To what extent are there constraints on US foreign policy?

The US and international power relations

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I hvilken udstrækning er der begrænsninger i amerikansk udenrigspolitik? En analyse af USA og internationale magtforhold

Resumé

Siden Soviet Uniones kollaps i starten af 1990erne, har USA været den eneste tilbageværende supermagt i verden. Dette betyder at USA alt andet lige har mere magt og indflydelse end nogen anden stat. Baggrunden for dette speciale er derfor at undersøge niveauet af amerikansk national magt, for at vurdere i hvor høj grad der er begrænsninger i amerikansk udenrigspolitik. Dette vil blive undersøgt ved at analysere amerikansk national magt og sammenligne USA med andre stormagter som Kina og EU.

Et nøglekoncept i dette speciale er national magt, da det underliggende teoretiske perspektiv er at jo mere national magt en stat har, jo færre begrænsninger står denne stat over for hvad angår internationale anliggender. Derfor er der i dette speciale brugt en del tid på at definere hvad national magt er, samt præcisere hvilke elementer der udgør national magt. Indledningsvis er der lavet en litteraturgennemgang af nutidige bøger, artikler, rapporter og andet materiale, der forholder sig til USA og magtforhold. Derudover er der blevet brugt diverse analyserapporter samt forskellige teoretiske tilgange til at definere national magt, og til at opstille nogle indikatorer som ligger til grund for national magt. På baggrund af dette, er der fundet en lang række økonomiske indikatorer, militære indikatorer, samt mere bløde indikatorer for national magt, som kan siges at danne grundlag for national magt i det 21. århundrede.

Analysen fandt frem til at de fleste økonomiske indikatorer for USA er negative eller blevet forringede i løbet af det sidste årti. Den økonomiske vækst har været faldende i forhold til 1990erne. Væksten i produktiviteten har også været nedadgående i de sidste par år, og både Kina og EU har højere produktivitetsvækst. Der har også været en nedgang i investeringsniveauet i løbet af de sidste 10 år i forhold til 1990erne. Dette gælder for både foreign direct investment (FDI) og indenlandske investeringer. Samtidig er der i USA massive underskud på de statslige finanser og betalingsbalancens

løbende poster. Den globale økonomiske krise har kun forværret alle disse tendenser, og kommer i de kommende år til at betyde færre indtægter for den amerikanske stat samt flere udgifter. Samtidig er der også store udgifter forbundet med nye sundhedsreformer og redningspakker. Alt dette kommer til at forværre det statslige budget og øge underskuddet yderligere. Det eneste område hvor USA stadig er mere end overlegen er det militære.

Både Kina og EU har mere eller mindre positive tendenser over hele linjen, og det betyder selvfølgelig at de alt andet lige er blevet mere magtfulde på den globale scene. Det kan konkluderes at USA i langt højere grad vil opleve begrænsninger i sin økonomiske udenrigspolitik fordi USA's økonomi er svækket og viser mange svaghedstegn, hvorimod både Kina og EU har mere postitive tendenser. Denne kombination af faktorer resulterer i at USA i dag står over for udenrigspolitiske begrænsninger, som ikke er set i lang tid, i forbindelse med økonomiske anliggender. Dog er USA stadig mere end overlegen hvad angår militær magt, og derfor er der på nuværende tidspunkt stadig meget få begrænsninger i amerikansk sikkerhedspolitik. På sigt vil de økonomiske problemer dog kunne få konsekvenser for USA's militære magt, da der alt andet lige vil være færre ressourcer til at opretholde militær overlegenhed og påtage sig udenlandske militære forpligtelser. Dette kan derfor på længere sigt resultere i øgede begrænsninger i amerikansk sikkerhedspolitik.

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Part I - Introduction and research field

1.0. Introduction and research question

For two decades the United States has enjoyed being the only remaining superpower in the world. This has provided the US with extensive possibilities and latitude, as well as the ability to influence world matters to a degree that no other nation can. Consequently, the power and influence of the US in international relations is also a topic that occupies thousands of scholars around the world, and the capabilities and limitations of the US are widely disputed. Some would argue that there are almost no limits to what the US can do because of its superiority; *"the US has a greater share of power than any single state has ever had in 300 years"* (Brooks & Wohlforth, 2008, p. 12). Therefore, it seems both relevant and interesting to look into the degree of constraints the US might face on its foreign policies. With this debate as the underlying basis, the research question for this study is:

To what extent are there constraints on US foreign policy?

In the guiding principles of the new Obama administration, it is stated that *"We will use all elements of American power to achieve objectives"* (The White House, 2009). This statement underlines the rationale for this paper, as the aim of this study is to find out whether or not there are any constraints on US power to achieve its foreign policy objectives. What is interesting about the US, and possible constraints on its foreign policies, is that the US is the only superpower in the world, and therefore, all other things being equal, has more power to achieve the objectives of its foreign policy. As Hastedt[1] underlines *"States are 'born unequal'… As such, the ability of states to accomplish their foreign policy objectives varies from state to state"* (2009, p. 9). What this study seeks to uncover is the magnitude of this inequality. The purpose of this study is therefore to examine the level of US national power and competitiveness, and compare the US to other key global players.

Contemporary research about US power and capabilities paint a rather equivocal picture of the US. International relations scholars and experts all use different measures or indicators of national power as the underlying basis for their research, some focus only on a few specific economic indicators, while

[1] Glenn P. Hastedt is a professor of political science at James Madison University.

others focus on measures of military capabilities. As a consequence, many different and contradictory conclusions arise. This confusion provides another incentive for this study; to provide a factual examination of the US and its capabilities, by taking on a much broader perspective and including a wide range of indicators of national power. Accordingly, this will hopefully shed some more light on this highly disputed topic.

