrol craft confronted a group of Chinese fishing vessels that were being protected by armed Chinese fisheries management ships. The incident occurred roughly 65 miles northwest of the Natuna Islands.⁴⁹⁰

⁴⁸⁷ Douglas Johnson, "Drawn into the fray: Indonesia's Natuna Islands meet China's long gaze South," *Asian Affairs: An American Review* 24, no. 3 (1997): 157,58.

⁴⁸⁸ Correlate of War Dataset (COW incident 4453).

⁴⁸⁹ "South China Sea Dispute a Potential Rift in RI-China Ties: Envoy," Lilian Budianto, accessed April 8, 2014 <http://www.thejakartapost.com/news/2010/05/25/south-china-sea-dispute-a-potential-rift-richina-ties-envoy.html>

⁴⁹⁰ "Why is China Picking Fights with Indonesia," Kelley Currie, accessed April 8, 2014 <http://www.weeklystandard.com/blogs/why-china-picking-fights-indonesia>

In 2011, the Indonesian military held an exercise that simulated a re-taking of Amabalat after a mock invasion. The exercise involved a mock amphibious landing. This exercise was called Amrada Jaya and was held 330 miles south of Ambalat. It involved 4,000 military personnel, 23 ships, 11 aircraft and 93 military vehicles.⁴⁹¹ However, this area is outside of the South China Sea. In October of 2013, Indonesia engaged in a set of military exercises called Angkasa Yudha around the disputed Natuna Islands. They deployed 21 fighter aircraft that dropped bombs and fired rockets off the eastern part of the Natuna islands.⁴⁹²

Observable Implications

In terms of its claims, force structure and force deployment, Indonesia has been less assertive than my theory would predict. Prior to 1998, Indonesia was a predatory state and, therefore, I would expect that Malaysia would have a strong preference for pursuing an exclusionary foreign policy to secure additional resources. However, Indonesia has generally made its claims within the confines of existing international institutions. Thus, during the time series analysis, Indonesia pursued a less exclusionary foreign policy and projected less power than my theory would expect. That said, during this period Indonesia was a relatively poor and weak country

⁴⁹¹ Evan s Laksmana, "Naval modernisation in South-East Asia: Nature, causes and consequences," ed. Geoffrey Till and Jane Chan (Abingdon, Oxon: Routledge, 2014), 192.

⁴⁹² "Indonesia's Military Flexes Muscle as S. China Sea Dispute Looms," Jakarta Globe, accessed March 20, 2014 <http://www.thejakartaglobe.com/news/indonesia-military-flexes-muscle-s-china-sea-dispute-looms/>

that faced major internal threats to its rule. Indonesian relative weakness and internal security challenges may explain why it projected little power during this period.

However, Indonesia's restraint after its transition to democracy in 1998 is consistent with my theoretical predictions. Indonesia's restraint is all the more impressive when we consider that it became dramatically more powerful economically after the transition (Indonesia's GDP increases by over 50% (193 billion to 303 billion in constant 2000 dollars from 1998 to 2011)).⁴⁹³

Post democratic transition Indonesia is still coded as land-oriented, as its economy was still dependent on resource rents, and thus is coded as somewhere in between an extractive and a liberal state. Extractive states should be more restrained than predatory states, but should still have a stronger interest in projecting power to secure resources than a liberal state. Indonesia's post-2000 behavior is generally consistent with the predictions of my theory in that it altered its force structure and projected military force to protect its offshore resources, but it has not made claims outside of international law. Additionally, Indonesia has not projected force outside of its EEZ to attempt to secure additional resources. Finally, it has made very modest investments in its force structure. Indonesia still draws close to 10% of GDP from resource rents, and it has prioritized on protecting its existing energy reserves, but it has been reluctant to use military force to compete for gaining control over additional resource rent.

⁴⁹³ "GDP (constant 2005 US\$)," The World Bank, accessed May 18, 2014 <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD?display=graph>

China's South China Sea Foreign Policy

In 1951, Zhou En Lai made China's claims to the South China Sea formal in a response to the San Francisco Peace Treaty, in which Japan relinquished control of the Spratlys and Paracels without stating who owned them.⁴⁹⁴ PLA forces already occupied Itu Aba in the Spratlys and Woody Island in the Paracels, following its evacuation by Chinese nationalist troops. However, China soon abandoned its position in the Spratlys, choosing to prioritize its land borders. During this period, the French occupied Pattie Island in the Paracels. Following their defeat by Vietnamese forces, the French withdrew from Vietnam and transferred control of their position in the Paracels to RVN forces.⁴⁹⁵ In 1974, China militarily seized Vietnamese positions after a naval engagement and amphibious assault, gaining complete control of the Paracels. It should be noted that during this period China increased its economic dependence on resource rents. In 1975, China transitioned to a land-oriented state and thus is coded as a predatory state until 1991, when its resource rents fall below 10% of GDP. Its more assertive behavior regarding its territorial claims is consistent with the predictions of my theory. That said, there were a number of external factors, such as the withdrawal of U.S. from Vietnam, that were likely to have also entered into China's strategic calculation.

⁴⁹⁴ Emmers, *Geopolitics and Maritime Territorial Disputes in East Asia*: 67,68.

⁴⁹⁵ Taylor M. Fravel, *Strong borders, secure nation : Cooperation and conflict in China's territorial disputes*, Princeton studies in international history and politics (Princeton: Princeton University Press, 2008), 274.

In the years following the annexation of the Paracels, China began to contemplate establishing a presence in the Spratlys. China had long claimed the Spratlys, but lacked a presence in the islands since 1950. Also, in the 1970's, offshore energy reserves became an increasingly salient issue. In 1979, offshore petroleum became the first industry that China opened up to foreign investment. The following year, Vietnam signed an agreement with the Soviet Union to explore for petroleum in Vietnam's continental shelf. China protested such a move and this increased its incentive to focus on projecting power into the South China Sea. In 1980, China deployed two Hong-6 PLAN bombers to conduct an aerial reconnaissance of the Spratlys.⁴⁹⁶ Regular air patrols of the islands began in 1983 and, in May of that year, the PLAN conducted its first long-range mission to the region. Also in the mid-1980's, China's Oceanic Administration launched a seismic survey in the Spratlys. In 1987, these researchers announced that there were large petroleum reserves in the Spratly islands.⁴⁹⁷

That year, China chose to establish a physical presence in the Spratlys and deployed an expedition of research ships to find a suitable location. The research team selected Fiery Cross Reef to establish an observation station. In January of 1988, 11 ships deployed to establish a presence. This group included landing craft, engineering ships that contained materials to construct the station, as well as a Luda class

⁴⁹⁶ Ibid., 288.

⁴⁹⁷ Ibid., 289.

destroyer.⁴⁹⁸ Vietnam was already occupying reefs near Fiery Cross and reacted by moving to occupy additional reefs closer to the Chinese position. The Chinese then sought to occupy the remaining reefs. A number of confrontations between the two sides eventually resulted in firefights breaking out. PLAN ships sank or neutralized all Vietnamese ships, with 74 Vietnamese sailors as casualties.⁴⁹⁹

Four years later in February of 1992, the Chinese National People's Congress passed the law on Territorial Waters and their Contiguous Areas. This law reasserted China's sovereignty over the Spratly and Paracel islands, as well as 80 percent of the South China Sea.⁵⁰⁰ The passage of this law alarmed many of the other South China Sea claimants. China has not only made claims and projected force well beyond its own EEZ and within the EEZ of other states, but it has also granted concessions to foreign oil companies to survey for resources there. After the passage of the law, China granted a concession to Creston, an American oil company, to survey for resources in a contested area near Da La Reef. This area was 700 nautical miles from Hainan, China's closest territory, but only 135 nautical miles from Vietnam and therefore within its EEZ.⁵⁰¹ China also vowed to protect Creston with force.⁵⁰² China then deployed new troops to six islands that it had previously occupied, landed troops

⁴⁹⁸ Ibid., 294.

⁴⁹⁹ Ibid., 296.

⁵⁰⁰ Emmers, *Geopolitics and Maritime Territorial Disputes in East Asia*: 71.

⁵⁰¹ "China Is Getting Help In a Grab at the Sea," Philip Bowring, <http://www.nytimes.com/1994/05/06/opinion/06iht-edbow.html>

⁵⁰² Mark John Valencia, Jon M Van Dyke, and Noel A Ludwig, *Sharing the Resources of the South China Sea* (Martinus Nijhoff Publishers, 1997), 78.

and erected a sovereignty marker on Dac La Reef.⁵⁰³ In September of that year, China moved several Romeo class diesel submarines from their North Fleet to the South Fleet and deployed them to patrol the contested areas.⁵⁰⁴

Fears were only heightened when in 1994 Chinese deployed forces to Mischief Reef, an island clearly within the EEZ of the Philippines. Mischief Reef is roughly 135 miles off Palawan's coast, but roughly 800 miles from Hainan Island, owned by China. Most international legal observers agree that China's claims to Mischief Reef are weak under international law given that the reef sits on the Philippines' continental shelf.⁵⁰⁵ According to UNCLOS, no states may build on structures on another state's continental shelf without first obtaining permission. Throughout the late 1990's China continued to consolidate its hold over its claims by reinforcing structures on Mischief Reef.⁵⁰⁶ However, China did not move to occupy any additional features until 2012.

Decade of Peaceful Relations: Mid 1990's to Mid 2000's

As the previous incidents illustrate, China's willingness to project force to back its maritime resource claims increased during the late 1970's and 1980's, the period during which resource rents were a major source of wealth for China. However, as market reforms began to transform the Chinese economy from a command economy

⁵⁰³ Ibid., 79.

⁵⁰⁴ Ibid.

⁵⁰⁵ M. Van Dyke Jon and Mark J. Valencia, "How valid are the South China Sea Claims Under the Law of the Sea Convention?," *Southeast Asian Affairs* (2000).

⁵⁰⁶ Ian James Storey, "Creeping Assertiveness: China, the Philippines and the South China Sea Dispute," *Contemporary Southeast Asia* (1999): 99.

that depended heavily on agriculture and commodities extracted from the ground to a more liberalized economy driven by exports of manufactured goods, its economic interest began to change. Increasingly the wealth that China's ruling elite depended on was derived not from the physical control of land rent, but on its ability to export inexpensive manufactured goods. To illustrate this rapid change, in 1990 agriculture represented approximately 27% of the value added to China's GDP (it has been on average roughly a third of China's GDP since 1960); just 10 years later in 2000 this number nearly halved to 15%. In 2012 this figure has dropped to approximately 10%.⁵⁰⁷

As China's economic interests began to shift towards the export of manufactured goods and services, it appears to have become less willing to project military force to compete over its interests in the South China Sea. Other scholars during this period noticed this shift in China's domestic political economy and predicted that China would be unlikely to use force in the future.⁵⁰⁸ In the mid to late 1990's and early 2000 China chose to pursue a more conciliatory approach to its disputes in the South China Sea. This shift in China's position was part of a broader change in Chinese foreign policy dubbed by some as China's "Charm Offensive."⁵⁰⁹ Economics was believed to play a vital role in shifting China's foreign policy as

⁵⁰⁷ World Bank. <http://data.worldbank.org/indicator/NV.AGR.TOTL.ZS>. Accessed on May 5th, 2014.

⁵⁰⁸ Samuel SG Wu and Bruce Bueno De Mesquita, "Assessing the Dispute in the South China Sea: A Model of China's Security Decision Making," *International Studies Quarterly* (1994).

⁵⁰⁹ Ian Storey, *The United States and ASEAN-China relations: all quiet on the Southeast Asian front* (Strategic Studies Institute, 2007), 5.

Beijing increasingly viewed its neighbors as valuable trading partners, as part of its export-led growth.⁵¹⁰

In 2002 China signed the Declaration on the Conduct of Parties in the South China Sea, at the Eighth ASEAN Summit in Phnom Penh.⁵¹¹ By signing this document China promised that it would not use force to settle its disputes in the South China Sea. China's more conciliatory approach led some to predict that China's rise would be peaceful.⁵¹² Other scholarly accounts of this period have assessed the strategic interaction between China and other states regarding its disputes in the South China Sea and have come to the conclusion that force was unlikely to be used.⁵¹³ The assessment by other scholars that China pursued a more conciliatory approach bolsters my confidence that I have accurately coded the change in China's foreign policy during this period.⁵¹⁴

However, after 2004 global commodities prices began to increase, so did the value of resource rents as a source of wealth for the Chinese economy. As China's economy became more dependent on land rents as a source of wealth, its behavior

⁵¹⁰ Ibid., 6.

⁵¹¹ For more on how China's choice to adhere to existing international norms during this period see Leszek Buszynski, "ASEAN, the declaration on conduct, and the South China Sea," *Contemporary Southeast Asia* (2003).

⁵¹² David C Kang, "Why China's rise will be peaceful: Hierarchy and stability in the East Asian region," *Perspectives on Politics* 3, no. 03 (2005); Kang David, "Getting Asia wrong: The need for new analytic frameworks," *International Security* 4(2003).

⁵¹³ Teh-yi Huang, "State preferences and international institutions: Boolean analysis of China's use of force and South China Sea territorial disputes," *Journal of East Asian Studies* 4, no. 2 (2004): 251.

⁵¹⁴ For more on China's diplomatic efforts, particularly on the South China Sea, see David Shambaugh, "China Engages Asia: Reshaping the Regional Order," *International Security* 29, no. 3 (Winter 2004/2005): 81. See also Ross H Munro, "China's Relations with Its Neighbours: Some Observations regarding Its Strategy and Tactics," *International Journal* (2006): 328.

regarding its claims in the South China Sea became more assertive in terms of Beijing's willingness to project force. The shift towards a more assertive policy begins in 2007 and 2008 as China becomes more willing to project power to compete over its claims. China's power projection in the South China Sea during this period is covered in greater detail in the section on force deployments. China also became more exclusionary regarding its claim which had been vague in terms of rights that China expected to exercise over the South China Sea. In 2010, China claimed "indisputable sovereignty" over 80% of the South China Sea.⁵¹⁵ China also continues to claim all of the Spratly and the Paracel Islands. These claims go well beyond the 200 nautical mile Exclusive Economic Zone that is accorded to China under UNCLOS. China justifies this using a historical claim of the nine-dash line, which it argues indicates that it has been part of Chinese territory for hundreds of years. Both China and Taiwan rest these claims on the Xia and Han dynasty records, as well as a 1947 map that was created by the Kuomintang. However, it should be noted that this evidence does not provide a compelling case under international law and it is likely one of the reasons that the Chinese have been reluctant to adhere to international law or submit their claims to international arbitration.⁵¹⁶

China also adopted a far more restrictive and exclusive view of its rights within its own EEZ. China claims the right to regulate and restrict the movement of foreign

⁵¹⁵ "Beijing claims 'indisputable sovereignty' over South China Sea," John Pomfret, accessed May 5, 2014 <http://www.washingtonpost.com/wp-dyn/content/article/2010/07/30/AR2010073005664.html>

⁵¹⁶ Ian Storey, "China's Bilateral and Multilateral Diplomacy in the South China Sea," in *Cooperation from Strength: The United States, China and South China Sea*, ed. Patrick M. Cronin (Washington D.C.: Center for A New American Security, 2012), 57.

ships moving through its EEZ on security grounds. No such provision exists in UNCLOS and most signatories of the treaty do not share China's interpretation. This is important because such an interpretation gives China the right to exclude other states from operating within its own EEZ if it believes they are a security threat. This issue brings China into contention with countries both within and without the region who fear that this assertion of rights may be used to restrict access to the sea-lanes that pass through the South China Sea and carry a large proportion of the globe's trade

Increases in deep-sea drilling and exploration technology have increased the estimates of the size of the resources that exist within the South China Sea. It is important to note that these estimates vary widely, with some Chinese officials claiming that there are over 200 billion barrels of oil. If this estimate is true, it would represent a Saudi Arabia worth of energy reserves. However, other organizations, such as the United States' Energy Information Agency, claim that these reserves are likely much smaller. BP has offered its own estimate of the reserves in the South China Sea, which sits between the previous two, but still suggests that the control of the South China Sea would double existing Chinese reserves.⁵¹⁷

Regardless of their size, control of these energy reserves would produce several benefits for China. The first, and one that is often claimed, is that South China Sea energy reserves could reduce China's dependence on Middle Eastern and other distant sources of oil that could be held at risk during a crisis. The second benefit is that Chinese state energy companies would then get to produce and sell this oil,

⁵¹⁷ Rodgers in CNAS 87

allowing them to extract land rents in the process. Given that these companies are owned and controlled by the Chinese Communist Party, the ruling elite would likely capture the profits from extraction. Thus, these energy reserves represent a rent that can be captured and redistributed.

Of the two sets of benefits, the direct control of land rents is likely the stronger motivator. If local sources of energy were China's principal concern, it could simply allow local governments to extract and refine this oil and then purchase it from them, as it currently does with Malaysia and other South East Asian states. Even if China sought greater vertical integration or direct control of the energy so as to avoid a "hold-up problem," it could pursue joint development of the reserves to ensure that it maintained greater political control. However, China has rejected plans for joint development of the reserves and has chosen to pursue a more exclusionary and assertive stance vis-à-vis the other South China Sea claimants.

Three Chinese State Energy companies are responsible for developing resources in the South China Sea—China National Offshore Oil Corporation (CNOOC), China Petroleum & Chemical Corporation (Sinopec) and China National Petroleum Corporation (CNPC). Although countries, both autocratic and democratic, have state energy companies, in autocracies these companies generally serve as a source of rents that can be captured by the government in power. Because these organizations are literally controlled by the state, their profits are directly under the control of those that run the state. CNOOC is the Chinese energy firm with the

greatest experience and has made major investments in offshore energy infrastructure to boost production. In May 2011, the firm completed the construction of CNOOC 981, a 925 million dollar deep-sea oil rig that would be China's most advanced to date.⁵¹⁸ This type of infrastructure investment provides evidence that China has been able to benefit from general advances in offshore deep-sea drilling technology that has made these resources increasingly available.

China's Force Structure

China has invested heavily in developing greater power projection capabilities and this has increased its ability to assert its claims over South China Sea resources. The Chinese Navy went from 172 ships in 2005 to an estimated 221 ships in 2012. In addition, what is not captured in these numbers is the dramatic increase in the quality of these ships, as obsolete ships and subs have been retired and replaced by more advanced platforms, such as the Type 054A *Jiangkai* II-series frigates and Type 041 *Yuan* diesel-electric submarines.⁵¹⁹

However, simply cataloging the increase in quantity and quality of Chinese naval and air assets would be inappropriate, as many of these assets are dual-use and could be used to project power to other areas in addition to the South China Sea. To account for this, I will focus on areas in which China has invested in its force structure

⁵¹⁸ (EIA), "South China Sea".

⁵¹⁹ "U.S. Navy Take Notice: China is Becoming a World-Class Military Shipbuilder," Gabe Collins and Andrew Erickson, March 18, 2014 <http://thediplomat.com/2012/11/u-s-navy-take-notice-china-is-becoming-a-world-class-military-shipbuilder/?allpages=yes>

in a way that more directly increases its ability to project power in the South China Sea. For example, China has prioritized developing the South Sea Fleet (SSF), which is now the most militarily capable of the PLAN's three fleets. Of the seven modern destroyers that China has developed over the past decade, it has dedicated five of them to the SSF. China has also dedicated the Kunlunshan, a 20,000-ton modern landing ship that is capable delivering one battalion of marines for amphibious assaults to the SSF.⁵²⁰

There are a number of areas in which China's development of dual-use military infrastructure has coincided with the development of offshore resources. For example, in 2008, it was discovered that China had developed an underwater nuclear submarine base on Hainan Island.⁵²¹ Sinopec expressed interest in deep-sea drilling in the Qiongdongnan Basin, which is just off the coast of Hainan Island.⁵²² Nuclear submarines are dual-use, in that they serve many other purposes besides competing over resources; that said, China's choice to build the bases in this specific location allows it to exercise greater control of the South China Sea.

Additionally, during this period, China developed a number of paramilitary naval organizations that were used to assert Chinese claims. The use of coast guard or paramilitary forces allows Beijing to establish a presence in disputed areas less provocatively than if it were to deploy its naval forces in a similar manner. However,

⁵²⁰ Fravel, "Maritime Security in the South China Sea and the Competition over Maritime Rights," 40.

⁵²¹ John D Ciorciari and Jessica Chen Weiss, "The Sino-Vietnamese Standoff in the South China Sea," *Georgetown Journal of International Affairs* (2012).

⁵²² (EIA), "South China Sea".

in terms of force structure, the distinction between the PLAN and Chinese Coast Guard is thin and sometimes comes down to the paint used on the ships. For example, the Chinese Coast Guard operated well-armed frigates or cutters that previously belonged to the PLAN. It has been reported that by 2012, China's civil maritime forces had already acquired 47 ships in at least the 1,000-ton class and would likely add an additional 20 such ships by 2015.⁵²³ The use of these ships allows the Chinese to establish a presence and engage in exclusionary operations, such as arresting foreign fishermen and confronting survey ships, without employing the PLAN. In March of 2013, these organizations were unified under a single command.

China's Force Deployments

As previously, noted, at the beginning of the cross-national analysis in 2000, China had been relatively restrained in terms of its willingness to project force to assert its claims in the South China Sea. The relative calm that prevailed in the late 1990's and early 2000's led some academics and commentators to suggest that the probability of conflict was exceedingly low and that the region had entered a period of peacefully resolving disputes. The 2002 Declaration on the Conduct of Parties in the South China Sea helped to ease tensions by reaffirming each state's commitments to settling its disputes without force, as well as a provision for freedom of navigation and over-flight in the South China Sea. Additionally, a tripartite agreement in 2005

⁵²³ "New Fleet on the Block: China's Coast Guard Comes Together," Gabe Collins and Andrew Erickson, accessed March 18, 2014, <http://blogs.wsj.com/chinarealtime/2013/03/11/new-fleet-on-the-block-chinas-coast-guard-comes-together/>

between Vietnam, China and the Philippines on joint development in the South China Sea seemed to provide greater evidence that competition had been successfully managed and that efforts at cooperation were a success.

For the first several years after 2004, when resource rents began to increase as a percentage of GDP, China did not appear to have become much more willing to project military force to compete over South China Sea resources. However, we would expect there to be some lag in terms of the ability of states to react to these trends. Readers should recall that energy prices and drilling technology were rapidly increasing, and in 2007 and 2008, energy prices began to climb at a much steeper rate, reaching peaks of nearly \$100 and \$150 a barrel, respectively, in those years. This price increase swelled the amount of resource rents flowing into the Chinese economy and increased the expected value of competing maritime sea-bed reserves. Around 2007-2008, Beijing began to deploy its forces into the South China Sea with greater frequency and intensity. In July of 2007, in an incident near the Paracel Islands, a Chinese naval patrol ship opened fire on a Vietnamese fishing boat, killing one crewmember of the Vietnamese ship. Vietnam reacted by reasserting its claim to the Paracels. China then held military exercises in the Paracels in November of 2007, which were subsequently protested by Vietnam. In 2008, the Chinese SSRFAB expelled over 135 foreign ships, most of which were likely Vietnamese.⁵²⁴

China also began to invest more heavily in developing offshore resources in the South China Sea. In November of 2008, CNOOC (a Chinese state energy

⁵²⁴ Fravel, "Maritime Security in the South China Sea and the Competition over Maritime Rights."

company) released a 29 billion dollar plan to invest in extracting resources with its foreign partners. China began to more assertively pursue an exclusionary foreign policy regarding South China Sea resources and, in July of 2008, Beijing warned ExxonMobil to stop helping Vietnam develop its offshore resources.⁵²⁵ This represents efforts to coerce oil companies to abandon their projects to develop resources in areas that are within the EEZ of other states (like Vietnam), but in areas that the Chinese also claim, even if these claims have no international legal basis.⁵²⁶

In 2009, China continued to project power with greater frequency and intensity than it had in the past. Even those who are skeptical of China's being more assertive in its foreign policy acknowledge that China has become more active in the South China Sea.⁵²⁷ China also chose to pursue a policy of excluding other states from accessing fisheries in the South China Sea. Beijing has increased the intensity with which it has deployed Chinese fisheries patrol vessels that arrest and harass Vietnamese fishermen. In 2009, China deployed 11 special operations from China's Fisheries Administration Bureau (SSRFAB), each of which lasted 25 days. China has maintained a unilateral fishing ban in some areas of the South China Sea, but in 2009 it expanded the perimeter of the ban by 12 degrees north during the summer months. It then deployed

⁵²⁵ "China Warns Exxon Over Vietnam Deal-Newspaper," <http://uk.reuters.com/article/2008/07/20/exxonmobile-asia-idUKPEK26269420080720>

⁵²⁶ Ngyuen Hong Thao, "Maritime Challenges and Priorities in Asia: Implications for Regional Security," in *Maritime Challenges and Priorities in Asia: Implications for Regional Security*, ed. Joshua Ho and Sam Bateman (New York: Routledge, 2012), 171.

⁵²⁷ Alastair Iain Johnston, "How New and Assertive Is China's New Assertiveness?," *International Security* 37, no. 4 (2013): 19.

the SSRFAB ships to enforce this ban on foreign vessels.⁵²⁸ In May of 2009, China unilaterally declared a fishing ban in the South China Sea and in August 2009 it began increasing the number of seizures of Vietnamese fishing boats operating near the Paracel and Spratly Islands. In 2009, the SSRFAB expelled over 147 ships, most of which were Vietnamese.⁵²⁹

Beijing also chose to pursue a more exclusionary policy regarding its right to restrict other states' ships from operating in its EEZ. In March of 2009, 5 Chinese ships confronted and harassed the USNS Impeccable, a U.S. intelligence ship that was operating 75 miles from Hainan Island, which is in China's EEZ, but not its territorial waters.⁵³⁰ In the following year, the Chinese navy held a number of high-profile exercises in the South China Sea. In March of 2010, the North Sea Fleet embarked on a long-distance military exercise that involved a task force of three frigates, one destroyer and a salvage vessel.⁵³¹ The task force sailed from Qingdao to the disputed Fiery Cross Reef, which is also claimed by the Philippines. In July of that year, all three Chinese fleets took part in a large-scale, live-fire exercise. In November of 2010, the Chinese South Sea Fleet held a large exercise that involved mine-sweepers, sub-chasers, service combatants, 100 helicopters, land craft, amphibious armored assault ships, and 1,800 marines that took part in a mock assault on an island.⁵³²

⁵²⁸ Fravel, "Maritime Security in the South China Sea and the Competition over Maritime Rights," 38.

⁵²⁹ *Ibid.*, 37.

⁵³⁰ "Chinese ships 'harass' US vessel," BBC, accessed April 8, 2014 <http://news.bbc.co.uk/2/hi/asia-pacific/7933171.stm>

⁵³¹ Fravel, "Maritime Security in the South China Sea and the Competition over Maritime Rights," 40.

⁵³² *Ibid.*, 41.

The following year, China continued to pursue an exclusionary policy, refusing to work within the confines of international institutions and deploying its forces to deter and physically prevent other states from developing their own EEZ. That year, the Philippines offered to submit overlapping territorial claims to the CLCS. However, the Chinese rejected this overture, providing additional evidence of Chinese unwillingness to work within the confines of international institutions. In March 2011, Chinese vessels confronted and expelled a Filipino fishing vessel operating near Reed Bank. This incident occurred just after the Philippines launched a new effort to explore energy reserves off Reed Bank.⁵³³ In May of that year, the *Banh Minh 2* surveying ship, operated by Petro Vietnam, was 120 nautical miles off the coast of Vietnam (well within Vietnam's EEZ) when it was confronted by a Chinese MSN ship, which cut across the stern of the Vietnamese ship and severed its tow cable.⁵³⁴

On April 8, 2012, a Philippine naval surveillance plane observed eight Chinese fishing ships in close proximity to Scarborough Reef.⁵³⁵ This was the beginning of what would come to be known as the Scarborough Reef Standoff. Manila responded by deploying the *BRP Gregorio del Pilar*, a former U.S. Coast Guard cutter, to apprehend and arrest the Chinese fishermen. China reacted by deploying its own ships to prevent the Chinese fishermen from being arrested. Chinese PLAN ships lay just over the horizon in case intervention was required. After forcing the Filipino

⁵³³ Ibid., 39.

⁵³⁴ Ibid.

⁵³⁵ Ely Ratner, "Learning the Lessons of Scarborough Reef," *The National Interest*, 2013.

fishermen to leave the island, they then moved to erect a barrier on the reef. In mid-June 2012 a deal was brokered for mutual withdrawal. The Philippines withdrew, but the Chinese did not--and maintain their vessels on the shoal where they remain on patrol.

In June of 2012, the Chinese state's energy company put up nine blocks for international bidding that were within Vietnam's EEZ, in the Jinnan and Wan'an Basins. Vietnam voiced its objections and no firms bid on the offer. The areas contained no known discoveries, but Vietnam announced that it was working in the area with Gazprom, ExxonMobile and the Indian government firm, ONGC. These incidents demonstrate China's efforts to prevent other states from developing resources that exist with their own EEZ, but that China claims as its own. This is consistent with my theoretical predictions, which suggest that the Chinese should pursue an exclusionary foreign policy and seek to limit others' access to and control of resources.

On March 26, 2013, four Chinese warships, a destroyer, two guided missile frigates, and an amphibious assault ship sailed to James Shoal, as island claimed by China that is just 60 miles from Malaysia. Once the ships arrived, the sailors aboard swore an oath to defend the South China Sea.⁵³⁶ China's ships returned to James Shoal in January of the following year. A day later, the Chinese foreign minister announced that China had indisputable sovereignty over James Shoal.⁵³⁷ That same month, the

⁵³⁶ Thayer, "Speak Softly and Carry a Big Stick": What is Malaysia Playing At?"

⁵³⁷ Ibid.

Chinese authorities announced that China would base a 5,000-ton civilian patrol ship in Sansha City on Woody Island in the Paracels and would use this ship to make regular patrols.⁵³⁸

Observable Implications

To what degree does China's behavior fit the predictions of my theory? In terms of its claims to resources, China's claims and behavior are more assertive than those of a market-oriented democratic state, just as my theory predicts. China has been relatively unwilling to pursue its claims within the confines of international institutions, and has generally not handled its disputes using existing international legal norms. China has made two sets of claims that are not consistent with existing international legal norms. First, Beijing claims sovereignty over most of the South China Sea. These claims are based on a manufactured historical precedent and do not have a basis in international law. Second, even if China's claims to the South China Sea were legal and were legitimately considered part of its EEZ, China chooses to interpret international law in an exclusionary manner. Specifically, it asserts that it has the right to regulate and control shipping within its EEZ, including the right to exclude military ships from entering its EEZ. There is no provision in UNCLOS that allows states to do this and it is therefore not consistent with adhering to existing international legal norms. My theory predicts that China should pursue an exclusionary foreign

⁵³⁸ "China to start regular patrols from island in South China Sea," Ben Blanchard, accessed 2014, Tuesday March 18 <http://www.reuters.com/article/2014/01/21/us-china-seas-idUSBREA0K0G220140121?feedType=RSS&feedName=worldNews>

policy. Its behavior in the South China Sea certainly seems to match this theoretical expectation.

China has not clarified its claims regarding whether it views the South China Sea as territorial waters or part of its EEZ. However, China has claimed the right to exercise absolute sovereignty over the South China Sea. Under UNCLOS, states are only allowed to exercise sovereignty over the territorial waters (12 nautical miles from their shoreline). With regards to these claims, China has consistently projected military power to exercise control of the resources there and harass ships undertaking military operations within the EEZ that do not violate UNCLOS.

Some scholars of Chinese foreign policy have suggested that it is not that China is behaving assertively, but rather that other states such as Vietnam and the Philippines have increasingly challenged China, and thus China must respond.⁵³⁹ It is true that Vietnam and the Philippines have increasingly sought to develop the offshore resources that exist within their own EEZs. This is not to suggest that Vietnam and the Philippines have always operated on solid international legal grounds regarding their claims (this is certainly not the case with Vietnam, which still maintains claims that are well outside the boundaries of international law). I only observe that China objects to other states' efforts to develop resources that are clearly within their own EEZ. China also claims these resources although it has little international legal basis for doing so.

⁵³⁹ Michael D Swaine and M Taylor Fravel, "China's assertive behavior—part two: The maritime periphery," *China Leadership Monitor* (2011); Johnston, "How New and Assertive Is China's New Assertiveness?."

How does my theory hold up against power-based explanations suggesting that it is not a shift in China's preferences, but rather an increase in power that has driven its decision to project military force? Adherents to this school of thought might point to China's increasing willingness to assert its claims following the 2008 financial crisis, which may have led to the perception that the U.S. was in rapid decline, relative to China. The issue with this particular interpretation is that China's increased willingness to project power to assert its claims began in 2007 and therefore pre-dates the financial crisis. It is possible that the crisis increased China's willingness to assert its claims, but it cannot account for the initial shift in China's behavior. What can explain that shift is my theory of how a state's economic interests alter its foreign policy preferences.

To address the broader claim that China's growth, rather than its interests, is the primary driver of its foreign policy, we can turn to the period from the mid-1990's to the mid-2000's. As I demonstrated in my analysis, China became much more powerful during this period, but did not project more power to compete over South China Sea resources. It was not until energy prices began to increase and resource rents as a percentage of China's GDP began to climb again that China became more willing to make exclusionary claims and project power to compete over South China Sea resources. This suggests that the influence that China's growing power has on its foreign policy has been conditioned by changes in its foreign policy interests. This implies that as the source of China's wealth and material power changed, so did its

foreign policy interests. During the mid-1990's and 2000's, when the sources of China's growth and cheap exports were shrinking the relative value of land rents to the Chinese economy, its foreign policy aimed at charming its trade partners. Thus, China was less willing to project power to compete over additional land rents. However, as the land rents began to increase as a percentage of the China's GDP, its willingness to deploy force to bargain over its claims to South China Sea resources increased.

Although it is clear that China has projected power to pursue an exclusionary foreign policy in the South China Sea, it is also interesting that China has exercised restraint and certainly could have chosen to pursue more belligerent actions. For example, China has for the most part refrained from appropriating additional islands or reefs by force. China's use of its Coast Guard and paramilitary ships, rather than the PLA, is one of the ways that it asserts its claims while decreasing the probability of military escalation. Additionally, although China has built and projected the most military power into the South China Sea, it is also by the far the most powerful state. Given China's size and power, we should expect it to project more power than other states. As we shall see in the next section, what is remarkable is how much tiny, weak states like Vietnam have invested in building and projecting power to further their claims. Thus, it appears that although China has pursued a more exclusionary policy than I would expect if it were a democratic market-oriented state, it appears to be more restrained than if it was a predatory (autocratic, resource-dependent) state. In closing,

although we cannot assess the counterfactual, China's behavior is consistent with my theoretical predictions.

Vietnam's South China Sea Foreign Policy

The time series analysis for Vietnam begins in 1976, after Vietnam unified. However, it is important to provide some historical background to Vietnam's claims in the South China Sea. To this day, Vietnam claims most of the South China Sea, as well as all of the Spratly and Paracel Islands. Hanoi has justified this claim based on Vietnam's historical presence there. Because the French controlled both the Spratly and Paracel Islands during the 1930's, the government contends that these holdings should have come under Vietnamese control after independence. However, in 1958, North Vietnam relinquished its claims to the Spratly and Paracel Islands, but South Vietnam did not. South Vietnam chose to occupy several of the islands and was able to maintain its position, mainly because American air and naval presence in the region made China hesitant to challenge them. In 1974, following a naval engagement and amphibious assault, China militarily seized the islands that South Vietnam controlled. China has militarily controlled the Paracels since 1974. Interestingly, after reunification, Hanoi reneged on its agreement to relinquish its claims and publicly announced Vietnam's claims to the Paracels and the Spratly Islands.

Vietnam has been consistently assertive from 1976 to 2000 and maintained an active presence in the Spratly Islands. Its claims to most of the South China Sea, as

well as the Spratlys and Paracels, remain constant. Vietnam maintains an active military presence in the Spratlys and continues to reinforce its position there. From 1976-1988, resource rents as a percentage of GDP began to climb as Vietnam developed its offshore resources. This may have resulted in Vietnam being willing to pursue an assertive force posture in the Spratlys in 1988, which likely contributed to the Johnson Reef Skirmish.

However, Vietnam did not choose to abandon its position in the Spratlys. Following this incident, Vietnam moved to occupy seven additional features in the Spratlys between 1988 and 1991. In 1992, CNOOC signed a contract with the American firm Creston, to explore for oil near Vanguard Bank in the Southwestern Spratlys. In 1993, Vietnam awarded drilling rights to an area nearby; the next year, PetroVietnam began to drill in the area that was awarded by China to Creston. This led China to announce that it would begin a seismic survey. The Philippines also jumped into the fray and announced that it would begin its own major seismic survey of the disputed area.⁵⁴⁰ Following these incidents, China moved to occupy Mischief Reef. In April 1994, five Vietnamese ships forced a Chinese exploration vessel from the Da La Reef. Several months later, the Chinese responded in kind by preventing a Vietnamese ship from operating in the Creston zone.⁵⁴¹

During the mid-1990's to early-2000's, there is evidence that relations between Vietnam and other states began to improve. In 2002, Vietnam signed the Declaration

⁵⁴⁰ Fravel, *Strong borders, secure nation : Cooperation and conflict in China's territorial disputes*: 297.

⁵⁴¹ Emmers, *Geopolitics and Maritime Territorial Disputes in East Asia*: 79.

on the Conduct of Parties in the South China Sea (DoC), which stated that the states involved would resolve their disputes peacefully. The number of incidents appears to have decreased. It is worth noting that during this period resource rents decreased as a percentage of GDP. From 1996-2003, resource rents as a percentage of GDP were much lower than the years 2004-2011 or 1989-1994. A few minor events occurred, but it is not clear whether they are the results of accidents or deliberate changes in the state policy. For example, in 1998, a Vietnamese soldier fired shots on a Filipino fishing boat that was operating in the Spratlys, resulting in a sailor being wounded.⁵⁴² In October 1999, Vietnamese troops chose to engage a Philippine reconnaissance aircraft operating in the Spratlys.⁵⁴³ In addition, in 1999 Vietnam and Malaysia moved to occupy additional features in the South China Sea.

In December 2000, Vietnam and China signed the Agreement on the Demarcation of Waters, Exclusive Economic Zones and Continental Shelves in the Gulf of Tonkin. This agreement delimited each side's overlapping EEZ claims in the Gulf of Tonkin using the equidistance principle. The Agreement on Fishing Cooperation in the Gulf of Tonkin was signed at the same time and delineated exclusive and common fishing areas.⁵⁴⁴ However, this agreement was not implemented until 2004 and it did not prevent violent incidents from occurring

⁵⁴² Klare, *Resource Wars: The New Landscape of Global Conflict*: 124.