1.1. Background

Initially, it seems that there are a range of factors, internal and external, that can influence or constrain US foreign policy objectives, because foreign policy is about interaction between nations, and as such one nation cannot have full control of all events and outcomes. However, the scope of constraints is to begin with quite difficult to pinpoint. In order to locate what possible constraints there might be, this thesis was initiated with a literature review of the topic. The literature review is used as a tool to acquire extensive background knowledge about the topic. Also, the purpose of the literature review is to provide a theoretical and scholarly foundation or argumentation for what could be potential US foreign policy constraints. The literature review will provide the underlying basis for which direction this paper takes and what areas of constraints it will focus on.

The United States is currently in one of the most important and decisive periods in its history, as it struggles to keep its economy on track while sustaining a competitive advantage. According to many influential and highly respected scholars and political scientists, this is merely a period of trouble for the US, as seen many times before. This is not the end of its superpower days and hegemonic supremacy, and as such, it does not face the possible constraints that a declining superpower might face. The literature review showed that a range of scholars seem to adhere to this conviction about the US, and in what follows is an outline of the main arguments on why the US is not in decline, why it will continue to be the most dominant and influential power in years to come, and why it faces very little or no constraints on its foreign policies.

The strongest economy in the world

The United States has the strongest and most dynamic economy in the world, accounts for about 20 % of global output (Lynch & Singh, 2008), and still has one of the highest GDPs per capita in the world. Dr. Steve Yetiv[2] argues that despite the recession, the US still has the most competitive economy in the world, and it still has the largest" potential for cutting-edge economic growth". Yetiv underlines that part of the US' competitive economy is the large and talented US workforce; "*Many of the globe's best and brightest still seek to learn, work, and live here, creating a wellspring of American renewal"* (Yetiv, 2009). Also Obama's top economic advisor, Lawrence Summers is optimistic about the competitiveness of the US economy *"we have the most productive workers in the world, the greatest universities and capacity for innovation, an incredible amount of resilience, entrepreneurship, and flexibility, and the most diverse and creative population of any major economy"* (Anderson, 2009, p. 8).

The immense deficits on the budget and current accounts are not reason for concern, according to Lynch and Singh[3]. Even though these particular aspects of the US economy are quite bad, other positive aspects, such as growth, inflation and employment outweigh the huge deficits (2008, p. 267). Also, they underscore the growing global interdependence, which means that those states that have paid for the US deficit are just as vulnerable to the US as the US is to them.

Closest competitors pale in comparison

Even though the combined economy of the EU is larger than the US', the EU cannot be considered a key player able to constrain the US, because of its lack of cohesiveness (Joffe, 2009). Also Niall Ferguson[4] is clear in his view of the EU and its inability to influence the US; *talk of a federal Europe's emerging as a counterweight to the United States is based on a complete misreading of developments* (N. Ferguson, 2004, p. 256). He sees a common EU foreign and security policy as unrealistic, and for

[2] Dr. Yetiv has been a consultant to the U.S. Department of State; Department of Defense; the General Accounting Office; and CNN International.
[3] Timothy J. Lynch is Senior Lecturer in U.S. Foreign Policy and Deputy Director of the United States Presidency Centre. Robert S. Singh is Professor of Politics in the School of Politics and Sociology at Berbeck College, University of London.
[4] Niall Ferguson is professor of history at Harvard University. He is often used as commentator on contemporary politics and economics, and frequently writes and reviews for both the British and American press.

that reason dismisses the EU as a constraint on US foreign policy in any way. This is backed up by Brooks and Wohlforth[5] who argue that the EU[6] has neither the authority nor the ability to act collectively, and this makes it weak in terms of leverage. In connection to this, they underline that the EU cannot develop military capacities that can remotely aspire to rival or compete with that of the US. So in terms of security policy, the EU is allegedly nowhere close to being able to constrain the US and their foreign policy strategy. But also when it comes to economic matters and policy, Brooks and Wohlforth argue that the EU has neither the authority nor the ability to act decisively in Europe's name on monetary matters (2008, p. 31). Another argument about future EU problems is the demographic composition of the union. Lynch and Singh underline that the EU faces severe demographic problems in terms of aging populations (2008, p. 269).

When it comes to China's influence and leverage in terms of economic measures, the assessment of its capabilities are even worse than those of the EU. According to former national security advisor, Zbigniew Brzezinski, China cannot use its creditor role towards the US against the US without destroying its own economy (Brzezinski & Scowcroft, 2008, p. 148). Ferguson agrees that China will suffer if it tries to influence US policy by selling US bonds (2004, p. 282). Economist Barry Eichengreen also concurs, as he argues that China not necessarily holds any leverage over the US because of its large dollar holdings. He argues that China is in fact *"trapped by the magnitude of its current dollar holdings"* (2009). In this way, the deficit-surplus situation between the US and China is not reason to argue that China holds the power to influence US policy. Bruce Jentleson[7] also touches upon the US deficits sponsored by China, and concludes that it will be decades before China can challenge the US in any way (2007, p. 556). The same conclusion is reached by Pei[8], who shoots down any possibility of a new Asian age and a decline of the US (2009). Brooks and Wohlforth agree and point out that China has a long way to go before it can measure up to the US in all key areas of national power (Brooks & Wohlforth, 2008, p. 42). Last in line to completely out rule China, the EU and any

[5] Stephen G. Brooks and William C. Wohlforth are assistant and associate professors in the Department of Government at Dartmouth College.
[6] The reason why the EU is underlined by many as being able to constrain US foreign policy, is mainly because of its size, population and GDP, the EU is '*one of the only players with the resources and traditions to play a global role'* (F. Zakaria, 2004, p. 48). However, what is clear is that everyone is cautious about proclaiming the EU as a constraint, because of the lack of consensus and cohesiveness of the union.