⁵⁴³ "Bird watchers, divers, tourists ignite Spratlys row," Tran Dinh Thanh Lam, accessed April 8, 2014 <http://www.atimes.com/atimes/China/FD07Ad01.html>

⁵⁴⁴ Ian Storey, "Conflict in the South China Sea: China's Relations with Vietnam and the Philippines," *The Asia-Pacific Journal: Japan Focus* (2008).

regarding control over the areas. The worst of these incidents occurred when Chinese patrol boats fired on Vietnamese boats, killing nine crewmen, in January of 2005.

However, measures were taken to prevent future incidents, such as joint patrols.

Relations also seemed to improve regarding the development of offshore resources.

The mid-2000's also saw an increase in Vietnamese interest and investment in exploring and developing offshore resources. The Philippines and China began joint exploration in contested areas in September of 2004; Vietnam initially condemned the action, but eventually agreed to join in a March 2005 agreement known as the Joint Marine Seismic Undertaking (JMSU). This was an easy choice for both Vietnam and China to make because the exploration area specified in the agreement covered areas that were not claimed by Vietnam or China. In other words, it allowed Vietnam and China to explore in areas of the Philippines' EEZ that neither of them also claimed. It is not clear why the Philippines agreed to this; allegations of domestic corruption in the Philippines may explain this choice.

Vietnam's principal interests in the South China Sea are offshore energy resources, fisheries and secure sea-lanes. The development of offshore resources serves as a major source of wealth and rents for the regime. As noted previously, Vietnam is coded as economically land-oriented with resource rents making up 12% of its GDP. In 2007, the Fourth Plenum of the Vietnam Communist Party's Central Committee mandated the development of a national strategy called the "Maritime Strategy Towards the Year 2020." This document declared that maritime industries

would account for 55% of GDP, up from 48%, with fisheries and offshore oil occupying a privileged position.⁵⁴⁵ Vietnam is a relatively poor country and, by some estimates, fisheries make up 60% of the protein in the average person's diet.⁵⁴⁶ Vietnam also has a security interest in the South China Sea, as a maritime nation with a long coastline, although its greatest threat likely comes from China, which can easily reach Vietnam by land.

Vietnam claims all of South China Sea, as well as the Spratly and Paracel Islands. None of these claims have strong support using international legal norms. Its claims on the maritime resources around the Paracels are more in line with international law, as the islands are roughly 170 nautical miles from Da Nang port—within Vietnam's EEZ. However, the Paracels are also 160 nautical miles from China's Hainan Island, meaning that the two EEZs overlap.⁵⁴⁷ Using UNCLOS, both sides should settle their overlapping EEZ via bilateral negotiations. The international legal precedent for doing so is to use the equidistance principle, which suggests that a median line should be drawn equidistant from each side's territorial boundaries. While the disagreement over the Paracels falls within the limits of international law, Vietnam's claims to the South China Sea beyond its EEZ and the Spratly Islands cannot be supported by either the "effective occupation" principle or UNCLOS. The Spratlys lie 250 nautical miles from Cam Ranh Bay, outside of Vietnam's EEZ.

⁵⁴⁵ Fravel, "Maritime Security in the South China Sea and the Competition over Maritime Rights," 43.

⁵⁴⁶ Hong Thao, "Maritime Challenges and Priorities in Asia: Implications for Regional Security," 165.

⁵⁴⁷ JEAIL 1 (2012) Vietnam Hong Thao Nguen Vietnam's Position on the Sovereignty over the Paracels & Spratlys: Its Maritime Claims.

Vietnam has demonstrated a willingness to not only make claims outside existing international law, but is also invested in extracting resources in disputed areas, such as the Paracels, where other states may have legitimate claims as well. It is important to draw a distinction here between Vietnam asserting its right to develop resources that are within its own EEZ for which no other state has a legal international claim, and Vietnam seeking to develop resources in an area in which others might also have a legitimate international claim. The first activity is analogous to a state developing resources on what is effectively its own territory, but the second is closer to a state developing resources in a disputed area. This is an important distinction for operationalizing the dependent variable of a state's choice of foreign policy. I would expect all states to pursue the first option and assert their rights to develop what under international law are their resources. However, I would only expect states that seek to pursue an exclusionary or expansionist policy to pursue the second strategy, because it is effectively seeking to appropriate control of resources outside of existing international legal institutions.

Vietnam has chosen to pursue both strategies. It has asserted its right to develop resources in areas that legitimately belong to it under international law *and* it has sought to unilaterally develop resources in areas that others states claim. More specifically, Vietnam has chosen to unilaterally open up areas in the Paracels for development when China could also legitimately claim those areas as falling within its EEZ. Vietnam has done this by bringing in foreign state energy companies that are

associated with a larger power, as it did with India's ONGC in 2011. India has also deployed its own naval assets to visit Vietnam and has agreed to provide training to Vietnam's submarine force. In this way, India's capabilities may serve as proxy power projection for Vietnam.⁵⁴⁸

In June 2012, Vietnam passed a maritime law that declared its legal jurisdiction over the Paracel and Spratly Islands. The law also mandates that all foreign naval ships register with the Vietnamese government. This is additional evidence that demonstrates that Vietnam has chosen to pursue an exclusionary foreign policy in which it exercises direct control over what would be high seas (controlled by no single state) under international law.

Vietnam's Force Structure

During the mid-2000's, Vietnam chose to invest in developing power projection capabilities that would allow it to defend its South China Sea claims against an increasingly powerful China. Seeking to boost its naval capabilities, Vietnam purchased two Gephard class frigates in 2006 that were to be delivered in 2011. Because Vietnam is much weaker than China, it sought to invest in anti-access capabilities, such as fighter aircraft and submarines. For example, between 2004 and 2010, Vietnam ordered 37 fighters, with 24 of these aircraft being advanced SU 30Mks from Russia. Vietnam has also invested in building up bases in the Spratlys Islands. Hanoi has built a 600- meter runway on Spratly Island (Dao Truong Sao) that

⁵⁴⁸ Lezek Buszyinski Spring 2012 Wasington Quarterly. Page 140.

allows it project air power to defend its claims.⁵⁴⁹

Vietnam has also increased defense spending, moving from 1.9% of GDP in 2005 to 2.5% of GDP in 2009. More importantly from the perspective of the South China Sea is that Vietnam has invested heavily in developing naval capabilities that will allow it to assert its maritime claims, purchasing six Kilo class submarines from Russia in 2009. The cost of the submarines was 3.2 billion dollars.⁵⁵⁰ This is an enormously expensive investment for a small, relatively poor country like Vietnam and provides evidence that Vietnam has prioritized building the capabilities to back its claims.⁵⁵¹ Although these assets are technically dual-use, it is unlikely, given Vietnam's lack of logistical infrastructure, that they are intended for use outside of the South China Sea.

Vietnam's Force Deployments

Prior to 2000, Vietnam projected power into the Spratlys by seizing and reinforcing reefs and harassing Chinese and Filipino ships. In July of 1994, Vietnam seized three Chinese fishing boats and apprehended their crews. Later that year in August, Vietnam chased a Chinese oil exploration ship with a gunboat.⁵⁵² Vietnam has gradually built up its forces in the Spratlys over time. By 2000, Vietnam was believed

⁵⁴⁹ David Scott, "Conflict Irresolution in the South China Sea," *Asian Survey* 52, no. 6 (2012): 1028.

⁵⁵⁰ Ciorciari and Weiss, "The Sino-Vietnamese Standoff in the South China Sea," 63.

⁵⁵¹ Fravel, "Maritime Security in the South China Sea and the Competition over Maritime Rights," 40.

⁵⁵² "Dispute Narratives – MID 3.0 dataset " Correlates of War 2 project, accessed May 19, 2014 http://www.correlatesofwar.org/cow2%20data/mids/mid_v3.0.narratives.pdf

to have stationed 600 troops in at least 27 locations in the Spratly Islands, more than any other state.⁵⁵³ Vietnam claims all of the Spratly Islands, considering them to be an offshore district of the Khanh Hoa Providence. Hanoi also still claims the Paracel islands and control over the South China Sea itself, but has never made these claims clear in either text or maps. Although Vietnam is upgrading its force structure, it does not have anywhere near the naval capability that China currently possesses. In addition, although Vietnam has maintained a presence in the Spratlys, it has not projected power with as great a frequency or intensity as China. Although the early 2000's period was largely peaceful, in September 2003, Vietnamese naval vessels reportedly attacked two Chinese fishing ships. One of the ships was detained and later released.⁵⁵⁴

Vietnam became increasingly interested in developing offshore resources in the mid-2000's, and its effort to develop these resources became a source of tension with China. After 2005, relations between China and Vietnam began to deteriorate, as China sought to prevent Vietnam from developing resources that it regarded as its own. An incident occurred in 2007 when Vietnam sought to develop gas fields in the Con Son Basin, which is right at the edge of what Vietnam could claim as part of its EEZ. BP, which was working with Vietnam on developing these fields, abandoned the project after likely pressure from Beijing.

In March of 2010, the Vietnamese Prime Minister visited one of the islands

⁵⁵³ Emmers, *Geopolitics and Maritime Territorial Disputes in East Asia*: 83.

⁵⁵⁴ COW MID Narrative 2002-2010 reported from 4464.

that Vietnam claims in the Spratlys. In April of that year, 20 Vietnamese coast guard and fishing vessels harassed a Chinese fishing ship by surrounding it. In June 2010 Vietnam responded to Chinese naval exercises in the Parcels by holding live-fire exercises there.⁵⁵⁵ A year later same month tensions increased again after the Chinese threatened foreign oil companies for working with Vietnam. Hanoi responded by ordering the Vietnamese navy to hold two eight-hour live-fire exercises in the South China Sea.⁵⁵⁶ The following month, Vietnam held a non-combat training exercise with U.S. military force. A military medical cooperation agreement was also signed following the exercises.⁵⁵⁷ In the summer of 2012, Vietnam passed new legislation, reiterated its claims to the Paracels and Spratlys, and then backed those claims by deploying its air force to patrol the Spratlys.⁵⁵⁸

Observable Implications

Besides Brunei, Vietnam is both the poorest country (in terms of per-capita GDP) and the state with the smallest economy (GDP) of all the South China Sea claimants. Thus, Vietnam's choice to claim most of the South China Sea and back those claims by investing power projection capabilities and occupying more features than any other state, is indicative of the strength of its preference to compete over the

⁵⁵⁵ Scott, "Conflict Irresolution in the South China Sea," 1028.

⁵⁵⁶ "Vietnam Plans Live-Fire Drill After China Spat," James Hookway, accessed April 8, 2014 <http://online.wsj.com/news/articles/SB10001424052702304259304576377090651966146>

⁵⁵⁷ Ciorciari and Weiss, "The Sino-Vietnamese Standoff in the South China Sea," 64.

⁵⁵⁸ Scott, "Conflict Irresolution in the South China Sea," 1030.

control of South China Sea resources. Additionally, as my theory predicts, Vietnam foreign policy behavior is not simply a function of its growing wealth, but also its relative dependence on resource rents. Vietnam's decision to project less power from 1996 to 2003 despite becoming much more powerful during the same period provides additional evidence for my claims. In sum, Vietnam's claims have been made outside the confines of international institutions and it has projected power to protect and further those claims. Additionally, relative to its size, Vietnam has invested more than the other states in building the capabilities that will allow it to compete over those claims in the future. My theory expects that, as a predatory state, Vietnam should have the strongest incentive to pursue an exclusionary foreign policy to secure additional rents. Vietnam's foreign policy behavior is consistent with my theoretical expectations for a predatory state.

Competing Explanations

The two strongest competing explanations for the behavior of states in the South China Sea are nationalism and power-based explanations. Nationalist explanations suggest that Asian states are projecting increasing levels of military power into the South China Sea because of nationalist tensions.⁵⁵⁹ Competing claims

⁵⁵⁹ See Robert S. Ross, "China's Naval Nationalism: Sources, Prospects, and the U.S. Response," *International Security* 34, no. 2 (2009).

of sovereignty are exacerbated by long-running tensions between states, such as China and Vietnam, that have historical animosities.⁵⁶⁰

Power-based explanations suggest that states have increased the amount of power they are projecting into the South China Sea because they have grown more powerful and have chosen to expand their reach offshore.⁵⁶¹ Variants of this explanation typically point to the economic rise of China and its investment in an increasingly powerful navy as providing the backbone for China to more aggressively assert its claims of sovereignty over the South China Sea. This, in turn, creates a security dilemma in which all states in the region have strong incentives to arm for their own defense.

Although both explanations are plausible and undoubtedly play a role, they are unsatisfying both as general explanations of why states project power to compete over resources and for specifically explaining the events in the South China Sea. Nationalist explanations have two principal issues: first, operationalizing the level of nationalism *ex ante*, and secondly, demonstrating that variation in the level of nationalism drove states to compete over resources rather than vice versa. The difficulty of operationalizing the level of nationalism *ex ante* makes it nearly impossible to test and falsify nationalist explanations. The second issue is one of reverse causality. Is nationalism driving states to project power to compete over resources or is the

⁵⁶⁰ See Brantly Womack, *China and Vietnam: The Politics of Asymmetry* (New York: Cambridge University Press, 2006).

⁵⁶¹ See John Mearsheimer, "The Gathering Storm: China's Challenge to US Power in Asia," *The Chinese Journal of International Politics* 3, no. 4 (2010).

competition for resources inflaming the nationalist sentiments? Moreover, it may be that states seek to make their threats credible through stoking nationalism to tie their hands.⁵⁶²

Power-based explanations have trouble explaining the amount of power states have been projecting to compete over sovereignty in the South China Sea. The number and intensity of incidents has ebbed and flowed over time, but the distribution of power has not co-varied with the frequency of the incidents. Why were there so few incidents of power projection between the mid-1990's and mid-2000's? China has become dramatically more powerful during this period, but it became less likely to project power to compete over maritime resources. Why is this? My theory suggests that it is because the source of China's wealth changed. China became more dependent on manufactured goods and less dependent on resource rents. However, as resource rents became more important to the Chinese economy after 2004, the incentives to compete over the control of additional resource rents increased. In short, if wealth is power, then *what* makes the state wealthy determines *why* the state projects power. Walt was right to suggest that states balance against threat, rather than power, but states care first and foremost about threats to their source of wealth, which represents the inputs to their future power and security. Put another way, states internally balance against threats to their wealth because wealth is the source of their power.

⁵⁶² Shirk, *China: Fragile Superpower: How China's Internal Politics Could Derail Its Peaceful Rise*; Jessica Chen Weiss, "Authoritarian Signaling, Mass Audiences, and Nationalist Protest in China," *International Organization* 67, no. 01 (2013).

It is possible that the 2008 financial crisis altered Chinese perceptions of their relative power and this might explain their willingness to assert their claims more aggressively in 2009 and 2010. However, if this explanation is correct, then we should observe China being less assertive after the U.S. recovered. However, this is *not* what we observe, as evidenced by China's recent acquisition of Scarborough Shoal. In addition, power-based explanations cannot account for why we observe Vietnam building and projecting power to maintain its expansive claims, despite the fact that it is economically the weakest state.

Limitations Associated with the Research Design: Overdetermination

As is generally the case with research designs that are limited to a small number of observations, the observed behavior will match the expected behavior of some alternative explanations and therefore will be theoretically overdetermined. Thus, as a stand-alone test, the South China Sea would be insufficient and inappropriate to test my theory against its competitors. However, taken as part of a greater set of cases, I can demonstrate that my theory better explains the observed behavior across a number of cases than any single competitor. For these reasons, it is important to examine additional cases in which states reacted to shocks, such as the North Sea and the Arctic. Additionally, were we to find the observed behavior of states was not consistent with my theoretical expectations, we would take that as evidence against my theory. Therefore, although the evidence from the South China Sea case

cannot definitively rule out all other alternative explanations, it can demonstrate that my theory's predictions match the observed behavior of states in the South China Sea.

A second related issue has to do with assessing the baseline level of military activity in the region and the degree to which its variation was driven by changes in the accessibility of resources. Unlike the Arctic, where there was very little military activity for 15 years prior to the discovery of resources, states had been deploying their forces into the South China Sea before the discovery of resources. Therefore, cleanly identifying whether military deployments were directly tied to the discovery of resources becomes far more difficult. An additional issue arises in examining states' investments in force structure. In the Arctic, investments in Arctic-specific forces such as icebreakers, Arctic bases, ice-hardened ships, etc. are informative. In the case of the South China Sea, we must be more careful in making inferences about a state's willingness to compete over resources from its choices to invest in specific types of force structure, as most are dual-use.

The U.S.' Role in the South China Sea

A related concern is the issue of dealing with the U.S.' role in the South China Sea. The U.S. has maintained a major military presence in the South China Sea during the period under analysis. Although the U.S. does not (and cannot under international law) make any claims on resources in the South China Sea, it still has major impact on international relations in the region. The U.S. affects the competition over South China

Sea resources in three principal ways that might affect the willingness of states to project power there. First, the U.S. has been and continues to be the dominant military power in the South China Sea. Although this dominance has waned and will likely continue to do so, as China grows economically and invests in anti-access and area denial capabilities. Second, the U.S. holds a number of formal and informal alliance commitments with states in the region that might embolden allies to pursue a harder line. Alternatively, U.S. alliance commitments may restrain states from behaving belligerently. Third, although the U.S. has no resource claims, it does have an interest in the governance of the global commons and the division of resources occurring in a manner that is consistent with UNCLOS. The U.S. has this interest for two reasons: first and foremost, it cares about maintaining open access to sea-lanes; second, it has an interest in ensuring that maritime sea-bed resources are divided peacefully through international agreements rather than force.⁵⁶³

The U.S.' military dominance and its gradual decline have altered the balance of force in the region and many observers believe that this is one of the reasons that China feels that it can adopt a more assertive force posture regarding its claims there. For much of the Cold War, especially the Vietnam era, the U.S. military presence was so overwhelming that China was deterred from deploying military force to further its claims. This is likely why China tolerated South Vietnam's occupation of islands in the

⁵⁶³ Note that I do not claim what U.S. interests should be in the South China Sea, but only what U.S. officials have claimed U.S. interests are.

Paracels.⁵⁶⁴ The United States' military withdrawal from Vietnam likely factored into China's decision to wrest the Paracels from South Vietnam's forces. Following the final withdrawal of the U.S. from the Philippines in November of 1992, the Chinese again used the opportunity to deploy forces to back their claims, choosing to occupy Mischief Reef in 1994.⁵⁶⁵ These incidents highlight the dynamic relationship between the U.S. force posture and China's willingness to deploy forces to enforce its claims. Throughout the case, U.S. presence likely acted as a restraining force on China's willingness to deploy forces. From the perspective of hypothesis testing, this serves as a signal-weaker, given that the counterfactual of no U.S. presence would likely have resulted in China exhibiting a greater willingness to project force earlier in the period under analysis. As China has become stronger relative to the U.S., it has demonstrated a greater willingness to build and project force to defend its claims. This willingness reveals its true preferences. That said, the U.S. is still the dominant military power in the South China Sea and maintains naval access agreements with a number of states, such as Singapore, Malaysia, Indonesia and Brunei, that facilitate its ongoing military presence there.⁵⁶⁶

The U.S. has made commitments to aid in the defense of both the Philippines and Taiwan if they are attacked. These commitments have been backed by the deployments of American naval forces during periods of heightened tension, such as in

⁵⁶⁴ Fravel, *Strong borders, secure nation : Cooperation and conflict in China's territorial disputes*: 274.

⁵⁶⁵ Storey, "Creeping Assertiveness: China, the Philippines and the South China Sea Dispute," 110.

⁵⁶⁶ Robert S Ross, "The Geography of the Peace: East Asia in the twenty-first century," *International Security* 23, no. 4 (1999): 85.

1996 and 1999, when American carriers were sent into the South China Sea to deter threats against Taiwan.⁵⁶⁷ American carriers have also made visits to states with which the U.S. does not have a formal alliance. For example, in 2010 and 2011, U.S. carriers visited Vietnam.⁵⁶⁸ With regards to the Philippines, the U.S. has stated that the 1951 Manila Mutual Defense Treaty does not apply to the Philippines' claims because the agreement only assures the protection of the Philippines' metropolitan areas and because the Philippines' claims to the South China Sea were made after signing the treaty.⁵⁶⁹

The impact of the U.S. relationship with its allies cuts both ways in terms of our ability to make inferences regarding the relationship between states' preferences and their foreign policy behavior. On one hand, U.S. alliance relationships may restrain U.S. allies from making claims outside existing international institutions, but on the other hand, it may embolden U.S. allies to adopt more aggressive positions regarding their claims.⁵⁷⁰ For example, the U.S. transferred a decommissioned U.S. Coast Guard cutter to the Philippines, which may have allowed Manila to deploy forces to bargain over its claims in a manner that it could not do without such capabilities. More importantly, the presumption of U.S. support, should conflict break

⁵⁶⁷ Leszek Buszynski and Iskandar Sazlan, "Maritime claims and energy cooperation in the South China Sea," *Contemporary Southeast Asia: A Journal of International and Strategic Affairs* 29, no. 1 (2007): 140.

⁵⁶⁸ Scott, "Conflict Irresolution in the South China Sea," 1030.

⁵⁶⁹ Valencia, Van Dyke, and Ludwig, *Sharing the Resources of the South China Sea*: 81.

⁵⁷⁰ For a discussion of the risk of entanglement associated with U.S. defense agreements see Barry R. Posen, "Pull Back," *Foreign Affairs* (January/February 2013); Barry Posen, *Restraint: A new Foundation for U.S. Grand Strategy* (Ithaca, New York: Cornell University Press, 2014). For the other side of the debate Stephen G. Brooks, John G. Ikenberry, and William C. Wohlforth, "Lean Forward," *Foreign Affairs* (January/February 2013).

out, might embolden Manila or Taipei.⁵⁷¹ Finally, the U.S. protection of the sea-lanes means that U.S. allies that might otherwise need to project more force to protect their sea-lines of communication can free ride on the security provision of the U.S. As I mentioned, the impact of an alliance with the U.S. may cut both ways and it is theoretically indeterminate whether U.S. allies are more or less likely to project force to compete over resources.

The third issue involves the U.S. interests in maintaining open and secure sea-lanes and ensuring that the division of resources occurs without the use of force. These interests are in conflict with those of China and Vietnam (and to much a lesser extent, Taiwan), who claim sovereignty over most of the South China Sea. However, Taiwan and Vietnam have been relatively quiet on the issue and it is clear that both the U.S. force posture and remarks are aimed at China. The U.S. and China have come into conflict on numerous occasions regarding the rights of the U.S. to operate without interference in the South China Sea.⁵⁷²

More recently, the U.S. warned China not to declare an ADIZ (Air Defense Identification Zone) over the South China Sea, as Beijing has done in the East China Sea. The principal issue here (from the perspective of drawing inferences about states' preferences) is that China's efforts to project power into the South China Sea may be

⁵⁷¹ "U.S., Philippines to sign 10-year defense agreement amid rising tensions," Juliet Eilperin, accessed April 28, 2014 http://www.washingtonpost.com/world/us-philippines-to-sign-10-year-defense-agreement-amid-rising-tensions/2014/04/27/a04436c0-cddf-11e3-a75e-463587891b57_story.html

⁵⁷² For examples of these incidents, see the Hainan Island incident in 2001 and the USS Impeccable incident in 2009. See Raine and Le Mièrè, *Regional Disorder: The South China Sea Disputes*: 48.

more about limiting U.S. influence than its desire to dominate South China Sea resources. However, the very fact that the U.S. and China have come into conflict over the rules that govern the South China Sea is evidence of the divergent preferences of each state. My theory suggests that China should prefer to pursue a more exclusionary foreign policy regarding the South China Sea, whereas the U.S. should be more interested in seeking open access. Were China a liberal state, my theory predicts that it would not have an interest in excluding the United States or other states from accessing the South China Sea. Thus, the strategic interplay between the U.S. and China is evidence of the divergent preferences of each side. In short, the U.S. presence plays a role, but in many areas it is theoretically indeterminate in terms of how it affects the willingness of states to compete over resource rents.

Conclusion

States' foreign policy interests and their willingness to project power to secure goods are influenced by their domestic political institutions and economic interests. This is important for two reasons. First, as states develop economically, they will increasingly possess the military potential to choose to build and project power, and therefore it will be important to predict whether they are likely to do so and what interests they will seek to pursue. Second, it allows us to understand when states will have stronger incentives to handle their disputes purely within the confines of international institutions and when these institutions will be insufficient to resolve

disputes. Some have suggested importing institutional models such as “shared sovereignty” to resolve disputes in the South China Sea. My theory suggests that this is unlikely to be successful. The problem in the South China Sea is not a dearth of institutional institutions, but rather that many of the states prefer to pursue their interests via gunboat diplomacy. My theory suggests that this is because these states possess domestic political institutions and economic interests that strongly incentivize them to pursue their claims outside of international institutions.

The results from the South China Sea test provide some support for my theory’s predictions. That said, the empirical record also contains some anomalies that are difficult for my theory to explain. Regarding the cross-national analysis of the liberal states, the foreign policy behavior of the Philippines and Taiwan both appear to be generally consistent with my theory’s predictions. The Philippines made its claims using international legal norms and has invested far less in building and projecting power to defend its claims than states of similar levels of wealth and power, such as Vietnam. Taiwan has maintained expansive claims that are outside of international law, but it has been relatively restrained in projecting power to pursue these claims. Unlike other states, it has not sought to occupy additional features in the South China Sea and has not projected power into other states’ EEZs to assert its claims.

Malaysia and Indonesia are the two states that are most difficult for my theory to explain, as both states are more restrained than my theory would predict. Both states make their claims using international legal norms and neither state has projected

power with high frequency or intensity to compete over its claims. However, a closer look at the data reveals that these states are closer to liberal states (market-oriented and democratic) than their ideal type coding suggests. Both states have become more democratic and less resource-dependent over time. Additionally, when both states were more autocratic and resource-dependent, they were relatively weak states. Security challenges hampered their ability to project power beyond their own borders. When these facts are taken into consideration, the restraint of both states appears less puzzling for my theory.

Finally, China and Vietnam both behave in a manner that is consistent with my theoretical expectations. Both states have made extralegal claims and have backed those claims by projecting power to exclude other states from accessing the areas under their control. In terms of frequency and intensity, China has projected the most power, but it is also by far the most powerful state in the region. What makes China's policy exclusionary is not the amount of power it projects, but rather the goals it has projected that power to pursue, and the manner in which it has deployed its forces. China has consistently sought to exclude others from fishing or exploring for sea-bed resources in areas well beyond its EEZ. This is not a normative judgment; it is simply to say that China has behaved in a manner that is consistent with my theoretical predictions. That said, China has demonstrated some restraint and has not brought its most powerful military assets to bear when asserting its claims. Instead, China has relied primarily on Coast Guard vessels and fisheries-management vehicles. China's

restraint is also consistent with my theoretical expectations, which suggest that as an opportunistic state China should be interested in pursuing an exclusionary policy, but should be more restrained than if it were a predatory state. In contrast, Vietnam is a predatory state and arguably made the greater relative effort in terms of investment in power projection capabilities. As previously mentioned, despite its small size Vietnam claims nearly the entire South China Sea, occupies more islands than other states, has acquired enormously expensive hardware, and ventured into disputed areas to explore and drill for resources. Thus, given its relative power position, I would argue that Vietnam has invested even more effort in pursuing an exclusionary foreign policy than has China.

How did states react to the exogenous trends of higher energy prices and increased drilling technology?

When looking across the cases, we can see that there are fewer incidents during the late-1990's and early-2000's. Although the shift is not immediate, states appear to project power with greater frequency after 2005, and the number of militarized incidents also increases. Many of these incidents involve states confronting one another over energy exploration in disputed zones. We also observe states making larger investments in deep-sea drilling technology and developing offshore fields. However, only a few states react to higher energy prices and advances in drilling technology by choosing to engage in exploration in disputed areas outside of their own

EEZ or in areas where other states have legitimate overlapping EEZ claims. China appears to have been the state most frequently engaged in exploration in areas well beyond its own EEZ and within the zones of other states. However, Vietnam has also engaged in exploration in areas that China might also be able to claim as part of its EEZ. Many of the other states, such as Indonesia, Malaysia, and the Philippines, have invested more in developing their offshore resources, but they have generally done so within their EEZs.

Additional tests

This case was designed specifically to test my theory of foreign policy. However, some of the empirics from this chapter are utilized in the following and final chapter, which tests my theory of geopolitical competition. This test consists of a cross-regional comparison of how states reacted to the exposure of resources in the South China Sea vs. the Arctic and North Sea. Held constant across the three regions is the exogenous exposure of resources due to either technology and/or climate change. Additionally, all three regions are relatively economically multipolar in that numerous states possess the wealth required to build and project military power. For the purposes of testing my theory, the key source of variation is the type of states that populate each of the regions. All of the states in the North Sea are liberals and have highly compatible interests, producing a relatively cooperative geopolitical environment. In contrast, the Arctic possesses several liberal states, but also an extractive and

predatory state, making it more competitive. The majority (four out of six) of states in the South China Sea are non-liberal, making it the most competitive geopolitical environment of the three regions. This is because the types of states in the South China Sea have highly incompatible interests. The high level of interest incompatibility, combined with states that are relatively geographically proximate and increasingly economically powerful make for a highly competitive geopolitical environment. This allows me to compare how states reacted to the exposure of resources in a geopolitical environment that is more competitive than the Arctic, and far more so than the North Sea.

In summary, this case has provided an additional out-of-sample test of my theory of foreign policy. The results are generally consistent with the predictions of my theory. That said, there are some noteworthy anomalies that my theory cannot explain. In addition, unlike the Arctic case, it is more difficult to get clean causal identification on why the states have chosen to project power. Thus, issues of overdetermination mean that, although I can demonstrate that the case is generally consistent with my theoretical explanation, I cannot definitively rule out competing explanations. Additional tests will be required to demonstrate the superiority of my explanation vs. its competitors.

References

- "South China Sea," (EIA), U.S. Energy Information Administration, accessed March 15, 2014 <http://www.eia.gov/countries/regions-topics.cfm?fips=scs>
- Acharya, Amitav. "Containment, Engagement, or Counter-Dominance? Malaysia's Response to the Rise of Chinese Power." *Engaging China: The Management of a Rising Power* (1999): 129-51.
- "Taiwan," Administration, U.S. Energy Information, accessed Feb 18, 2013 <http://www.eia.gov/countries/country-data.cfm?fips=TW>
- "Gdp (Constant 2005 Us\$)," Bank, The World, accessed May 18, 2014 <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD?display=graph>
- "Gdp Ranking, Ppp Based " Bank, The World, accessed April 8, 2014 <http://data.worldbank.org/data-catalog/GDP-PPP-based-table>
- Bank, World. *The Changing Wealth of Nations: Measuring Sustainable Development in the New Millennium*: World Bank, 2011.
- Banlaoi, Rommel C. "Philippine Naval Modernization: Nature, Causes and Consequences." In *Naval Modernisation in South-East Asia: Nature, Causes and Consequences*, edited by Geoffrey Till and Jane Chan. Abingdon, Oxon: Routledge, 2014.
- "Chinese Ships 'Harass' Us Vessel," BBC, accessed April 8, 2014 <http://news.bbc.co.uk/2/hi/asia-pacific/7933171.stm>
- "China to Start Regular Patrols from Island in South China Sea," Blanchard, Ben, accessed 2014, Tuesday March 18 <http://www.reuters.com/article/2014/01/21/us-china-seas-idUSBREA0K0G220140121?feedType=RSS&feedName=worldNews>
- "China Is Getting Help in a Grab at the Sea," Bowring, Philip, <http://www.nytimes.com/1994/05/06/opinion/06iht-edbow.html>
- Brooks, Stephen G., John G. Ikenberry, and William C. Wohlforth. "Lean Forward." *Foreign Affairs* (January/February 2013).
- "South China Sea Dispute a Potential Rift in Ri-China Ties: Envoy," Budianto, Lilian accessed April 8, 2014 <http://www.thejakartapost.com/news/2010/05/25/south-china-sea-dispute-a-potential-rift-richina-ties-envoy.html>

- Buszynski, Leszek. "Asean, the Declaration on Conduct, and the South China Sea." *Contemporary Southeast Asia* (2003): 343-62.
- Buszynski, Leszek, and Iskandar Sazlan. "Maritime Claims and Energy Cooperation in the South China Sea." *Contemporary Southeast Asia: A Journal of International and Strategic Affairs* 29, no. 1 (2007): 143-71.
- Cerojano, Teresa. "Nearly 7,000 U.S., Filipino Troops Start Exercises near Disputed South China Sea Waters." *The Washington Post*, April 16, 2012, , http://www.washingtonpost.com/world/asia_pacific/nearly-7000-us-filipino-troops-start-exercises-near-disputed-south-china-sea-waters/2012/04/16/gIQA9EfaKT_story.html.
- Cheibub, Antonio Jose, Jennifer Gandhi, and James Raymond Vreeland. "Democracy and Dictatorship Revisited." *Public Choice* 143, no. 2-1 (2010): 67-101.
- "China Warns Exxon over Vietnam Deal-Newspaper," <http://uk.reuters.com/article/2008/07/20/exxonmobile-asia-idUKPEK26269420080720>
- "Chinese Refuse to Leave Philippine Waters." *Courier Mail*, May 3, 1997.
- Ciorciari, John D, and Jessica Chen Weiss. "The Sino-Vietnamese Standoff in the South China Sea." *Georgetown Journal of International Affairs* (2012).
- "Row Grows over Disputed Spratly Island," CNN, accessed May 19, 2014 http://articles.cnn.com/2001-03-21/world/China.Philippine.row_1_mischief-reef-chinese-fishing-philippine-navy?_s=PM:asiapcf
- "Taiwan's Power Grab in the South China Sea," Cole, Michael J., accessed April 8, 2014 <http://thediplomat.com/2013/09/taiwans-power-grab-in-the-south-china-sea/>
- Collier, Paul, and Anke Hoeffler. "Testing the Neocon Agenda: Democracy in Resource-Rich Societies." *European Economic Review* 53, no. 3 (2009): 293-308.
- "New Fleet on the Block: China's Coast Guard Comes Together," Collins, Gabe, and Andrew Erickson, accessed March 18, 2014, <http://blogs.wsj.com/chinarealtime/2013/03/11/new-fleet-on-the-block-chinas-coast-guard-comes-together/>
- "U.S. Navy Take Notice: China Is Becoming a World-Class Military Shipbuilder," Collins, Gabe, and Andrew Erickson, March 18, 2014 <http://thediplomat.com/>

2012/11/u-s-navy-take-notice-china-is-becoming-a-world-class-military-shipbuilder/?allpages=yes

"Abstract of "China's Realpolitik Approach in the South China Sea Dispute: The Case of the 2012 Scarborough Shoal Stand-Off", Cruz De Castro, Renato, accessed May 19, 2014 http://csis.org/files/attachments/130606_DeCastro_ConferencePaper.pdf

"Why Is China Picking Fights with Indonesia," Currie, Kelley, accessed April 8, 2014 <http://www.weeklystandard.com/blogs/why-china-picking-fights-indonesia>

"Spratly Islands Dispute," Database, Trade and Environmental, <http://www1.american.edu/projects/mandala/TED/ice/spratly.htm>

David, Kang. "Getting Asia Wrong: The Need for New Analytic Frameworks." *International Security* 4 (2003): 57-85.

Dibb, Paul. "Indonesia: The Key to South-East Asia's Security." *International Affairs* 77, no. 4 (2001): 829-42.

Dupuy, Florian, and Pierre-Marie Dupuy. "A Legal Analysis of China's Historic Rights Claim in the South China Sea." *The American Journal of International Law* 107, no. 1 (2013): 124-41.

Dutton, Peter. "Carving up the East China Sea." DTIC Document, 2007.

Dutton, Peter. "Introduction." In *Military Activities in the Eez: A Us-China Dialogue on Security and International Law in the Maritime Commons*, edited by Peter Dutton. Newport, RI: China Maritime Studies Institute, US Naval War College Press, 2010.

"Military Spending in South-East Asia," Economist, The, accessed March 20, 2014 <http://www.economist.com/node/21551056>

"U.S., Philippines to Sign 10-Year Defense Agreement Amid Rising Tensions," Eilperin, Juliet, accessed April 28, 2014 http://www.washingtonpost.com/world/us-philippines-to-sign-10-year-defense-agreement-amid-rising-tensions/2014/04/27/a04436c0-cddf-11e3-a75e-463587891b57_story.html

Elkins, Zachary. "Gradations of Democracy? Empirical Tests of Alternative Conceptualizations." *American Journal of Political Science* 44 (2000): 193-200.

- Emmers, Ralph. *Geopolitics and Maritime Territorial Disputes in East Asia*. New York: Routledge Security in Asia Pacific, 2010.
- Fravel, M. Taylor. "Maritime Security in the South China Sea and the Competition over Maritime Rights." In *Contested Commons: The Future of American Power in a Multipolar World*, edited by Patrick M. Cronin: Center for A New American Security, 2010.
- Fravel, Taylor M. *Strong Borders, Secure Nation : Cooperation and Conflict in China's Territorial Disputes*, Princeton Studies in International History and Politics. Princeton: Princeton University Press, 2008.
- "Indonesia's Military Flexes Muscle as S. China Sea Dispute Looms," *Globe*, Jakarta, accessed March 20, 2014 <http://www.thejakartaglobe.com/news/indonesia-military-flexes-muscle-s-china-sea-dispute-looms/>
- Goldrick, James, and Jack McCaffrie. *Navies of South-East Asia: A Comparative Study*. London: Routledge, 2013.
- "Us, Filipino Troops Start Drills near Disputed Sea," *Gomez*, Jim, accessed April 8, 2014 <http://www.deseretnews.com/article/765568995/US-Filipino-troops-start-drills-near-disputed-sea.html>
- "A Game of Shark and Minnow," *Himmelman*, Jeff, accessed March 23, 2014 <http://www.nytimes.com/newsgraphics/2013/10/27/south-china-sea/>
- Hong Thao, Ngyuen. "Maritime Challenges and Priorities in Asia: Implications for Regional Security." In *Maritime Challenges and Priorities in Asia: Implications for Regional Security*, edited by Joshua Ho and Sam Bateman. New York: Routledge, 2012.
- "Vietnam Plans Live-Fire Drill after China Spat," *Hookway*, James, accessed April 8, 2014 <http://online.wsj.com/news/articles/SB10001424052702304259304576377090651966146>
- "President Visits Disputed Islands," *Hsiu-chuan*, Shih, Hsu Shao-hsua, and Jimmy Chuang, accessed February 26, 2014 <http://www.taipeitimes.com/News/front/archives/2008/02/03/2003400014>
- Huang, Teh-yi. "State Preferences and International Institutions: Boolean Analysis of China's Use of Force and South China Sea Territorial Disputes." *Journal of East Asian Studies* 4, no. 2 (2004): 227-62.