[7] Jentleson is professor of Public Policy and Political Science at Duke University
[8] Minxin Pei is a political scientist and an expert on Sino-American relations.

other states for that matter, is Josef Joffe[9]. He refers to the deficit-surplus situation between the two as M-MAD; monetary mutual assured destruction (Joffe, 2009).

Military supremacy

The US' lead in terms of military capabilities and defense budget is unprecedented in history. At no point in history has one state been so superior in military power than the US is compared to other states. The US accounted for almost half of global military spending in 2008 (Joffe, 2009). The US is also the only state with a global military reach. As Yetiv so adequately and concisely puts it; *"the US military is without parallel"* (Yetiv, 2009). The wars in Iraq and Afghanistan have not affected the US economy negatively to the extent that some scholars argue. On the contrary, what the wars have shown is that the US is capable of fighting two wars and still remain the strongest military power in the world. Additionally, the economic problems the US encounters are spurred by mortgages and trade deficits, not wars fought by the US (Halliday, 2009, p. 41). Also Lynch and Singh underline that despite the war in Iraq, American military primacy is unchallenged (2008, p. 277).

Summary

According to all these scholars, the decline of the US as a superpower, and thereby also its ability to obtain foreign policy objectives, is both unrealistic and a misinterpretation of facts. Despite serious and valid concerns about the US economy, the US is still the strongest and most competitive economy in the world. The closest competitors, the EU and China, are not capable of matching the US in any ways. The EU has trouble speaking with one voice and acting collectively, and faces demographic problems in the future. China is still considerably far behind the US in terms of GDP and GDP per capita, and Chinese asset holdings do not provide China with any form of leverage vis-à-vis the US. Furthermore, US military superiority is unprecedented in history and no state comes close to matching the US in this area. Consequently, the US should not worry about being constrained by either the EU or China when it comes to pursuing foreign policy objectives.

[9] Josef Joffe is Senior Fellow at Stanford's Freeman Spogli Institute for International Studies, and Marc and Anita Abramowitz Fellow in International Relations at the Hoover Institution at Stanford University.

As all these above mentioned arguments have demonstrated, the US does not seem to face any possible constraints on its foreign policy, neither in terms of foreign economic policy nor security policy. On this background, the following working hypotheses have been constructed as underlying guidance for this paper.

1. The US faces very limited constraints on its foreign economic policy, because it is the strongest and most competitive economy in the world.
2. The US faces very limited or no constraints on its security policy because it is more than superior militarily.

In the following chapters, these hypotheses will be tested and tried falsified. In order to falsify these hypotheses, an extensive and thorough examination of the US economy and its competitiveness will be necessary. Likewise, an assessment and examination of the competitiveness and economic condition of both the EU and China will be required in order to test the hypotheses. Lastly, to underline the results found, the discussion will involve contemporary examples of interaction between the US and China and the EU respectively.

1.2. Delimitation

As the topic of US power is almost inexhaustible, it has been necessary to sharply limit the areas of research. For many scholars and theorists, the debate about US foreign policy strategy revolves around what threats there are to US power in international affairs and what threats there are to US national security. However, the aim of this paper is not to examine what threats the US face, neither does it seek to contemplate that the US stands before a polarity shift in the global system (Brooks & Wohlforth, 2008, p. 34). The objective of this paper is to find out if the US is losing some of its competitiveness and national power, and as a consequence might face constraints in its pursuit of national interests through foreign policy strategies.

When dealing with constraints on US foreign policy, a number of questions naturally spring to mind: What or who can counterbalance the US in international affairs? What can constrain US actions

internationally? What are the main factors that make it possible for another nation or international player to constrain the US? The classic and traditional IR view is that the most important and influential factors in international relations are states. This is also the underlying belief in this study. Initially, China and the EU seem to be most competitive and those holding significant national power in international relations besides the US. The literature review also revealed that most scholars and international relations experts point to the EU and China in terms of international power and competitiveness (Brzezinski & Scowcroft, 2008) (J. S. Nye, 2003) (N. Ferguson, 2004) (Cox, 2002, p. 67). For these reasons, the US will be compared to the EU and China, in order to assess whether the EU or China has become more competitive and nationally powerful, and thereby potentially capable of constraining US foreign policy.

Russia and other nations

It could be argued that Russia should be included in a study like this as well, but Russia has been deselected for several reasons. Firstly, Russia's economy is today almost four times smaller than China's economy. Secondly, Russia's military capabilities might still to some extent be quite powerful, but Russia has not preserved and maintained its military arsenal and equipment. Lastly, from the literature review it could also be concluded that in terms of international competitiveness and national power, the EU and China received much more attention from scholars and experts. Other powerful nations such as Japan, India or Brazil could also be included in a study like this. However, it would not be possible to make a thorough and broad examination of all these economies and their capabilities due to the size and scope of this paper. Furthermore, none of these states are deemed as important or powerful as China and the EU.

Other possible constraints

There are a number of internal factors that could be interesting to examine in connection to constraints on US foreign policy. These include powerful interest groups, large corporations, and the political system in the US and the diffusion of power. However, these will not be looked into, mainly because of the scope and size of the paper, but also because they are deemed less relevant in this type of study.