- Johnson, Douglas. "Drawn into the Fray: Indonesia's Natuna Islands Meet China's Long Gaze South." *Asian Affairs: An American Review* 24, no. 3 (1997): 153-61.
- Johnston, Alastair Iain. "How New and Assertive Is China's New Assertiveness?" *International Security* 37, no. 4 (2013): 7-48.
- Jon, M. Van Dyke, and Mark J. Valencia. "How Valid Are the South China Sea Claims under the Law of the Sea Convention?" *Southeast Asian Affairs* (2000): 47-63.
- Kang, David C. "Why China's Rise Will Be Peaceful: Hierarchy and Stability in the East Asian Region." *Perspectives on Politics* 3, no. 03 (2005): 551-54.
- "Us-Philippines Reach Deal on US Military Access," Keck, Zachary accessed March 22, 2014 US-Philippines Reach Deal on US Military Access. <http://thediplomat.com/2014/03/us-philippines-reach-deal-on-greater-us-military-access/>.
- Klare, Michael. *Resource Wars: The New Landscape of Global Conflict*. New York: Henry Holt, 2001.
- Laksmana, Evan s. "Naval Modernisation in South-East Asia: Nature, Causes and Consequences." edited by Geoffrey Till and Jane Chan. Abingdon, Oxon: Routledge, 2014.
- Le Mière, Christian. "The Return of Gunboat Diplomacy." *Survival* 53, no. 5 (2011): 53-68.
- Lin, Cheng-yi. "Taiwan's South China Sea Policy." *Asian Survey* 37, no. 4 (1997): 323-39.
- Liow, Joseph Chin Yong. "Malaysia-China Relations in the 1990s: The Maturing of a Partnership." *Asian Survey* 40, no. 4 (2000): 672-91.
- Liu, Fu-Kuo. "Dilemma and Domestic Uncertainty Taiwan's Insecurity in the South China Sea." *China Report* 49, no. 4 (2013): 385-97.
- Marshall, Marshall G., Keith. Jagers, and Ted R. Gurr. "Political Regime Characteristics and Transitions 1800-2010." edited by University of Maryland. Data retrieved from [www. systemicpeace. org/inscr/inscr. htm](http://www.systemicpeace.org/inscr/inscr.htm) Polity IV Project, 2011.
- Mearsheimer, John. "The Gathering Storm: China's Challenge to Us Power in Asia." *The Chinese Journal of International Politics* 3, no. 4 (2010): 381.

- Munro, Ross H. "China's Relations with Its Neighbours: Some Observations Regarding Its Strategy and Tactics." *International Journal* (2006): 320-28.
- Murdoch, Lindsay. "Spratly Bombing Fuels Row." *The Age*, March 25, 1995.
- "Najib Defends Navy's Action." *New Straits Times*, March 24, 1995.
- Ostwald, Kai. "How to Win a Lost Election: Malapportionment and Malaysia's 2013 General Election." *The Round Table* 102, no. 6 (2013): 521-32.
- Palma, Mary Ann. "Maritime Challenges in the Philippines." In *Maritime Challenges and Priorities in Asia: Implications for Regional Security*, edited by Joshua Ho and Sam Bateman. New York: Routledge, 2012.
- "Beijing Claims 'Indisputable Sovereignty' over South China Sea," Pomfret, John, accessed May 5, 2014 <http://www.washingtonpost.com/wp-dyn/content/article/2010/07/30/AR2010073005664.html>
- Posen, Barry. *Restraint: A New Foundation for U.S. Grand Strategy*. Ithaca, New York: Cornell University Press, 2014.
- Posen, Barry R. "Pull Back." *Foreign Affairs* (January/February 2013).
- "Dispute Narratives – Mid 3.0 Dataset " project, Correlates of War 2, accessed May 19, 2014 http://www.correlatesofwar.org/cow2%20data/mids/mid_v3.0.narratives.pdf
- Raine, Sarah, and Christian Le Mièrre. *Regional Disorder: The South China Sea Disputes*. New York: Routledge, 2013.
- Ratner, Ely. "Learning the Lessons of Scarborough Reef." *The National Interest*, 2013.
- "Indonesia Plans War Games to Caution China," Richardson, Michael, accessed 2014, March 20 http://www.nytimes.com/1996/08/16/news/16iht-indo.t_13.html
- Ross, Robert S. "The Geography of the Peace: East Asia in the Twenty-First Century." *International Security* 23, no. 4 (1999): 81-118.
- Ross, Robert S. "China's Naval Nationalism: Sources, Prospects, and the U.S. Response." *International Security* 34, no. 2 (2009): 46-81.
- Scott, David. "Conflict Irresolution in the South China Sea." *Asian Survey* 52, no. 6 (2012): 1019-42.

- Shambaugh, David. "China Engages Asia: Reshaping the Regional Order." *International Security* 29, no. 3 (Winter 2004/2005): 64-99.
- Shirk, Susan. *China: Fragile Superpower: How China's Internal Politics Could Derail Its Peaceful Rise*. New York: Oxford University Press, 2007.
- Shirk, Susan L. *The Political Logic of Economic Reform in China*: University of California Press, 1993.
- Storey, Ian. "China and the Philippines: Implications of the Reed Bank Incident." *China Brief* 11, no. 8 (2011): 6-9.
- Storey, Ian. "China's Bilateral and Multilateral Diplomacy in the South China Sea." In *Cooperation from Strength: The United States, China and South China Sea*, edited by Patrick M. Cronin. Washington D.C.: Center for A New American Security, 2012.
- Storey, Ian. "Conflict in the South China Sea: China's Relations with Vietnam and the Philippines." *The Asia-Pacific Journal: Japan Focus* (2008).
- Storey, Ian. *South East Asia and the Rise of China: The Search for Security*. New York: Routledge, 2011.
- Storey, Ian. *The United States and Asean-China Relations: All Quiet on the Southeast Asian Front*: Strategic Studies Institute, 2007.
- Storey, Ian James. "Creeping Assertiveness: China, the Philippines and the South China Sea Dispute." *Contemporary Southeast Asia* (1999): 95-118.
- Storey, Ian James. "Creeping Assertiveness: China, the Philippines and the South China Sea Dispute." *Contemporary Southeast Asia* 21, no. 1 (1999): 95-118.
- "Taiwan to Boost Forces in Disputed Spratly Islands," Sui, Cindy, accessed February 26, 2014 <http://www.bbc.co.uk/news/world-asia-pacific-13130208>
- Swaine, Michael D, and M Taylor Fravel. "China's Assertive Behavior—Part Two: The Maritime Periphery." *China Leadership Monitor* (2011).
- "Bird Watchers, Divers, Tourists Ignite Spratlys Row," Thanh Lam, Tran Dinh, accessed April 8, 2014 <http://www.atimes.com/atimes/China/FD07Ad01.html>
- "Speak Softly and Carry a Big Stick?: What Is Malaysia Playing At?," Thayer, Carl, accessed March 21, 2014 <http://thediplomat.com/2014/03/speak-softly-and-carry-a-big-stick-what-is-malaysia-playing-at/>

Thayer, Carlyle A. "Standoff in the South China Sea " *Yale Global* (12 June 2012).

"China's Maritime Expansion: Exploiting Regional Weakness?," Tuang, Nah Liang, accessed March 21, 2014 <http://thediplomat.com/2014/03/chinas-maritime-expansion-exploiting-regional-weakness/>

Valencia, Mark John, Jon M Van Dyke, and Noel A Ludwig. *Sharing the Resources of the South China Sea*: Martinus Nijhoff Publishers, 1997.

Weiss, Jessica Chen. "Authoritarian Signaling, Mass Audiences, and Nationalist Protest in China." *International Organization* 67, no. 01 (2013): 1-35.

Weissmann, Mikael. "The South China Sea Conflict and Sino-Asean Relations: A Study in Conflict Prevention and Peace Building." *Asian Perspective* 34, no. 3 (2010): 35-69.

Womack, Brantly. *China and Vietnam: The Politics of Asymmetry*. New York: Cambridge University Press, 2006.

Wu, Samuel SG, and Bruce Bueno De Mesquita. "Assessing the Dispute in the South China Sea: A Model of China's Security Decision Making." *International Studies Quarterly* (1994): 379-403.

Chapter 6

Conclusion

Introduction

In this dissertation, I have argued that states project power to secure their interests. Their domestic political institutions and economic interests influence these interests or the set of goods they are intent on pursuing. States project power to secure goods because they represent the basis for a government's political survival. Often, although not always, this set of goods consists of stocks (such as land rents) and flows (such as trade) of wealth.⁵⁷³ I have focused on material goods and, specifically, the sources of states' wealth, because it is integral to their ability to maintain political power. Wealth allows states to maintain the loyalty of their domestic political supporters and build the military power necessary to protect themselves and their interests.

A close to iron law of comparative and American politics is that rulers that fail to improve the material position of their political supporters are punished.⁵⁷⁴ In democracies, the consequence of this punishment may mean losing office, in autocracies the outcome can be far more dire. Thus, in order to survive, leaders are strongly incentivized to protect their domestic political supporters' economic interests.

⁵⁷³ I have chosen to focus on material goods, but there is nothing in my theory that suggests that states will necessarily prefer material goods to non-material goods.

⁵⁷⁴ For work on the relationship between economic performance and incumbent support in American politics, see Andrew Gelman and Gary King, "Why Are American Presidential Election Campaign Polls so Variable When Votes Are so Predictable?," *British Journal of Political Science* 23, no. 4 (1993); Lynn Vavreck, *The message matters: the economy and presidential campaigns* (Princeton University Press, 2009); Douglas A Hibbs Jr, "Bread and peace voting in US presidential elections," *Public Choice* 104, no. 1-2 (2000). For work on this relationship in comparative politics, see Christopher J Anderson, "Economic voting and political context: a comparative perspective," *Electoral Studies* 19, no. 2 (2000); G Bingham Powell Jr and Guy D Whitten, "A cross-national analysis of economic voting: taking account of the political context," *American Journal of Political Science* (1993); Guy D Whitten and Harvey D Palmer, "Cross-national analyses of economic voting," *Electoral Studies* 18, no. 1 (1999). For a review of research on the relationship between the distribution of goods and autocratic survival, see Beatriz Magaloni and Ruth Kricheli, "Political order and one-party rule," *Annual Review of Political Science* 13(2010).

Wealth matters not just for maintaining domestic political support, but also for maintaining both diplomatic and military influence in the international arena. History and security studies tell us that wealth is the crucial input for the generation of the military power that is required to guard against threats to the state and its interests.⁵⁷⁵ In short, if power projection is a form of internal balancing, and if wealth represents the basis of the security of the state, then states will balance against threats to their sources of wealth.⁵⁷⁶

From the prior analysis, I derive two propositions: 1) states will be most likely to build and project power when their interests are threatened; 2) if states' interests are not threatened, then they will less likely to build and project power. In the first of part of this chapter, I test these two propositions by conducting a cross-regional comparison of the behavior of states in the Arctic, the North Sea and the South China Sea. The second part discusses the dissertation's findings and its contribution to the study of international relations and policy.

⁵⁷⁵ For work on the relationship between wealth and military power see R. Bean, "War and the Birth of the Nation State," *The Journal of Economic History* 33, no. 1 (1973); Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Power from 1500 to 2000* (New York: Random House, 1987); Michael C Horowitz, *The Diffusion of Military Power: Causes and Consequences for International Politics* (Princeton University Press, 2010); Michael Beckley, "Economic Development and Military Effectiveness," *Journal of Strategic Studies* 33, no. 1 (2010).

⁵⁷⁶ This phrase is an allusion to Steve Walt's (1987) argument that states balance against threat, not power. I agree with Walt that states are principally concerned with threats to themselves and their interests. I differ from Walt in that I derive states' interests and the degree to which they are threatened by other states from the perspective of domestic political economy, rather than if "states have threatening intentions." The advantage to my approach is that it is capable of deducing states' interests from domestic political institutions and economic interests and identifying these interests and the degree to which they will be threatened by other states *ex ante*. For more on this, see Chapter 2.

Part I

Recall from my theory that a state's foreign policy interests are shaped by their domestic political institutions and economic interests. Liberal states possess democratic political institutions and market-oriented interests that give them a stronger preference to seek access to markets and a weaker preference to compete over the control of land rents. This is because their economies are organized to gain a higher return on trade in manufactured goods and services in comparison to expending public funds on securing land rents. In addition, in liberal states the sectors of the economy that stand to economically benefit from additional trade in manufactured goods and services are more politically influential. These sectors generate more of the state's wealth and are likely to invest some of their gains in maintaining influence over the state's domestic and foreign policy.

For an illustration of this claim, one need look no further than tax policy in the United States, a liberal state where the influence of the land-oriented sector is economically dominated by the manufactured goods and services sector (resource rents represent just 1.3% of GDP). The U.S. corporate tax code reflects this balance of interests, as it is skewed to benefit goods and services and against land-oriented interests, like energy companies. U.S. energy companies paid the second highest corporate taxes of any industry (an average of 37%) and in absolute terms Exxon, Chevron and ConocoPhillips each paid the highest amount of tax, despite the enormous revenue and profitability of similarly-sized firms like General Electric,

Verizon and Boeing.⁵⁷⁷ It should also be noted that these three firms each individually spend more on lobbying than any energy company, including ExxonMobil.⁵⁷⁸

In addition to having market-oriented economic interests, liberal states also possess democratic political institutions. The implication of this is that any gains derived from rents captured through territorial aggrandizement or other exclusionary foreign policy activities will be broadly distributed through society. In contrast, in autocratic states, the gains are narrowly distributed amongst the ruling elite and therefore remain concentrated among those who control the government, giving the state a stronger preference to seek rents.⁵⁷⁹ Thus, democratic states will have a weaker preference to project power to secure rents when compared to their autocratic counterparts.

The interaction of goods and services-oriented economic interests and democratic political institutions gives liberal states an interest in pursuing open foreign policies that are designed to facilitate trade through securing sea-lanes and access to markets. Access to markets produces benefits for their societal economic interests and non-rival goods, such as secure sea-lanes, are an efficient means of broadly distributing goods. More importantly for my theory of geopolitical competition, these types of goods (secure sea-lanes and access to markets) are easier for states to

⁵⁷⁷ "Across U.S. Companies, Tax Rates Vary Greatly," *The New York Times*, accessed May 18, 2014 <http://www.nytimes.com/interactive/2013/05/25/sunday-review/corporate-taxes.html>

⁵⁷⁸ <http://www.thedailybeast.com/articles/2011/03/25/top-20-companies-that-lobby-the-most.html>. Accessed on April 17, 2014.

⁵⁷⁹ David A. Lake, "Powerful Pacifists: Democratic States and War," *The American Political Science Review* 86, no. 1 (1992).

cooperate over than goods that are inherently rival and fixed, like resource rents. This is because the provision of goods like secure sea-lanes can be made inherently non-rival and so one state's consumption of this good does not harm another's. Although access to markets can become a zero-sum game between states, unlike the division of rent, it can also be made into a positive-sum game in which both states are better off as a result of the gains from trade.

All things equal, liberal states that have a stronger interest in securing access to trade and secure sea-lanes should have more compatible interests than states who have a stronger preference for seeking rents. A liberal state can more easily pursue policies that maximize the set of goods flowing to their domestic political supporters without harming the ability of other liberal states to do the same. Additionally, gains offset losses. Because of gains from trade, liberal states should have stronger interests in maintaining cooperation on the foreign policy issues that matter most to them (access to markets and secure sea-lanes). This should give them an incentive to handle their disputes in zero-sum domains (such as the division of land rents) through international institutions and without projecting military force to coerce one another.

Non-liberal states have a stronger preference for pursuing goods, like rents, for which the competition is inherently zero-sum. For illustration, if State A's citizens capture a greater share of the rents, State B's citizens lose and vice versa. The implication is that non-liberal states hold preferences that conflict with those of other

states. Thus, to the degree that a state has a strong preference for pursuing wealth from rents, the pursuit of its interests will be threatening to all other states.

Non-liberal states have a stronger preference for pursuing rents because they are economically dependent on land rents as a source of wealth and/or because they possess autocratic political institutions that concentrate the gains derived from rents amongst a small political elite. Land-oriented states are economically dependent on the physical control of territory to generate wealth and possess stronger preference to secure control of additional land rents.⁵⁸⁰ These states possess entrenched economic interests who have invested in maintaining influence over the domestic and foreign policy of the state. These entrenched interests have wielded their influence to organize the state economy to extract wealth from land. This in turn makes the costs of substitution higher, as these states cannot simply turn on a dime and generate wealth from manufactured goods and services. The high costs of substitution means that land-oriented states face lower opportunity costs for opting to invest in generating additional wealth via territory, as opposed to seeking returns from manufactured goods and services. In comparison, the market-oriented states face a higher opportunity cost, because their economies are already organized to generate wealth from goods and services. In sum, all else equal, states that are economically dependent on territory to generate wealth will have a stronger preference to compete over land rents.

⁵⁸⁰ Historically, most states derived wealth from land, as nearly all states possessed agrarian economies and, in much of the developing world, this is still the case. Today, amongst more developed and powerful land-oriented states, this wealth is generally derived from resource rents.

Autocratic political institutions incentivize states to seek rents (derived from land or through restricting market competition). Land rents are particularly attractive for autocrats because they are militarily controllable and can be easily targeted to political supporters. Autocratic states that are economically dependent on land rents (predatory states) will have the strongest preference to pursue expansionist foreign policies and should therefore be the most threatening to all other states. Autocracies that are economically dependent on goods and services will still seek rents, but will face higher opportunity costs for doing so.

The bottom line is that non-liberal states will have less compatible interests because they will have stronger incentives to seek rents and this will make them inherently more threatening to all other states. Non-liberal states will be threatening to liberal states because their preference for generating rents through restricting economic competition or appropriating territory will be harmful for liberal states who seek to maintain open access to markets.

Non-liberal states will also be threatening to the interests of non-liberal states because of the zero-sum nature of the goods they are both interested in pursuing. Finally, to the degree that non-liberal states are interested in pursuing territory, they will be threatening to all states that, at a minimum, seek to maintain territorial sovereignty. The implication is that, all else equal, the greater the number of non-liberal states, the higher the level of geopolitical competition and the more likely states

will be to build and project power to protect their interests. This proposition is tested below in the cross-regional comparison.

Cross-Regional Comparison

The cross-regional comparison provides additional evidence for two of the observable implications that follow from my theory: 1) liberal states have weaker incentives to militarily compete over resource rents, and therefore, if only liberal states are present, they will handle their disputes within the confines of existing international institutions; 2) The presence of non-liberal states increases the level of geopolitical competition and therefore, if such states present, we should observe them being more likely to project power to compete over their disputes.

The comparison of these three regions is useful from the perspective of evaluating these claims because it allows me to match on a number of confounds that are associated with competing explanations, principally structural theories and theories of the rent-seeking state. For a table with the relevant variables, see Table 6.1 (Below). With regards to controlling for structural theories, the distribution of economic power is held constant, as all three regions are economically multipolar. In all three regions, the states are geographically proximate to one another. It is important to match on these covariates in order to isolate the impact of state type on the level of geopolitical competition.

Geographic proximity and the distribution of economic of power are variables that are associated with purely structural explanations, as well as my theory. The key difference between purely structural explanations and my own theory is that I argue that, all else equal, the type of states that populate the region condition the level of geopolitical competition. Therefore, it is crucial to hold these variables constant across the regions in order to isolate the impact of the distribution of interests or state type on the propensity of states to build and project power.⁵⁸¹

Finally, in all regions, resources are exogenously exposed due to technology and/or climate change in contestable areas. The exposure of resource rents in contestable zones allows me match on the central variable for theories of the rent-seeking state—the presence of appropriable land rents. If theories of the rent-seeking states are correct, then all states should project power to compete over the control of land rents. This allows me to test my theory against theories of the rent-seeking state by observing whether all states chose to project power to compete over those resources or whether some chose to handle their disputes solely within the confines of international institutions.

Given the distribution of interests across the three regions, my theory would predict that the level of geopolitical competition should be low in the North Sea, higher in the Arctic and the highest in the South China Sea. Therefore, I expect that states in the South China Sea should be most likely to build and project power and

⁵⁸¹ Also, if states are not geographically proximate or economically powerful enough to choose to build and project power, then it would be impossible to draw inferences about why they did not project power.

North Sea states should be the least likely to build and project power. In comparison to the North Sea, states in the Arctic should be more likely to build and project power.

Table 6.1: Cross-Regional Comparison

Region	Multipolar	Contestable Resources	Treatment Non-Liberal Types Present	Expected Value	Observed Value
North Sea	Yes	Yes	No	No Power Projection	No Power Projection
Arctic	Yes	Yes	Yes	Power Projection	Power Projection
South China Sea	Yes	Yes	Yes	Power Projection	Power Projection

Table 6.2: North Sea: Cooperative Geopolitical Environment (Control Region)

State	GDP in 1965 (billions \$)	State Type
United Kingdom	100.59	Liberal
West Germany	208.8 (1970)	Liberal
Denmark	10.67	Liberal
Norway	8.05	Liberal
Netherlands	21	Liberal
France	102.16	Liberal
Belgium	17.371	Liberal

Table 6.3: Arctic: Competitive Geopolitical Environment (Treatment Region)

State	GDP 2007	State Type
U.S.	13.961 Trillion	Liberal
Canada	1.424 Trillion	Liberal
Denmark	.311 Trillion	Liberal
Norway	.395 Trillion	Extractive
Russia	1.299 Trillion	Predatory

Table 6.4: South China Sea: Highly Competitive Geopolitical Environment (High Dosage Treatment Region)

State	2000 GDP (constant 2005 dollars)	States Type
Taiwan	240 Billion	Liberal
Philippines	81 Billion	Liberal
Indonesia	165 Billion	Extractive
Malaysia	93 Billion	Extractive
China	1.198 Trillion	Opportunistic
Vietnam	31 Billion	Predatory

Empirics

For the purposes of empirically evaluating the proposition that the presence of non-liberal states increases the level of geopolitical competition, it is useful to think of the North Sea as the control region, where only liberal states are present, and the Arctic and the South China Sea as the treated regions. We can think of the South China Sea as receiving a higher dosage of the treatment than the Arctic, as a greater proportion of the states in the region are non-liberal types. If the presence of non-liberal states increases the level of geopolitical competition, then we should observe states reacting to the exposure of resources in the Arctic and South China Sea by building and projecting military power. Additionally, because the South China Sea has a greater number of non-liberal states than in the Arctic, we should expect militarized competition over resources to be more intense there. Therefore, we should observe states projecting power with greater frequency and intensity in the South China Sea.

I find that my theory predicts the observed variation in the frequency and intensity of power projection to compete over resources across the three regions. Additionally, my theory accurately predicts that states in the North Sea would handle their disputes without projecting power and within the confines of international institutions. In comparison, in the Arctic, states were more likely to build and project power to compete over contested maritime resources.

In particular, much of this competition is driven by non-liberal resource-dependent states, such as Russia and, to a lesser extent, Norway. Russia reacted to the

unprecedented drop-off in Arctic ice in the summer of 2007 by projecting military forces into contested areas under dispute and against other Arctic states involved in these disputes. This caused many of the liberal states (which had handled their disputes with one another using international legal norms) to reevaluate the security of their Arctic interests and make greater investment in upgrading their Arctic force structure, force posture and training.

However, for the liberal states, these investments were modest and none of the states chose to project power to areas under dispute with greater frequency or intensity. In contrast, Norway, the extractive state (democratic, but resource dependent), chose to build and project power with greater frequency and intensity than the United States or Canada, despite being much less powerful. In short, the liberal states were far more reluctant to project power and to invest in the Arctic-specific capabilities required to do so in the future.

Without the presence of non-liberal states to coercively threaten their foreign policy interests, liberal states were able to handle their disputes without projecting power. In the North Sea, where only liberal states were present, the exposure of resources was greeted with bilateral agreements using existing international legal norms, rather than by deploying bombers and building bases, as was the case in the Arctic. Moreover, these bilateral agreements were upheld between powerful states (Britain) and weak states (Norway—which was then a liberal state), even when the relative value and size of North Sea resources increased after the bilateral agreements

were signed. Thus, these states adhered to their agreements even when their incentives to defect from these agreements increased.

In the North Sea, international legal norms and international institutions determined the distribution of resource rents, rather than the state with biggest battle fleet. Liberal states in the North Sea collectively chose to allow international energy prices rather than power politics decide the future flow of North Sea oil. The implication of following international legal norms was that weak states, like Norway, captured a disproportionate share of the resource rents derived from the sale of oil and gas on international markets. Norway's share of the resource rents was enormous, given her relatively low levels of economic and military power and small population.

In contrast, in the South China Sea, power politics prevailed as the competition over resources was carried out by states deploying ships and aircraft and jockeying to maintain presence in disputed areas. Rather than using international legal norms, non-liberal states, like Vietnam and China, have laid claims to nearly the entire South China Sea, garrisoned troops on far-flung atolls and invested in building bases to maintain their claims. Just as in the Arctic, much of this activity is driven by the behavior of non-liberal states, like China, that have projected power with far greater frequency and intensity than any other state. States have reacted to China projecting force into their EEZ and sometimes just off their shore, by investing in their own ability to project power to protect their claims. All states in the region have chosen to occupy features in the South China Sea and nearly all of the states in the region are

investing in modernization of their expeditionary warfare capabilities. In addition, deployments and disputes in the South China Sea have occurred with far greater frequency and intensity, in comparison to the Arctic.

In closing, my theory predicted that the presence of non-liberal states would increase the level of geopolitical competition in the Arctic and the South China Sea in comparison to the North Sea where there are no non-liberal states present. This is because non-liberal states have a stronger preference to project power to compete over resource rents. I tested this proposition by observing how states in all three regions reacted to the exogenous exposure of resources in contested areas. Consistent with the predictions of my theory, in the North Sea, where the level of geopolitical competitions was lower, states handled their disputes without building and projecting power. In the Arctic and the South China Sea, the presence of non-liberal states increased the level of geopolitical competition and states chose to build and project power to compete over resource rents.

Although the observed behavior across the three regions is consistent the predictions of my theory, it is important to be careful making specific claims about the casual impact of state type on the competition between states. Several potential confounds exist that should give us pause. First, although the regions were selected to match on a number of observable covariates, there are observable and unobservable variables that vary across the regions that could be driving variation in the dependent variable. In the North Sea, nearly of the states are also members of the NATO alliance

and concerns over alliance unity during the Cold War may account for the lack of power projection. The level of nationalist resentment between states in the South China Sea is likely higher than between states in the Arctic and thus might be responsible for driving higher levels of power projection between the states in the region. Dealing with alternative explanations will require additional research and alternative research designs.

Part II Implications for IR Theory and Policy

This dissertation makes three contributions: one theoretical, one methodological, and one policy-oriented. The principal theoretical contribution has been to build a theory of the origins of states' foreign policy interests. This theory is utilized to deduce a set of predictions regarding how variation in states' interests will condition how they react to changes in their natural and geopolitical environment. This theory has been used to explain when and why states project power, but it could also be used to explain many other foreign policy behaviors that are sensitive to threat, such as alliance behavior and arming or nuclear proliferation.

The principal methodological contribution has been to utilize the exogenous shock of climate change as an identification strategy to test the proposition that variation in states' foreign policy preferences drive their foreign policy behavior. A short-coming associated with previous observational research designs that attempted to examine the relationship between preferences and behavior is that we could never

be sure of the degree to which a state's behavior was being driven by their preferences or structural factors, such as their relative power or strategic environment. The research design employed in the Arctic case study helps to alleviate this by observing how states reacted to the exogenous shock of climate change.

The central policy contribution of this dissertation has been to develop and test a theory capable of making predictions regarding how states will react to global forces, such as climate change, technological innovation and changes in the distribution of power. Predicting state behavior is essential when designing and selecting policies to effectively manage rising powers, the political implications of climate change and the governance of the global commons. In the remainder of this chapter, I discuss these contributions and their impact for IR Theory.

Implications for IR Theory

The theory developed and tested in this dissertation utilizes domestic political institutions and economic interests to deduce the origins of states' foreign policy interests. Understanding the genesis of these interests will help us to understand how the nature of international relations has transformed due to changes in the domestic political economy of the world's most powerful states.

Charles Tilly famously quipped, "War made the state and the state made war."⁵⁸² Tilly reminds us that historically, most states possessed foreign policy

⁵⁸² Charles Tilly, *Coercion, capital, and European states, AD, 990-1992* (Malden, Massachusetts: Blackwell, 1990).

interests that necessitated that they build and project military force. This is because their political survival necessitated a strong interest in generating wealth, both to satisfy domestic political supporters and to pay for the coercive power required to compel and deter potential domestic and international threats to their rule. One particularly attractive means for generating additional wealth was to build military force and deploy that force to conquer territory (which generated land rents) and/or gain control over trade routes and extract rents by limiting economic competition.⁵⁸³ Building and projecting military force to extract these rents was costly and was often a net loss for these societies. But, so long as the gains were large enough to compensate a small number of elite individuals who governed the state, it remained in the interest of the state itself to project power to extract rents, even if it was a net loss for society.

Over the past two hundred years, two trends occurred that dramatically altered states' domestic political incentives to project power to seek rents. First, the spread of democratic political institutions has made the state more accountable to society, restraining the state from pursuing rents, unless the expected rents were large enough to compensate society for the costs associated with their control.⁵⁸⁴

Second, technological innovation and domestic and international economic institutions have altered the means by which wealth is created, with most states becoming less reliant on the physical control of valuable territory and more reliant on

⁵⁸³ Frederic C. Lane, *Profits from power: Readings in protection rent and violence-controlling enterprises* (Albany: SUNY Press, 1979).

⁵⁸⁴ Lake, "Powerful Pacifists: Democratic States and War."

producing and trading manufactured goods and services.⁵⁸⁵ This development freed these states from their dependence on territory, while simultaneously making them more reliant on trade and access to foreign markets.

The interaction of these two trends has fundamentally changed states' foreign policy interests and created a type of state that looks and behaves differently from the autocratic rent-seeking states of the past. These market-oriented democratic states, which I call liberal states, are still interested in maximizing their generation of wealth, but, because of their economic orientation and domestic political institutions, they are less interested in doing so by taking territory and or gaining exclusive control of trade routes and foreign markets. Instead, these states seek access to markets and secure sea-lanes over which they ship their exports of manufactured goods and services and import the inputs required to generate additional wealth.

These liberal states have chosen to generate wealth via the gains from trade that result from economic specialization and open markets, rather than through generating rents from limiting economic competition or appropriating land rents. In these cases, trade made the state wealthy and the state made trade. This does not necessarily mean that these liberal states stopped projecting power, but when they did so, it was generally not to conquer land rents, but to ensure access to markets.

The degree to which the states generate wealth from the physical control of territory informs the relative return on investment for the state pursuing land rents vs.

⁵⁸⁵ Richard N. Rosecrance, *The Rise of the Trading State: Commerce and Conquest in the Modern World* (New York: Basic Books, 1986).

trade in goods and services. Liberal states did not choose to generate wealth through trade in goods and services rather than seeking land rents because they are normatively “good” states, but rather because their domestic political supporters would punish them were they to choose rent-seeking policies that failed to generate a higher return on investment. For autocratic states the same logic applies, but the returns need not be large enough to compensate society broadly, but rather only large enough to benefit the ruling elite.

I have argued that states’ interests are derived from the desire of their political supporters to maximize their consumption of a particular set of goods. States’ beliefs about which policy will maximize the consumption of these goods then informs their foreign policy behavior. The implication for international relations theory is that we need not assume that all states have uniform preferences, seeking to maximize security or power, but rather we can derive their foreign policy interests from their economic interests and domestic political institutions. This allows us explore when states will pursue security or power as means to an end, rather than as end to itself.

The advantage to this approach is that we can use variation in states’ interests to explain when states make tradeoffs between pursuing different policies. International relations theory has lacked a theory of interests, and therefore we have generally assumed that states seek security and fear one another due the security dilemma, and then relied on the changes in the distribution of power to explain states’ behavior. However, it is equally plausible that states’ behavior is driven by changes in

the distribution of interests. Building a theory of foreign policy interests allow us to test this proposition.

Polarity As A Choice: The interaction of structure and interests

If the distribution of interests conditions the impact of the distribution of power, then structure is endogenous, not exogenous, to the foreign policy choices of states. Put simply, polarity is a choice. For economically powerful states, their foreign policy interests and the degree to which they are threatened by other powerful states determines the degree to which they will seek to become a pole. In short, if the distribution of power is economically multipolar, then the level of interest compatibility between states will determine whether the system is unipolar or multipolar.

If states have compatible interests, then they will be less likely to arm and more likely to free ride off the most powerful state. This is because the most efficient means for them to maximize their consumption of goods is to invest in domestic social welfare or future economic competitiveness. In this case, the system will be economically multipolar, but militarily unipolar.

However, if states have incompatible interests, then the best way for them maximize their consumption is to invest in military power to protect their economic interests. In this world, even liberal states will arm to protect sea-lanes and access to

markets. Non-liberal states will project power for these objectives and to maximize their control of rents.

To test these propositions, I used my theory of geopolitical competition to develop a deductively valid measure of geopolitical competition. This measure makes three contributions. First, it measures the level of geopolitical competition that each individual state faces and thus permits me to operationalize and test my theory with a much larger set of observations. This represents a major methodological advancement because previous attempts to study the impact of the structure of the international system were severely limited by having a small number of observations.⁵⁸⁶ This measurement strategy increases the number of observations with which I can model state-specific behaviors. This allowed me to use more rigorous statistical methods to test my hypotheses against those of my competitors.

The geopolitical competition variable will also be valuable for other researchers who can now use it to study how the structure of the international system affects a host of other outcomes of interest.⁵⁸⁷ Indeed, many of the outcomes of interest in studies of international relations and comparative politics are informed by the level of threat that each state confronts within the international system. This

⁵⁸⁶ This is due to the fact that the structure of the international system changes slowly and therefore there are only one or two periods of bipolarity, multipolarity, or unipolarity over the past two centuries. The measure solves this problem of micronumerosity by measuring each state's position within the international system. Specifically, I can measure the geopolitical environment for each individual state, however I differ in some important ways including how I conceptualize differences in states' interests.

⁵⁸⁷ Traditional international relations theory has long suspected that states are sensitive to the degree to which the geopolitical environment (or system) threatens or facilitates their interests. See Stephen M. Walt, *The Origins of Alliances* (Ithaca, NY: Cornell University Press, 1987); Kenneth N. Waltz, *Theory of International Politics* (Reading, MA: Addison-Wesley, 1979).

measure of geopolitical competition is useful for explaining state behaviors regarding arming, alliance behavior, civil-military relations, trade agreements, military technological innovation and other outcomes of interest, precisely because it focuses on the state's position within the international system as a whole.

Second, this measure of geopolitical competition captures how states experience changes in the distribution of power, conditional on their relative geographic location within the system. For example, because of geographic remoteness, a return to multipolarity in Asia has a different effect on Japan than on Brazil.

Third, the measure is sensitive not only to changes in the distribution of power, but also the distribution of states' interests and their compatibility. I improve on previous attempts to incorporate interest compatibility by using a deductive theory of the domestic origins of state interests. This allows us to incorporate the level of geopolitical competition a state faces into the measure *ex ante*, before I observe states behaving competitively. Thus, my measure of geopolitical competition improves on existing approaches, which only measure the level of threat, rivalry⁵⁸⁸ or geopolitical competition after observing states competing or behaving in a threatening manner.⁵⁸⁹

A Theory of Peace

⁵⁸⁸ Scott D. Bennett, "Integrating and Testing Models of Rivalry Duration.," *American Journal of Political Science* 42, no. 4 (1998).

⁵⁸⁹ These previous attempts are valuable, and some are operationalizable *ex ante*, but they are theoretically unsatisfying because they do not tell us *why* states have competing interests, rather only that they have them, as confirmed by their observed behavior. See Walt, *The Origins of Alliances*; *ibid.*

A theory of when states will bargain over their interests by building and projecting military power or pursue their goals via other means is essentially a theory of peace. Research on war focuses on two principal mechanisms --- credible commitment and information.⁵⁹⁰ The implicit assumption has been that if I can learn why some states fail to accurately assess the capabilities and resolve of one another⁵⁹¹ or create mechanisms that allow actors to credibly commit to bargains, then states will no longer need to fight one another. However, few such commitment mechanisms exist and no matter how clear the lines of communication, states still make errors.⁵⁹² States stop going to war, not because they learn how to avoid bargaining failures, but because they stop employing military coercion when bargaining in the first place.

One of my long-term research goals is to better understand when and why states choose to bargain with other states in the shadow of military power.⁵⁹³ Today, states in North and South America and Western Europe bargain with one another over various issues, but military coercion is rarely used in these strategic interactions. Because these bargains do not involve military coercion, they cannot end in war. The puzzle is not why coercive bargains end in war, but why states stop entering into coercive bargaining situations in the first place.

⁵⁹⁰ See James D. Fearon, "Rationalist Explanations for War," *International Organization* 49, no. 3 (1995); Robert Powell, "War as a Commitment Problem," *International Organization* 60, no. 1 (2006).

⁵⁹¹ Risa Brooks, *Shaping Strategy: The Civil-Military Politics of Strategic Assessment* (Princeton, NJ.: Princeton University Press, 2008).

⁵⁹² Erik A. Gartzke, "War is in the Error Term," *International Organization* 53, no. 03 (1999).

⁵⁹³ Robert Powell, *In the Shadow of Power: States and Strategies in International Politics* (Princeton University Press, 1999).

States engage in coercive bargaining or military competition by choosing to build and project military power. An obvious but important point is that military competition and coercive interactions are not possible without first building deployable military forces. Once such forces are built, it is rare that they are not deployed to protect and further the interests of the state. Thus, those who wish to discern why military competition occurs should look to when and why states build and project military power in the first place.

This was not a dissertation about why states build militaries, but rather about when and why they choose to build the capabilities to coercively bargain over the distribution of goods beyond their borders. My motivating puzzle is why some states choose to bargain over their far-flung interests in the shadow of military power, while others choose to bargain without the use of military coercion.⁵⁹⁴ I addressed this puzzle by demonstrating that states that operate within competitive geopolitical environments are strongly incentivized to build power projection capabilities, whereas state within cooperative geopolitical environments can safeguard their interests without building power projection capabilities. In turn, the level of geopolitical competition is primarily a function of the distribution and compatibility of state interests. International relations will be peaceful (i.e. occur without the threat of military coercion) when states have compatible interests and the origins of these interests lie with their economic interests and domestic political institutions.

⁵⁹⁴ Ibid.

Puzzle and Policy Implications

This dissertation began with the puzzle of why most powerful states stopped projecting power and why some states are starting again. I start with the answer to the first part of the puzzle. States stopped projecting power because most of the states with the economic capacity to do so possessed similar foreign policy interests that could be advanced without building and projecting power. By the end of the Cold War, most states that possessed the economic capacity to choose project power were market-oriented democracies such as the Japan, Germany, France, and Britain. Those states that were not-market oriented democracies, such as Russia and China, faced economic challenges that constrained their ability to invest in the capability required to deploy forces globally.

There has been a fundamental shift in the interests of the set of states with the economic heft required to choose to project power globally. From the 15th to the mid-20th century, the majority of these states were ruled by small coalitions whose primary source of wealth was rents extracted from the control of territory or by limiting market competition through exclusive access to trade routes and colonies.⁵⁹⁵ The generation of wealth and therefore their political survival depended on building and project military power to compete over stocks and flows of rent.