Likewise, a number of external elements have also been deselected in this study due to both relevance and scope. These include rogue states, non-state actors such as international organizations and institutions, as well as terrorist groups. International organizations such as the IMF and the World Bank will not be included in this examination of constraints on US foreign policy for several reasons. Firstly, the US has no vital interests in the IMF and the World Bank. The World Bank is an international institution that provides loans to developing countries. This is also one of the functions of the IMF. Secondly, US conscriptions in both the IMF and the World Bank are high enough to provide the US with veto power over major policy changes. Furthermore, the US holds substantial influence over the staffing in both institutions. Lastly, there is broad consensus within the IR community that the US will support and create international institutions if it is in the interest of the US, if it is not, then the US can and will go outside the organization (Foot, MacFarlane, & Mastanduno, 2003, p. 263). Other international organizations like NATO, the WTO, and the UN will be briefly touched upon. But these organizations will not be included in the analysis, as they are not deemed to be influential players.

Foreign policy

In order to write about possible constraints on US foreign policy, it is necessary to underline what the foreign policy of the US actually is. It is impossible to outline potential constraints on foreign policy, if you are not clear about what the foreign policy is. There are two ways of looking at the foreign policy of the US; either the specific policies outlined in the Strategic Plan from the State Department and the US Agency for International Development, or a set of shared beliefs about foreign policy goals or objectives for all states in the world. Many would argue that these objectives are more or less the same, but it naturally depends on what school of thought you adhere to. A discussion of the theoretical approach will be elaborated on in the theoretical section. What nearly everyone can agree on though is that most nations strive to achieve economic growth and prosperity, as well as secure their own survival. The US Department of State and US Agency for International Development have seven strategic goals that constitute its foreign policy. Among these seven goals are promoting economic growth and prosperity, and achieving peace and security (U.S. Department of State & U.S. Agency for International Development, 2007, p. 15). This study will concentrate on those foreign policies that deal with economy and security, as these are considered to be the most important for the US.

The President of the US and his or her political persuasion could also be an interesting issue to examine in a study like this. It is a given that a president who is prone to unilateral action will act differently than a president who adheres to multilateral actions. Arguably, a president favoring multilateral action will perhaps be more inclined to let the US be constrained by other actors, whereas the opposite would apply for a more unilateral president. However, including a political discussion like this would quickly become too extensive, and the issue will therefore not be given much attention.

Power transition theory

The power transition theory could seem obvious to include in an examination like this. However, as this theory deals with an increased danger of war if or when a challenger rises and perhaps overtakes an existing superpower, its relevance for this examination diminishes (Chan, 2008). This paper does deal with the rise of contenders to the US and in this relation also to national power transitions. But it does not deal with or try to uncover whether war between the US and these rising powers will become more likely if US power declines. This thesis will focus on power, or national power, because this is an essential part of international relations and a state's capability to obtain its foreign policies, but the aspect of war or conflict due to power transitions is not the topic of this thesis. The objective is to uncover the national power of the US, the EU and China, in order to find out if US national power is in fact declining compared to the EU or China, because this will be a prominent indicator of whether or not the US is facing increasing constraints on its foreign policies.

1.3. Methodology

Scientific method and methodological approach

The study takes on an overall quantitative methodological approach, in which external quantitative secondary data is used (Stavnsager Rasmussen, Østergaard, & Beckmann, 2006, p. 132). The empirical foundation of this study is based on statistical data found in a wide range of statistical databases and search engines. Much of the economic statistics and data will be from the World Bank's World Development Indicators database, the World Competitiveness Online database, the International, the

OECD, WTO Statistics Database, and Eurostat. Most of the military statistics have been found in official government reports and publications, as well as military and defense research institutions. These include the US Department of Defense, Stockholm International Peace Research Institute, the European Defence Agency, the Council on Foreign Relations, and the OECD. The empirical data on military is very difficult to gain access to, and the section on military capabilities will therefore include less specific raw data and more general information about military capabilities in the economies examined. Indicators of soft power have also been found in the World Bank's World Development Indicators Database, as well as UN and OECD databases.

Many of the statistical figures on the EU do not include a total aggregate statistical figure for the entire union. As such, data and statistics on the EU will be an aggregate of all the EU members' figures. Furthermore, it will also be necessary to take into consideration the number of member countries at various points in history. For instance, this means that EU productivity figures in 1998 will be calculated according to the existing members at that time, namely 15. The EU figures, together with all data used, can be found in appendix 1.

Deductive method

The background section provided the basis of two working hypotheses, which will be tried falsified throughout the paper by analyzing and discussing empirical findings. The reason behind the methodological approach to the hypotheses is founded in the work of critical rationalist Karl Popper, and his conviction that it is not possible to prove or verify a hypothesis (Stavnsager Rasmussen et al., 2006, pp. 19-21). On the other hand, it is possible through extensive scientific research to falsify a given hypothesis. Therefore, the hypotheses have been phrased in a way that will require falsification rather than verification, in order to answer the research question. The working hypotheses were established from a set of assumptions about the US and its national power. These hypotheses will then be tested by analyzing a wide range of empirical data. The methodological process used is therefore deductive (Stavnsager Rasmussen et al., 2006, p. 50).