⁵⁹⁵ For more on the rent seeking exclusionary policies of these states see Leo J. Blanken, *Rational Empires: Institutional Incentives and Imperial Expansion* (Chicago: University of Chicago Press, 2012); Daron Acemogul, Simon Johnson, and James Robinson, "The Colonial Origins of Comparative Development," *American Economic Review* 91, no. 5 (2001); Charles Ralph Boxer, *The Dutch Seaborne Empire, 1600-1800* (London: Knopf, 1965); Kenneth R. Andrews, *Trade, Plunder and Settlement: Maritime Enterprise and the Genesis of the British Empire, 1480--1630* (Cambridge: Cambridge University Press, 1984); Tilly, *Coercion, capital, and European states, AD, 990-1992*.

Changes in the way wealth is generated and the spread of democratic political institutions has fundamentally altered these states' interests. Traditional colonial powers that used to project power around the globe to compete over territory and trade are now governed by large coalitions whose primary source of wealth is derived from trade in manufactured goods and services.⁵⁹⁶ The goods these states seek are access to trade and secure sea-lanes, not control of additional territory or exclusive access to foreign markets. These goods are, for the most part, already provided by the United States.

The U.S. has provided these goods, not because it has all-encompassing interest in doing so, but because it is a liberal state and this is the set of goods its own citizens are interested in consuming. Once the U.S. has provided these goods for its own citizens, the cost of sharing them is low and the benefits from facilitating open global markets is high for both the U.S. and most other powerful states. The other liberal states did not seek to compete over land rents or exclude on another from trade routes and were thus happy to free ride off the security provided by the U.S. In short, most of the states that could project power were no longer interested in doing so.

I have provided an explanation for why states stopped projecting power, but why are others starting again? The answer is that economic development has empowered states like Russia and China, whose domestic political institutions and economic interests endow them with foreign policy interests that are incompatible and

⁵⁹⁶ There are a number of other reasons why states have abandoned colonialism, not least because of the innovation of vertical integration. For more on this, see Jeffrey A. Frieden, "International investment and colonial control: a new interpretation," *International Organization* 48, no. 04 (1994).

threatening to other states. It is not just that there has been a shift in the global distribution of power, but rather that power has shifted to a set of states whose interests cannot be advanced without building and projecting power.

Russia's autocratic political institutions and land-oriented economic interests give her a stronger preference to pursue expansionist policies designed to secure control over additional land rents. Russia's projection of power to compete over Arctic sea-bed resources and its recent annexation of Crimea are illustrative of its expansionist impulses. Russia is surrounded by powerful states with which it has incompatible foreign policy interests. These states wish to limit Russia's attempts to seek rents through reestablishing an informal empire along its periphery or through territorial expansion in the Arctic and Eastern Europe. Russia's perceives this to be threatening to its foreign policy interests and it has invested in building the power projection capabilities to protect and further its interests. In the Arctic, states have reacted to Russia's moves by upgrading their own power projection capabilities and states in Europe are beginning to reconsider whether their current force structure is sufficient to protect their interests.

China's autocratic political institutions incentivize her to pursue goods that will benefit a small ruling elite. This gives China a stronger preference for pursuing exclusionary foreign policies designed to seek rents. This rent-seeking generally comes at the expense of other states, given that rents are generated through restricting economic competition or the appropriation of land. Since other states would prefer not

to have their trade limited or their territory taken, this results in China having incompatible interests with other states in the region. Powerful states, like the United States and Japan, seek to prevent China from pursuing control over the East and South China Sea. China finds this threatening to its foreign policy interests and it has responded by developing power projection capabilities to further its ability to successfully exclude other states from these areas.

India and Japan, both market-oriented democratic states, are reacting to China's rise by building their own power projection capabilities. Japan is concerned that China will employ its increasing military power to pursue exclusionary policies in the East and South China. Such policies would threaten Japan's interests by restricting its freedom of navigation, upon which its economic and security interests depend. Tokyo must also protect its interests from states like Russia, China, and South Korea, which have territorial disputes with Japan. My theory expects that in comparison to South Korea, Russia and China should be more likely to project power to compete over these disputes because they should have stronger preference to seek rents. Japan is encircled by increasingly powerful states with which it has incompatible interests.

Thus, when Tokyo looks out at the world, it realizes that it faces an increasingly competitive geopolitical environment. This geopolitical environment has incentivized Japan to increase its defense spending for the first time in eleven years. Japan plans to increase its defense spending 5% over the next five years and will use this funding to upgrade its power projection capabilities. Specifically, Japan is

purchasing several drones, fifty-two amphibious assault vehicles, seventeen Osprey submarine hunting aircraft, five submarines, two Aegis equipped destroyers and twenty-eight F-35 Joint Strike Fighters. This represents a major boost in Japan's ability to project power into the East and South China Sea.⁵⁹⁷

India must also contend with China's rising power, as well as other opportunistic and predatory states, such as Pakistan and Russia. India has ongoing territorial disputes with China and Pakistan and faces the challenge of ensuring that its freedom of navigation is protected from China's navy and air force. India's competitive geopolitical environment explains why it has invested in greater power projection capabilities, such as building nuclear-powered submarines and an indigenously-produced aircraft carrier.⁵⁹⁸

In sum, states are starting to build and project power again because the geopolitical environment that states find themselves in is one that increasingly threatens their interests. This is the result of new major trends: first, states' economic development has shifted the distribution of material power so that a greater number states can project power if they choose; second, and more importantly, this shift in the distribution of material power has empowered a set of states that have foreign policy interests that are inherently threatening to the interests of all other states.

⁵⁹⁷ "Defense outlays to be hiked 5% amid China threat," The Japan Times, accessed May 16, 2014 <http://www.japantimes.co.jp/news/2013/12/17/national/defense-outlays-to-be-hiked-5-amid-china-threat/#.U3YyGC8RZUG>

⁵⁹⁸ For more on India's increasing power projection capabilities, see Walter C. Ladwig III, "India and Military Power Projection: Will the Land of Gandhi Become a Conventional Great Power?," *Asian Survey* 50, no. 6 (2010). For more India's carrier see "Indian-built aircraft carrier INS Vikrant launched," BBC, accessed August 14, 2013 <http://www.bbc.co.uk/news/world-asia-india-23662726>

The impact of this trend has been greatest in Asia because of the rise of China and the fact that more states there have incompatible interests in comparison to Europe. Western European states may be concerned about a more powerful and expansionist Moscow, but they have fairly compatible interests with one another, and have greater military potential both individually (in the case of Britain, France and Germany) and collectively (in terms of NATO states) than Russia.⁵⁹⁹ In comparison, China is by far the most powerful state in Asia and is beginning to challenge the United States in terms of its base of military potential. Thus, states in Asia should be more threatened by China's potential power than Europe is by Russia's.

Additionally, unlike Europe, Asia is still populated by a number of small to medium non-liberal powers that are either fully autocratic (North Korea, Vietnam, Myanmar), economically dependent on land rents (Malaysia and Indonesia) or anocracies that are still transitioning to democracy (Pakistan, Sri Lanka, Bangladesh and Cambodia). These states should have less compatible interests and stronger preference to compete over rents. Some of these states are so weak that they exercise little coercive influence, but others are powerful enough that they are able to threaten the interests of other states. Given this state of affairs, the level of geopolitical competition in Asia is higher than in Europe. This provides an explanation for why, despite greater economic capacity, Europe has stopped building and projecting power, while states in Asia are starting again.

⁵⁹⁹ Military potential here is operationalized as GDP, which is an imperfect measure, as it does not take into account current capabilities. However, on any measure of military power, NATO is clearly more powerful than Britain.

What are the implications for geopolitics and territorial conflict?

My theory suggests that impact of the shift in the global distribution of economic power will be conditioned by the compatibility of states' interests. Regions that are populated by market-oriented democratic states, such as Western Europe and Latin America, will continue to have a relatively low level of geopolitical competition and states there will be unlikely to bargain with one another by building and projecting power. However, in regions such as the Middle East and Asia, the level of geopolitical competition should increase as states develop economically. Economic development in this region should be associated with states investing in upgrading their ability to project power and threaten one another's interests.

My theory suggests that the Middle East will continue to be a highly competitive geopolitical environment, as most of the states there are autocratic and extremely dependent on resource rents. Here, I differ with scholars like Colgan who suggest that the effect of oil wealth on a state's foreign policy is conditioned not by how a state's economic dependence on land rents affects its preferences (as my theory suggests), but rather by whether the state is governed by a revolutionary leader.⁶⁰⁰ Colgan operationalizes a revolutionary leader by coding whether the members of the government participated in the revolution that installed the current government in power. Following Colgan's logic, there should be less foreign policy aggression in the Middle East over time, as the cohorts associated with the revolutions in states like Iran

⁶⁰⁰ Jeff Colgan, *Petro-aggression : When Oil Causes War* (Cambridge: Cambridge University Press, 2013).

retire and die out. However, this dissertation contends that states' interests are stickier and more enduring than Colgan suggests. This is because state's interests emanate from nature of their economic interests and political institutions. I do not suggest that the preferences and action of individual leaders are unimportant, but rather that all rulers face the fundamental problem of generating the goods required to maintain political power. In doing so, they are constrained by the economic interests of their political supporters and the means of wealth generation available to them. Rulers who rely on land rents will have a stronger interest in protecting their current stocks and securing additional sources of land rents.

The Middle East is populated by predatory states and extractive states. These governments are extremely dependent on resource rents as a source of wealth, with many states relying on resource rents for between a quarter and a half of their total GDP. Most of the leaders of these states are beholden to small coalitions and their primary source of goods to keep these coalitions loyal are the profits extracted from the oil and gas that lie beneath the desert sand.

Thus, in the Middle East, more than anywhere in the world, wealth is still derived from the physical control of territory and, perhaps more importantly, the stocks of this wealth can be appropriated by military force. This explains why Middle Eastern states invest heavily in building military capabilities to protect their stocks of wealth from both domestic and international challengers.

In contrast to Colgan, I predict that Middle Eastern states will continue to build and project military power to compete over land rents long after the individuals associated with the revolutions have passed away. The Iranian revolution occurred over 40 years ago and, yet, Iran continues to invest in the capabilities to project power across the Middle East via both conventional means, such as its ballistic missile program, as well as unconventional, such as its support of paramilitary groups and its nuclear weapons program. Although we may rarely observe actual wars over territory, as occurred during the 1980's between Iran and Iraq, this does not mean that states are not constantly engaging in military competition through conventional means, such as arming and unconventional means such as backing factions in civil conflicts like Syria or Iraq.⁶⁰¹

The preference of the predatory states in the region is to maximize their control over land rents and the appropriable nature of land rents helps to drive the higher levels of geopolitical competition. This explains why Saudi Arabia, a state that never had a revolutionary government, continues to spend more on defense as a percentage of GDP than other state except Oman, another Middle Eastern predatory state, and South Sudan, an African predatory state involved in a conflict over oil.⁶⁰² Excluding

⁶⁰¹ In equilibrium, we may be unlikely to observe wars because the states in this regions understand each others' predatory preferences and have invested heavily in seeking to deter direct territorial aggrandizement.. Additionally, the United States has made it clear that it will not tolerate one state dominating Middle East energy reserves and this may help to deter conflict. See Eugene Gholtz and Daryl Press, "Protecting The Prize: Oil and the US National Interest," *Security Studies* 19, no. 3 (2010). However, the absence of war does not mean that relations are peaceful or that the level of geopolitical competition is low.

⁶⁰² "Military expenditure (% of GDP)," The World Bank, accessed May 15, 2014 http://data.worldbank.org/indicator/MS.MIL.XPND.GD.ZS?order=wbapi_data_value_2012+wbapi_data_value+wbapi_data_value-last&sort=desc

China, Saudi Arabia is also the state that increased its defense spending the most from 2004 to 2013 (the UAE, another predatory Middle East state placed 4th). These expenditures do not just represent domestic repressive capabilities, but also expensive power projection assets, as evidenced by Riyadh's 2011 purchase of 30 billion dollars worth of F-15SA air superiority and strike aircraft.⁶⁰³

The Middle East is not the only region in which powerful predatory states have and will continue to increase the level of geopolitical competition. Russia is the world's most powerful predatory state, with a GDP that has expanded from 340 billion to over 2.1 trillion in the last decade. Russia has plunged its newfound wealth into modernizing its military and acquiring greater power projection capabilities (as covered in greater detail in Chapter 4), as Moscow has more than doubled its defense spending in recent years.⁶⁰⁴ Russia has not only invested in building greater power projection capabilities, but it has also chosen to project power into the Arctic and more recently, to annex Crimea.

Again, here I contrast with Colgan whose theory suggests that Russia should not be more aggressive than the average state, given that Putin is not a revolutionary leader. Russia has behaved exactly as my theory expects, which predicts that predatory states should have a stronger to preference to project power to compete over the

⁶⁰³ "White House, Saudi Arabia Sign \$30B F-15 Deal," Devin Dwyer, accessed May 15, 2014 <http://abcnews.go.com/blogs/politics/2011/12/white-house-saudi-arabia-sign-30b-f-15-deal/>

⁶⁰⁴ "Arms and the Man: The countries spending the most on their military," The Economist, accessed 2015, May 15 <http://www.economist.com/blogs/graphicdetail/2014/04/daily-chart-9>

control of additional territory, as it is a source of goods that can be redistributed to the elite.

The real prize in annexing Crimea may be the offshore reserves of oil and gas that exists in what was previously part of Ukraine's EEZ in the Black Sea. This offshore area is three times larger than Crimea and has allowed Russia to claim an additional 36,000 square miles of EEZ. More importantly, prior to the annexation, the Black Sea had been the focus of energy exploration by Exxon, Royal Dutch Shell and other companies with some petroleum experts estimating that the reserves could be as large as the North Sea.

Russia had also taken an interest in exploring the Black Sea, but the area it controlled prior to the annexation was not considered as promising as the area within Crimea's EEZ. Geologists have suggested that the annexation of Crimea gives Russia control over the most valuable oil reserves in the Black Sea.⁶⁰⁵ It is too early to accurately assess the size of the reserves or what the returns to conquest will be. Russia's annexation of Crimea may prove costly, and it may even be a net loss to Russia's citizens, but so long as ex ante Russian leaders believed it would benefit the ruling elite, Moscow's behavior is consistent with my theoretical expectations.

Do Russia's actions portend a new era of land grabs and territorial aggrandizement? Not likely. If anything, Russia's recent actions are the exception that proves the rule that territorial aggrandizement, at least among most of the major

⁶⁰⁵ "In Taking Crimea, Putin Gains a Sea of Fuel Reserves," William J. Broad, accessed May 18, 2014 http://www.nytimes.com/2014/05/18/world/europe/in-taking-crimea-putin-gains-a-sea-of-fuel-reserves.html?hp&_r=0

powers, is generally a thing of the past. This is because, at least for now, most of the world's most powerful states are market-oriented democracies that have a weak preference to take territory. That is not to say that major powers will never appropriate land, but that the conditions under which they are likely to do so are specific and limited. Such land grabs are more likely to occur when the potential occupier is dramatically more powerful, when the costs of occupation are low, and the potential occupier has a strong preference to take additional territory. This dissertation suggests that the final condition is the critical variable that explains why Russia has chosen to annex Crimea, but other contemporary powerful states have been reticent to annex even their dramatically weaker neighbors.

As the United States has learned in the aftermath of Iraq and Afghanistan, occupying territory has become much more costly, due to nationalism and technologies like the assault rifle and IEDs, that have empowered insurgents relative to occupiers. Russia's chose to annex an area in which co-ethnics dominated and thus the force of nationalism likely reduced the cost of occupation. Should Moscow decide to expand into Eastern Ukraine or the other Eastern European states, Russian troops would likely find the forces of nationalism operating against them and the cheap tools of insurgency would increase the cost of occupation. Russia was also dramatically more powerful than Ukraine, a relatively poor state that lacks a strong military. Finally, Russia is a predatory state and thus should have a stronger preference to take territory than all other states. In the case of Russia's annexation of Crimea, all three of

the conditions in which territory is most likely to be taken were met and, even then, in twenty-three out of twenty-four years since the end of the Cold War, Russia chose not to annex Crimea.

What does this portend for the future of territorial conquest? My analysis suggests that the dramatic increase in the cost of taking territory and the availability of alternative means of generating wealth imply that the average state should have weaker incentives to build and project power to compete over territory. Liberal states should have even weaker preferences than the average state to project power to compete over territory. Given that the overwhelming majority of the world's most powerful states are liberal, this behavior should be exceedingly rare.

Thus far, my conclusions are largely in line with those who argue that commerce and capitalism have made conquest obsolete.⁶⁰⁶ However, some caveats are in order. Two global trends might increase the probability of conflict over the control of territory. First, if the distribution of economic power continues to shift towards non-liberal states like China and Russia, they may choose to project power to coercively bargain over a greater share of the world's finite land rents. However, as I mentioned previously, so long as territorial occupation remains costly, these expansionist impulses are likely to be tempered.

The second major global trend may mitigate the cost of occupation, which is the exposure of offshore sea-bed energy reserves due to global climate change and

⁶⁰⁶ Rosecrance, *The Rise of the Trading State: Commerce and Conquest in the Modern World*; Erik Gartzke, "The Capitalist Peace," *American Journal of Political Science* 51, no. 1 (2007).

technological innovation. With the exception of villains in James Bond films, no one lives on the bottom of the ocean floor and so the costs associated with “occupying” and extracting wealth from this territory are much lower. Put simply, there is no population to pacify on the bottom of the ocean floor. All else equal, this should increase the incentives of states to project power to compete over these resources. Thus, although I expect military competition over territory to be rare amongst the world’s most powerful states, it should be most likely to occur when offshore resources are exposed in contestable areas near non-liberal states.

These conditions all obtain in both the Arctic and South China Sea, where the exposure of resources has been greeted by states deploying their militaries to jockey over the control of the bottom of the sea and the resource rents that lie beneath. *Ceteris paribus*, unless there is a change in the domestic political economy of the states in the region and, specifically, a long-term move towards consolidated market-oriented democracy, I expect the states in the region to continue project power to coercively bargain over the control of resource rents. It is important to note that I am not predicting there will necessarily be conflict, given that these coercive bargains might not end in war. I am only suggesting that one of the pre-conditions for conflict, coercive bargaining interactions, will be likely to continue to occur. Thus, the probability of territorial conflict will be higher in the Arctic and South China Sea, relative to regions in which there are no coercive bargaining interactions involving territory.

In sum, my prognosis is that we are unlikely to witness a return to traditional territorial conflict among the majority of the world's major powers. This is because the world's most powerful states are largely liberal states that have weak preferences to project power to coercively bargain over or conquer additional territory. Although military competition over territory is rare, we should expect it to be more likely to occur areas in which the value of land rents are high and/or the cost of occupation is low, and powerful non-liberal states are present.

This suggests that policymakers concerned about territorial conflict should keep a close eye on the regions that are populated by predatory states, such as Middle East and perhaps in the future, Africa, as that region develops economically and the predatory states there become more powerful. Additionally, policymakers should be wary of areas that are adjacent to powerful non-liberal states, such as Russia and China, in particular in spaces in which contestable resources are exposed, such as the Arctic and South and East China Sea.

The Implications of Climate Change and the Rise of China

Two of the major drivers of international politics in the 21st century will be the rise of China and the political implications of climate change. How will states react to changes in their geopolitical environment caused by shifts in the distribution of power and changes to their natural environment brought about by forces such as climate change and technological innovation. Addressing both of these problems involves

understanding how changes to states' geopolitical and natural environment affect their interests. This will determine how states respond in terms of whether they choose to pursue their foreign policy interests using military coercion or other means.

How States Will Respond to Changes in the Natural Environment

Understanding variation in states' foreign policy preferences and how their interests are connected to their natural environment allows us to make more specific predictions regarding how they should react to forces, like climate change or technological innovation, that alter their natural environment. International relations theory has long theorized about how states will react to changes in their geopolitical environment, but we have few theories that tell us how states will deal with changes to their natural environment. This is because we have lacked both a theory of foreign policy interests and how these are interests connected to the natural environment. To the degree that climate change alters the natural environment by altering the accessibility of land rents in contested area, this will affect states' interests differently depending on their preferences.

To predict how states will react to geopolitical and natural environmental changes, we must first have an understanding of states' interests and, second, understand how changes to their natural environment will affect these interests. One of the mechanisms by which changes to the environment will affect states' interests is in their ability to generate wealth and security for their constituents. A core

contribution of this dissertation has been to derive a theory of how states foreign policy interests will vary according to how they generate wealth and for whom they are generating it. The more the generation of wealth is tied to the natural environment, the more sensitive these interests will be to changes to the natural environment caused by climate change or technological innovation. One particular casual pathway by which environmental change is likely to alter state interests is by altering the geographic distribution and relative abundance or scarcity of land rents.

States that derive wealth from the land rents will be more sensitive to how climate change or technological innovation alters the distribution of global land rents. If land rents are exposed in contestable spaces due to global climate change, then these states will be more likely to project power to capture these rents. Conversely, if climate change creates viable Arctic sea-lanes that dramatically decrease the cost of shipping, then states that derive their wealth from trade in manufactured goods and services will have a greater incentive to ensure that access to sea-lanes remains open and secure.⁶⁰⁷ Given that states with exclusionary foreign policy preferences, like Russia, have sought to limit access to these sea-lanes in the past, liberal states will be more likely to project power to protect their economic interests.

Arriving at these predictions regarding how states will react to changes in their geopolitical and natural environment required a theory of foreign policy interests and how these interests would be impacted by both other states and the natural

⁶⁰⁷ I should note that currently Arctic sea-lanes make up a very small percentage of global shipping. However, this may change in the future if climate change continues to rapidly melt the Arctic ice and if the infrastructure and shipping insurance is developed to make the journey more economically viable.

environment. This dissertation has developed this theory, derived falsifiable theoretical predictions, and subjected these predictions to rigorous empirical tests.

How States will respond to Changes in their Geopolitical Environment

The global shift in the distribution of power and the rise of China will present the defining challenge to global peace and stability for U.S. policymakers. One of the core policy-oriented contributions of this dissertation has been to generate predictions for both how rising powers should behave and the degree to which the geopolitical environment is likely to be characterized by cooperation or competition. Existing systemic, monadic, and dyadic theories are not able to provide policymakers with this level of granularity in their predictions. This is because existing systemic or dyadic theories are designed to tell us when the system should be less stable as a whole or when two states are more or likely to fight, but not how individual states would react to their geopolitical environment.⁶⁰⁸ The ability to make such predictions will be critical for policymakers who must choose policies based on their expectations of how individual states will react to global trends (such as the shifting distribution of power and democratization). My approach offers an advancement over dyadic and systemic approaches that could only tell policymakers how two pairs of states are likely to behave or whether the international system would be more or less stable. Policymakers

⁶⁰⁸ Systemic theories generally produce predictions regarding the level of stability in the system. Dyadic theories predict relations between pairs of states. Monadic theories do make predictions regarding individual state's foreign policies, but none have systematically incorporated the impact of the structural variables and state-level variables in a way that is operationalizable ex ante.

need to know how individual states will react to their changing geopolitical environment. My theory provides predictions that should help guide their priors when making foreign policy.

Today, as the balance of power shifts to rising powers, such as China and India, we are observing a dynamic renegotiation of regional orders. Such renegotiations are based largely on changes in the relative ability of rising states to project power and the limits of the power projection capabilities of geographically-distant countries like the United States.⁶⁰⁹ The change in relative economic power has also been accompanied by shifts in military investment, as many rising powers have augmented their expeditionary warfare capabilities. Many countries in Asia are investing in the force structure required to project power over great distances, transitioning from brown to blue water naval forces, building foreign bases, and purchasing long-range sensory and communications technology.⁶¹⁰

My findings suggest that this trend is likely to continue and that, as counties in Asia rise economically, they will also rise militarily, unless a new wave of democratization occurs there, particularly in China. States in this region face an increasingly competitive geopolitical environment and are therefore likely to continue to invest in power projection capabilities to defend their interests. The implication of this trend is that economic multipolarity is likely to be associated with military

⁶⁰⁹ Toshi Yoshihara and James R. Holmes, *Red Star Over the Pacific: China's Rise and Challenge to U.S. Maritime Strategy* (Annapolis, Maryland: Naval Institute Press, 2010).

⁶¹⁰ Richard A. Bitzinger, "Long Term Defense Planning in Asia and Its Impact on the Regional Military Dynamic," (S. Rajaratnam School of International Studies, 2011).

multipolarity and thus higher levels of military competition and instability in Asia. In contrast, the diffusion of economic power to regions like Western Europe and Latin America is unlikely to be associated with arming, as states there have fairly compatible interests and therefore face a relatively unthreatening and much more cooperative geopolitical environment.

The implication is that, in Asia and the Middle East, U.S. policymakers will be forced to contend with an increasingly competitive geopolitical environment. These regions are populated by states with incompatible interests and therefore regional economic development is likely to be accompanied by greater military investment. These investments will focus on enhancing these states' ability to project power, as they seek to further and protect their interests. In the Middle East, where most states are autocratic and resource dependent, geopolitical competition among the region's states will continue to focus on the control over land rents (specifically oil and gas reserves), the fountain from which most of the region's wealth flows. In contrast, in South and East Asia, many of the states will focus not only on competition over land rents (principally in the form of sea-bed resources), but also rents that can be derived from restricting economic competition.⁶¹¹ Here the principal battle will be between liberal states, who seek to ensure access to markets and sea-lanes, and non-liberal states, who seek the ability to extract rents through excluding others as a means of restricting market competition. To the degree that the competition over rents produces

⁶¹¹ David A. Lake, "The Challenge: The Domestic Determinants of International Rivalry between the U.S. and China," *International Studies Review* (Forthcoming).

externalities that harm U.S. interests, Washington should seek to maintain the ability to project power to deter threats to its interests in Asia and the Middle East.⁶¹²

In contrast, in Western Europe and North and South America, the geopolitical environment is likely to be characterized by cooperation. Here, economic development will be accompanied by relatively peaceful relations between states. The one exception to this rule in Europe is the return of Russia as a potential source of aggression and instability. However, unlike China which is the dominant power in Asia, Russia is far weaker than NATO (even without the U.S.), both in terms of military potential and actual military capability. Europe is therefore likely capable of deterring Russia without much American in-theater presence.⁶¹³

This is not to suggest that states in Western Europe and Latin America will not compete with each other. They most certainly will, but generally not by projecting military power against one another. Because these states are no longer interested in projecting military force to coerce one another, there is little risk of instability, given that there will be few coercive bargaining interactions in the first place. The U.S. generally maintains forces around the globe to deter threats to its interests and allies. My analysis suggests that maintaining military presence in these regions is no longer necessary to deter these threats. This frees up scarce forces to redeploy to regions of the world where competition is more likely to threaten U.S. interests.

⁶¹² It is important to note that the externalities produced from the competition over land rents will not necessarily harm U.S. interests and that policymakers should carefully assess when and where deterring such competition warrants the deployment of U.S. forces.

⁶¹³ For a more on this point, see Barry Posen, *Restraint: A new Foundation for U.S. Grand Strategy* (Ithaca, New York: Cornell University Press, 2014).

Implications for U.S. Grand Strategy

This thesis has implications for the debate over the future of U.S. grand strategy and how Washington should respond to rising powers. Some have argued that the U.S. should remain deeply engaged globally and that U.S. force must “lean forward”.⁶¹⁴ Others have suggested that the U.S. should “pull back” and engage in off-shore balancing.⁶¹⁵ The implications of this thesis suggest that neither position is quite right. The U.S. should “pull back” from regions where states have compatible interests and are unlikely to project power to challenge each other or U.S. interests. However, in regions where states have incompatible interests and increasingly possess the ability to build power projection capabilities, Washington should “lean forward” to deter threats to its interests. The pivot to Asia was a good start, but the U.S. still maintains forces in regions that are likely to remain cooperative even if those units were redeployed elsewhere. The principal policy implication of this thesis is that the U.S. should “pull back” from Europe and “lean forward” in Asia.

The United States currently maintains ten combatant commands that are designed to facilitate the projection of U.S. military force to every corner of the globe. Part of the justification for deploying U.S. military forces in this manner is that they are needed to maintain stability both globally and in specific regions. This justification may be reasonable for many parts of the world, such as the Middle East and Asia, but

⁶¹⁴ Stephen G. Brooks, John G. Ikenberry, and William C. Wohlforth, “Lean Forward,” *Foreign Affairs* (January/February 2013).

⁶¹⁵ Barry R. Posen, “Pull Back,” *Foreign Affairs* (January/February 2013).

not in others. The United States still deploys ten of thousands of troops in Western Europe, yet this region has experienced little military competition since the end of the Cold War. My theory and empirical findings suggest that this peaceful trend is likely to continue, regardless of U.S. presence. As of 2012, the U.S. still maintained over 80,000 troops in Western Europe, including over 50,000 military personnel in Germany, over 10,000 in Italy, and over 9,000 in the United Kingdom.⁶¹⁶ The United States also still maintains the U.S. Sixth Fleet in Naples, which ties up scarce Aegis equipped destroyers, nuclear submarines, and amphibious assault ships that are needed to make U.S. commitments credible in Asia.⁶¹⁷

For these reasons, I would suggest that the U.S. shift its forces away from Europe, as they are unlikely to return to military competition in the absence of a strong U.S. military presence. This is not to say that the U.S. should politically disengage from Europe, but that it no longer needs to deploy so much of its military force structure there. Russia's recent annexation of the Ukraine has led some to conclude that the U.S. cannot more strongly pivot to Asia. However, even without the U.S., NATO is much more powerful than Russia (both economically, militarily and demographically) and possesses the wealth to invest in its own defense, should it feel the need. More importantly, were Western European states to make larger investments

⁶¹⁶ "Keeping America Safe: Why U.S. Bases in Europe Remain Vital," Luke Coffey, accessed April 23, 2014 <http://www.heritage.org/research/reports/2012/07/keeping-america-safe-why-us-bases-in-europe-remain-vital>. See also "U.S. military personnel by country," CNN, accessed May 16, 2015 <http://www.cnn.com/interactive/2012/04/us/table.military.troops/>. Note that these troop estimates for individual countries are from September 20, 2011 from the U.S. Defense Department.

⁶¹⁷ To some extent, these European bases allow the U.S. to easily project power to the Middle East and Asia. However, there is little maritime threat to Europe and these naval assets would be put to better use patrolling the vast maritime commons of Asia.

in their defense, this would not lead to greater military competition between Western European states as it did between the First and Second World War.

Freeing up U.S. forces allows policymakers to either reduce spending on U.S. armed forces (currently larger than most of the world's combined military spending) or shift forces to regions in which U.S. strategic interests are at greater risk. The most recent U.S. pivot to the Pacific saw an increase in the number of U.S. ships in operation there from 50% to 55%. This proportion will eventually reach only 60%. Representatives of the U.S. military have claimed that U.S. forces are tightly constrained and cannot more strongly pivot to Asia without compromising other U.S. commitments. The question remains whether these commitments for defending U.S. interests and or "maintaining stability" in regions of the world that are unlikely to militarily compete or threaten U.S. interests in the absence of U.S. forces are necessary. In short, my theory and empirical evidence suggests that the U.S. may be oversupplying security in some areas of the world and under-supplying it in others.

References

- Acemogul, Daron, Simon Johnson, and James Robinson. "The Colonial Origins of Comparative Development." *American Economic Review* 91, no. 5 (2001): 369-401.
- Anderson, Christopher J. "Economic Voting and Political Context: A Comparative Perspective." *Electoral Studies* 19, no. 2 (2000): 151-70.
- Andrews, Kenneth R. *Trade, Plunder and Settlement: Maritime Enterprise and the Genesis of the British Empire, 1480--1630*. Cambridge: Cambridge University Press, 1984.
- "Gdp (Constant 2005 Us\$)," Bank, The World, accessed May 18, 2014 <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD?display=graph>
- "Military Expenditure (% of Gdp)," Bank, The World, accessed May 15, 2014 http://data.worldbank.org/indicator/MS.MIL.XPND.GD.ZS?order=wbapi_data_value_2012+wbapi_data_value+wbapi_data_value-last&sort=desc
- "Indian-Built Aircraft Carrier Ins Vikrant Launched," BBC, accessed August 14, 2013 <http://www.bbc.co.uk/news/world-asia-india-23662726>
- Bean, R. "War and the Birth of the Nation State." *The Journal of Economic History* 33, no. 1 (1973): 203-21.
- Beckley, Michael. "Economic Development and Military Effectiveness." *Journal of Strategic Studies* 33, no. 1 (2010): 43-79.
- Bennett, Scott D. "Integrating and Testing Models of Rivalry Duration." *American Journal of Political Science* 42, no. 4 (1998): 1200--32.
- Bitzinger, Richard A. "Long Term Defense Planning in Asia and Its Impact on the Regional Military Dynamic." S. Rajaratnam School of International Studies, 2011.
- Blanken, Leo J. *Rational Empires: Institutional Incentives and Imperial Expansion*. Chicago: University of Chicago Press, 2012.
- Boxer, Charles Ralph. *The Dutch Seaborne Empire, 1600-1800*. London: Knopf, 1965.

- "In Taking Crimea, Putin Gains a Sea of Fuel Reserves," Broad, William J., accessed May 18, 2014 http://www.nytimes.com/2014/05/18/world/europe/in-taking-crimea-putin-gains-a-sea-of-fuel-reserves.html?hp&_r=0
- Brooks, Risa. *Shaping Strategy: The Civil-Military Politics of Strategic Assessment*. Princeton, NJ.: Princeton University Press, 2008.
- Brooks, Stephen G., John G. Ikenberry, and William C. Wohlforth. "Lean Forward." *Foreign Affairs* (January/February 2013).
- "U.S. Military Personnel by Country," CNN, accessed May 16, 2015 <http://www.cnn.com/interactive/2012/04/us/table.military.troops/>
- "Keeping America Safe: Why U.S. Bases in Europe Remain Vital," Coffey, Luke, accessed April 23, 2014 <http://www.heritage.org/research/reports/2012/07/keeping-america-safe-why-us-bases-in-europe-remain-vital>
- Colgan, Jeff. *Petro-Aggression : When Oil Causes War*. Cambridge: Cambridge University Press, 2013.
- "White House, Saudi Arabia Sign \$30b F-15 Deal," Dwyer, Devin, accessed May 15, 2014 <http://abcnews.go.com/blogs/politics/2011/12/white-house-saudi-arabia-sign-30b-f-15-deal/>
- "Taiwan Gdp Constant Prices," Economics, Trading, accessed May 18, 2014 <http://www.tradingeconomics.com/taiwan/gdp-constant-prices>
- "Arms and the Man: The Countries Spending the Most on Their Military," Economist, The, accessed 2015, May 15 <http://www.economist.com/blogs/graphicdetail/2014/04/daily-chart-9>
- Fearon, James D. "Rationalist Explanations for War." *International Organization* 49, no. 3 (1995): 379-414.
- Frieden, Jeffry A. "International Investment and Colonial Control: A New Interpretation." *International Organization* 48, no. 04 (1994): 559-93.
- Gartzke, Erik. "The Capitalist Peace." *American Journal of Political Science* 51, no. 1 (2007): 166-91.
- Gartzke, Erik A. "War Is in the Error Term." *International Organization* 53, no. 03 (1999): 567-87.

- Gelman, Andrew, and Gary King. "Why Are American Presidential Election Campaign Polls So Variable When Votes Are So Predictable?" *British Journal of Political Science* 23, no. 4 (1993): 409-51.
- Gholz, Eugene, and Daryl Press. "Protecting the Prize: Oil and the US National Interest." *Security Studies* 19, no. 3 (2010): 453-85.
- Hibbs Jr, Douglas A. "Bread and Peace Voting in Us Presidential Elections." *Public Choice* 104, no. 1-2 (2000): 149-80.
- Horowitz, Michael C. *The Diffusion of Military Power: Causes and Consequences for International Politics*: Princeton University Press, 2010.
- Iii, Walter C. Ladwig. "India and Military Power Projection: Will the Land of Gandhi Become a Conventional Great Power?" *Asian Survey* 50, no. 6 (2010): 1162-83.
- Kennedy, Paul. *The Rise and Fall of the Great Powers: Economic Change and Military Power from 1500 to 2000*. New York: Random House, 1987.
- Lake, David A. "The Challenge: The Domestic Determinants of International Rivalry between the U.S. And China." *International Studies Review* (Forthcoming).
- Lake, David A. "Powerful Pacifists: Democratic States and War." *The American Political Science Review* 86, no. 1 (1992): 24-37.
- Lane, Frederic C. *Profits from Power: Readings in Protection Rent and Violence-Controlling Enterprises*. Albany: SUNY Press, 1979.
- Magaloni, Beatriz, and Ruth Kricheli. "Political Order and One-Party Rule." *Annual Review of Political Science* 13 (2010): 123-43.
- Posen, Barry. *Restraint: A New Foundation for U.S. Grand Strategy*. Ithaca, New York: Cornell University Press, 2014.
- Posen, Barry R. "Pull Back." *Foreign Affairs* (January/February 2013).
- Powell Jr, G Bingham, and Guy D Whitten. "A Cross-National Analysis of Economic Voting: Taking Account of the Political Context." *American Journal of Political Science* (1993): 391-414.
- Powell, Robert. *In the Shadow of Power: States and Strategies in International Politics*: Princeton University Press, 1999.

- Powell, Robert. "War as a Commitment Problem." *International Organization* 60, no. 1 (2006): 169-203.
- Rosecrance, Richard N. *The Rise of the Trading State: Commerce and Conquest in the Modern World*. New York: Basic Books, 1986.
- Tilly, Charles. *Coercion, Capital, and European States, Ad, 990-1992*. Maiden, Massachusetts: Blackwell, 1990.
- "Defense Outlays to Be Hiked 5% Amid China Threat," *Times, The Japan*, accessed May 16, 2014 <http://www.japantimes.co.jp/news/2013/12/17/national/defense-outlays-to-be-hiked-5-amid-china-threat/> - .U3YyGC8RZUg
- "Across U.S. Companies, Tax Rates Vary Greatly," *Times, The New York*, accessed May 18, 2014 <http://www.nytimes.com/interactive/2013/05/25/sunday-review/corporate-taxes.html>
- Vavreck, Lynn. *The Message Matters: The Economy and Presidential Campaigns*: Princeton University Press, 2009.
- Walt, Stephen M. *The Origins of Alliances*. Ithaca, NY: Cornell University Press, 1987.
- Waltz, Kenneth N. *Theory of International Politics*. Reading, MA: Addison-Wesley, 1979.
- Whitten, Guy D, and Harvey D Palmer. "Cross-National Analyses of Economic Voting." *Electoral Studies* 18, no. 1 (1999): 49-67.
- Yosihara, Toshi, and James R. Holmes. *Red Star over the Pacific: China's Rise and Challenge to U.S. Maritime Strategy*. Annapolis, Maryland: Naval Institute Press, 2010.