Defining national power

A nation's ability to obtain and achieve its foreign policy strategy is evidently closely linked to the level of national power held by this particular nation. The more power a nation is perceived to have, the more it will be able to obtain its foreign policy objectives. In order to examine the extent of constraints on US foreign policy from other state actors, it is essential to examine the national power of the US, the EU, and China. The more national power China and the EU have compared to the US, the more they will, all other things being equal, be able to constrain US foreign policy. This section will therefore strive to outline what factors or indicators that can be used to measure national power.

The concept of power is more than wide-ranging, and the essence and meaning of power is a study in itself. As Josef Joffe puts it; "*'power' is the most elusive concept in political science"* (2009, p. 28). Therefore, it is vital for this study to provide a clear definition and explanation of what power is believed to be. Firstly, it must be underlined that power is relational; *"a state is not powerful in the abstract but only in relation to other states"* (Nicholson, 2002, p. 97). Therefore this study will not only include the US, but will be of a more comparative character, as other key global players will be included. Secondly, the concept of power in this study will mainly refer to national power, as this is what this research is dealing with. According to Longman Dictionary, when talking about power in connection to a country, this is *"a country that is strong and important and can influence events, or that has a lot of military strength"* (Longman dictionary of contemporary english : The living dictionary2003). So what makes a state or nation strong and important? Apparently, having military strength is a sign of national power. However, defining power in international relations is today more complicated than it was a century ago. The notion that a state is powerful if it has the 'strength for war' does not apply in contemporary international relations, as many other factors need to be taken into consideration (J. S. j. Nye, 2004, p. 3). In order to determine with a more scientific method what national power constitutes, several research studies, reports, and theories have been used.

Hard power

Traditionally, the way national power was measured, was through a state's ability to fight wars. Although measures of national power today are more diverse, military capabilities are obviously still a vital ingredient of national power, as states spend millions of dollars on defense budgets. As such, indicators of military capabilities will also be included in the analysis. But what has been pointed out by many scholars and commentators is that the underlying basis for any state's national power must be economic size and strength. As Brooks and Wohlforth argue; *"how high a state aims in military technology is largely a reflection of economic size"* (Brooks & Wohlforth, 2008, p. 136). Without economic growth and prosperity there can be no spending on military capabilities and defense. Being the underlying basis for military power, economic strength and growth is in itself an essential indicator of national power (N. Ferguson, 2003).

The indicators and criteria of a healthy and expanding economy are taken from The RAND Corporation report from 2001 written by a number of experienced and current or former state officials[10] (Tellis, 2000). The objective of the report is to outline what measures that are important to national power in the 21st century, as such the report is highly relevant and functional for this thesis. The sorting out of some indicators over others has been done for several reasons. Some of the indicators in the form of data and statistics have simply been deemed impossible to acquire, and have therefore been sorted out. Other indicators mentioned in the report do not seem to be as relevant as others. Also the indicators underlined in the report seem to overlap each other, and have on those grounds also been sorted out. In connection to the report findings, it must also be stressed that the authors have an underlying Realist approach to international relations, which seems to focus a great deal on military capabilities, and this is naturally evident in their assessment of national power measures. For this reason, other ideas and arguments about national power measures will be included, to get a broader and more varied assessment of what constitutes national power.

[10] Ashley J. Tellis is a senior associate at the Carnegie Endowment for International Peace, he formerly served on the National Security Council staff, and was senior policy analyst at the RAND Corporation when this report was published. Christopher Layne is a Research Fellow with the Center on Peace and Liberty at The Independent Institute and Mary Julia and George R. Jordan Professorship of International Affairs at the George Bush School of Government and Public Service at Texas A&M University.

The Global Competitiveness Report from the World Economic Forum will also be used as inspiration for indicators of economic strength and competitiveness (Schwab, Sala-i-Martin, & Greenhill, 2009). This report highlights other areas of national competitiveness than the RAND report, and it is therefore useful to use in order to get the broadest and most thorough assessment of the economies examined. In connection to the competitiveness report, it must be underlined that many of the measures on national power are founded in surveys, and these measures will therefore not be used to assess national power, because these measures are highly subjective.

Lastly, the assessment of national power measures will evidently focus on those areas that are discussed in the background section. The claims brought forward by scholars and professors, as to why US foreign policy is or will not be constrained, will receive most attention in the analysis of national power. Thus, especially economic indicators and indicators of national competitiveness will be scrutinized. Furthermore, the sorting out of national power measures will therefore also depend on lack of relevance for answering the research question.

Soft power

Joseph Nye[11] and his neoliberal soft power theories have also been used to get a more nuanced assessment of what constitutes power. Nye first coined the term soft power in the 1990s, and argues that softer measures of power are today very important when defining national power. Since then it has in fact also been widely acclaimed and used in international relations theory, not least in practice, as it has been implemented by the Obama administration as part of its "smart power" foreign policy strategy (Ambinder, 2009). Whereas the aforementioned indicators might be viewed as more hard power measures, Nye underlines indicators such as values and culture, and argues that these measures can create soft power for a state and provide this state with the ability and legitimacy to act or induce others to act. Contrary to hard power, which is mostly related to command, soft power seems to be associated with a more co-optive behavior (J. S. j. Nye, 2004, p. 7). However, as it is very difficult to measure the

[11] Joseph Nye is professor at Harvard Kennedy School, John F. Kennedy School of Government. Nye is the co-founder of neoliberal IR theory (Baylis, Smith, & Owens, 2005, p. 213).

effects of having soft power, this area will not receive as much attention as the other indicators analyzed.

Indicators that will be examined

A comprehensive assessment of the US economy is indispensable, as this will help shed light on many aspects of this research. Indicators of economic strength and growth are initially annual GDP and GDP growth. What is also vital to look into in regards to economy is the productivity rate of the economy. The more a nation is able to produce the larger its economy is, so increasing or falling productivity rate is an essential indicator of an economy's performance and its future performance. Secondly, human and physical capital is a vital component of an economy, and therefore this will also be examined. Thirdly, the analysis will include an examination of the technological and innovative levels in the economies. Fourthly, the economic analysis will also include a section on the three economies' budget balance, as well as the current account balances. These are especially important in this context, as these are some of the main issues raised by scholars in terms of the US economy; for instance that China does not hold any leverage over US foreign economic policy despite of its creditor role and huge currency reserves. Lastly, the economic section will include an evaluation and examination of the investment levels. Investments are an essential indicator of economic growth, and can also help indicate the future growth of an economy, because investments have a direct influence on productivity (Tellis, 2000, p. 6).

Indicators of military capabilities are, as mentioned earlier, still an important measure of national power. Main indicators of military capabilities are the size of the defense budget and nuclear capabilities, but also a classical measure such as military manpower is worth mentioning. Another significant indicator is R&D levels within the military, as these indicate how innovative and technologically advanced the military sector is (Tellis, 2000, pp. 136-140). Lastly, according to Nye, resources that produce soft power can be a nation's ability to attract tourists and asylum seekers, as well as the level of foreign development assistance.

1.4. Theoretical framework

Decline theory

An essential theory to include and discuss in this study is decline theory. Scholars and theorists who adhere to this belief argue that due to specific IR 'laws', superpowers or empires will eventually decline (Cox, 2007, p. 645). One of the most prominent decline theorists is Paul Kennedy, who in the late 1980's predicted the decline of the US as a superpower. He compared the US with other great powers like Spain and Britain, whose hegemonic heydays eventually all faded out. The US was looking at what Kennedy termed 'imperial overstretch' (P. Kennedy, 1988, chapt. 8). According to Kennedy, the decline of the US as a superpower was partly caused by the massive deployment of forces the US had all over the world, combined with economic problems. The US was engaged in overseas military obligations from the Middle East to East Asia. The economic problems the US was faced with, was the fact that the US went from being the world's largest borrower to the world's largest lender, and that the US was experiencing large fiscal deficits (P. Kennedy, 1988, p. 466). Furthermore, Kennedy pointed to the fact that US GDP was decreasing as a percentage of world GDP, this meant that the US could take on fewer global responsibilities than it could following the end of World War II (P. Kennedy, 1988, p. 529). Ultimately this would have consequences for defense budget allocation, as defense spending would have to be cut due to fiscal deficits. Additionally, Kennedy's decline thesis was based on history and comparative studies of powerful nations throughout 500 years, and history was to a great extent Kennedy's reasoning for US decline. This fact is precisely why some at the time sharply criticized Kennedy and his thesis, because he focused too much on history, and *"always assumed that history would repeat itself"* (Cox, 2002, p. 59).

Much of Kennedy's focus centers on economic strength, and how this influences national power and eventually lead to decline if the federal balances become unsustainable. Furthermore, much of Kennedy' attention goes to the US military capabilities and how these will inevitably be weakened due to economic limitations. The historical context in which Kennedy wrote is very important to keep in mind, as the Cold War was still ongoing, and the US was potentially at the brink of war until the Soviet Union collapsed a couple of years after Kennedy's book came out. The fall of the Soviet Union also

had immense significance for the predicted US decline, as this was one of the main reasons why the so-called Kennedy thesis crumbled (Cox, 2007, p. 648).

Kennedy's predictions in the late 1980s turned out to be premature and exaggerated. However, as the US faces many of the issues Kennedy pointed to back then, it seems essential to revisit his theories and use them in light of new situations and developments in the US. This study seeks to uncover the economic situation of the US in order to determine if US national power is declining. Therefore the theories of declinism are highly relevant. Some of the indicators that will be examined in this study are related to the issues Kennedy referred to 20 years ago. However, Kennedy's approach to measuring power or defining power is closely linked to Realism and hard power, and he was also very much influenced by the historical context in which he wrote. This study will not only focus on foreign policy that is related to security, like Kennedy mostly did, as security is not as paramount today as it was at the time of Kennedy's writing. As such, the economic situation of the US will not only be used to assess the military capabilities of the US, but also to assess the US' ability to carry out unconstrained economic policies abroad. Additionally, it should be underlined that this study does not seek to uncover the decline of the US as a superpower, it merely seeks to examine US power in international relations, in order to evaluate and assess whether the US is losing some of its national power and thereby face constraints on its foreign policy objectives.

The decline theories will be used to test if the US is in fact looking at declining national power and increased constraints on its foreign policies. During the last couple of years, a new wave of decline theories have reemerged (Cox, 2007), which seem to indicate that the theories have not been completely abandoned. And to some extent, this study is part of this new wave of discussion about US decline.

Theoretical approach

The way in which an examiner views international relations differs according to personal and subjective views of the world. There are several ways of viewing world politics and international relations, and the most influential school of thoughts are Realism, Liberalism, and to a slightly lesser extent Social Constructivism. The underlying perspective and approach in this study is founded in these different schools of thought, and these different theories are used to identify which areas are important to look into in this study.

A central theme in Realism is the view it takes on states as key actors in international relations. It is difficult to counter-argue this fact, because there does not exist a global governing body or the like. As such, states continue to be the highest judiciary authority. However, with the growing number of international organizations and institutions, it seems ignorant to argue that these organizations have no influence or relevance in international relations (Baylis et al., 2005, p. 173). Of course, these organizations and institutions are all run by states and for states, and when all comes to all, states are the ultimate actors in these organizations. Yet, states who are members of these organizations are bound to follow the rules and regulations of these institutions, and this naturally gives some leverage to these institutions. So, international organizations and institutions do matter in international relations, but they are not capable of constraining US foreign policy, the member states of these organizations are.

Realism's claim that security can never be fully acquired (Baylis et al., 2005, p. 172) because of the anarchy that persists in the international environment seems rather outdated, as peace between states has been a prevailing condition of international relations for many decades. This assumption is the essential argument of the democratic peace-theory, a component of Liberalism, which explains why war between democratic states is so unlikely (Baylis et al., 2005, p. 190). Democratic states do not go to war with each other, because they do not have anything to gain from doing so, on the contrary. This view is shared by most, regardless of ideological belief or political standpoint (Sieff, 2009b). However, this does not mean that conflicts or disputes cannot erupt between democratic states, it merely underlines that these will most likely never evolve into full-scale war. The democratic peace theory is

mainly used as a theoretical basis for playing down the importance of military capabilities in connection to national power.

The view taken on national power is a combination of several schools of thought. Neo-realist theory asserts that military capabilities are an element of national power, but not a key element as traditional Realists claim (Baylis et al., 2005, p. 209). The underlying theoretical approach used in this paper supports the neo-realist assertion, as national power is believed to consist of a variety of elements, in which military capabilities are included, but not key. The underlying theoretical basis also draws from parts of Social Constructivism, as this theory claims that power is not only material, but can be ideational (Baylis et al., 2005, p. 260). In general, Constructivists believe that actors in international relations make choices within a given structure or frame, which has been socially constructed and which they have no control over. *"An international normative structure shapes the identities and interests of states, and through their practices and interactions states re-create that very structure"* (Baylis et al., 2005, p. 255). This helps explain how national interests and national power can change over time, and also why the historical context in which a given study is carried out is important. This is why it is essential to look into other aspects of national power than the traditional ones of military and geographic size.

Part II- analysis

2.0. Economic indicators

GDP

There are a number of different ways in which GDP can be measured, and as such, the GDP figure varies according to how it is calculated and measured. One way of estimating the GDP of an economy is to convert the GDP into purchasing power parity (PPP). When comparing developed economies with developing economies, this seems to be the most appropriate measure to use[12].

The US has for a very long time enjoyed the position of being the largest and strongest economy in the world. However, this has changed during the last years, as the EU is currently the largest economy. Also, China has moved up and is now the third largest economy in the world after the EU and the US, if looking at PPP adjusted figures[13].

Table 1

GDP in billions, PPP (current international $)	2006	2007	2008
US	13,133	13,751	14,204
China	6,118	7,097	7,903
EU	13,660	14,815	15,269

Source: World Bank, World Development Indicators (WDI)

As can be seen from the figures from the World Bank, the EU economy is larger than the US, and was already bigger than the US in 2006. China is still relatively far behind the US in terms of economic size.

In table 2, the GDP size of the economies can be seen at ten year intervals. These figures indicate how the economies have been growing over the last 20 years, and give an idea of where growth has been

[12] PPP adjusted figures take into consideration the different values of currencies, and thereby also the different values of GDPs. PPP adjusted figures convert all national currencies into an artificial common currency, which equalizes the value of the national currencies. PPP ensures that the GDP is valued at a uniform price (Statistical Office of the European Communities (Eurostat), 2009).

[13] If unadjusted for PPP, China's GDP is only around $4,000 billion, and slightly smaller than the Japanese GDP. The EU GDP is more than $18,000 billion dollars, hence remarkably larger, and the US GDP remains the same.

strongest. It is obvious that China has seen the most remarkable growth rates. But what is also worth noticing is that the EU economy was actually close to the size of the US already ten years ago. From then till now, the EU has grown at proportionally higher rates, and has become larger than the US economy[14].

Table 2

GDP in billions, PPP (current international $)	1989	1999	2008
US	5,442	9,216	14,204
China	836	2,687	7,903
EU	5,373	8,919	15,269

Source: World Bank, WDI

According to these figures, China's GDP is close to $8,000 billion dollars, about 63 % the size of the US GDP. This figure implies that in theory, China does not hold substantial leverage or constraining power economically over US foreign policy, as its economy is only a little more than half the size of the US economy. However, it must be stressed that China is in fact still seen as an upper middle income country, and as such its economic size is quite remarkable. China is also the second largest single economy in the world after the US, which of course indicates that it is economically powerful. In terms of sheer magnitude and size, the EU is clearly larger than the US in 2008.

GDP growth

The growth rates of the economies might be more interesting to look at, as they reveal something about the condition of the economies. They indicate how well the respective economies are doing, and whether they are on track to sustaining their strength and size. When calculating the average growth rates during the two last decades, it is clear that US growth rates were higher during the 1990s compared to the last decade or so.

[14] The size of the EU economy is all other things equal also influenced by EU enlargement.

Table 3

GDP growth annual %	1989-1998	1999-2008
US	3.04	2.58
China	9.64	9.75
EU	2.90	3.32

Source: World Bank, WDI

Contrary to this trend, the EU economy seemed to be growing at a proportionally higher rate during the last ten years compared to the 1990s. These trends help explain why the EU economy has grown bigger than the US during the last years. It should be stressed that despite a fall in growth, the US economy is still expanding, albeit at a slower pace than previously. From these figures it is quite clear that the EU growth rate has a more positive curve than the US.

The Chinese economy has grown at astonishing rates during the last 20 years. The average growth rate over the last 20 years has been stable as well as high. This impressive growth rate is the reason why China is the third largest economy in the world and a key player in international trade and finance.

Latest figures

The newest figures on GDP and growth from various sources show that the US and the EU have witnessed negative growth rates since the beginning of the financial crisis in September 2008. According to Eurostat[15] both the US and EU economies contracted in 2009. In the first quarter of 2009, US GDP growth decreased with -1.6 %. In the second quarter the decrease was only -0.2 %. In the EU, the decrease in growth was similar; first quarter of 2009 growth was down -2.4, in second quarter -0.3 (cnn.com, 2009). In the third quarter, the US and EU economies started to show signs of recovery, as the US economy grew 0.7 % and the EU grew 0.3 % (Allen, 2009). The negative growth rates will naturally influence the size of the GDP in the US and the EU for 2009. However, it seems that the US economy and the European economies are slowly picking up again, as the GDP started to grow in the

[15] Eurostat is the Statistical Office of the European communities. http://epp.eurostat.ec.europa.eu/portal/page/portal/about_eurostat/corporate/introduction

third quarter of 2009. This also means that the changes might not have any noticeable impacts, especially not in terms of the US economy suddenly growing larger than the EU.

The latest figures on the Chinese economy show that the Chinese GDP growth has also decreased. China's GDP increased 8.9 % in the third quarter of 2009, and the combined growth of the first three quarters of 2009 is around 7.7 % (cnn.com, 2009). The fact that the Chinese economy, despite major economic setbacks in the global economy is still able to grow at a rate of 7.7 % is quite noteworthy, and this underlines that there are some important healthy and vital tendencies in the Chinese economy.

Summary

The EU economy is larger than the US and will supposedly only grow larger than the US in the future, if the current growth rates are sustained. In the same way, China will catch up with the US in few years if these trends continue. This indicates that the US economy is not currently the strongest and most competitive economy in the world. Furthermore, with the economic expansion China has experienced during the last couple of decades, it seems that the Chinese economy is very resilient and will only become more and more competitive in the future. In terms of national power, the US clearly has diminished power due to decreasing growth rates and the fact that it is no longer the world's largest economy. All the while its closest contenders grow proportionally stronger and bigger.

Productivity

Productivity is a vital component behind economic growth, and it is therefore worth examining. Productivity levels and productivity growth will help explain the trends in economic growth in the US, the EU, and China. For the sake of clarity and overview, some of the tables will only show statistics for every second year.

If one looks at overall productivity in the economies, it is clear that the US is by far the most productive economy compared to both the EU and China. This is a clear US advantage, as its workers are able to contribute more to GDP on average than workers in the EU and China.

Table 4

GDP per person employed, $US	2000	2001	2002	2003	2004	2005	2006	2007	2008
US	71,714	73,963	76,709	79,578	83,919	89,172	92,772	96,391	99,347
China	1,663	1,814	1,972	2,205	2,569	2,949	3,479	4,393	5,588
EU	50,588	50,117	54,851	67,558	60,094	62,786	66,924	70,990	77,006

Source: World Competitiveness Yearbook, IMD 2009

According to these figures, productivity rose in the US, the EU and China during the last decade; a positive trend for all economies regarding productivity.

Figures from the World Competitiveness Yearbook on productivity growth show that US productivity has grown steadily since 2000, with some years seeing better growths than others.

Table 5

Percentage change of GDP (PPP) per person employed per hour	2000	2001	2002	2003	2004	2005	2006	2007	2008
US	5.17	3.14	3.20	5.02	5.47	4.55	-1.41	3.55	1.58
China	n.a.	9.03	8.84	11.30	11.66	13.93	7.66	15.11	8.31
EU	9.24	2.87	4.76	2.46	5.54	3.79	3.80	5.37	0.12

Source: World Competitiveness Yearbook, IMD 2009

The same has been the case for EU productivity growth, and it looks as though the US and the EU have had similar productivity growth levels. However, when looking at average growth rates from 2000 to 2008, it becomes clear that average EU productivity growth has been almost one percent higher than US productivity growth.

Table 6

Percentage change of GDP (PPP) per person employed per hour	2000-2008
US	3.36
China	10.73
EU	4.22

Source: World Competitiveness Yearbook, IMD 2009

The proportionally higher productivity growth in the EU could be one of the factors contributing to higher GDP growth in the EU than in the US.

US productivity growth rates pale in comparison to China's, as Chinese average productivity growth has been more than 10 percent annually. This corresponds to the high GDP growth rates China has experienced during the last decade, and helps explain the high GDP growth rate. Furthermore, it underlines the significant competitiveness of China, and implies that China's economy will continue to expand. However, it must of course be underlined that despite very high productivity growth rates, China is still significantly far behind US productivity levels, and it will take many years before the Chinese can produce equivalent GDP levels per worker.

Summary

After analyzing the figures on productivity growth, it can be concluded that the US has the highest productivity rates, but the lowest productivity growth rates. Both the EU and China have seen higher productivity growth rates than the US. This could help explain why both economies have also experienced higher GDP growth. However, despite a more positive trend in EU and Chinese productivity growth over the last decade, it is still clear that the US productivity level is significantly higher.

Human and physical capital

In connection to productivity, it is essential to briefly touch upon the factors behind productivity. Firstly, the educational level and size of the workforce influence the level of productivity and the productivity growth, and can as such help explain the trends in productivity level and productivity growth in the economies. Secondly, the level of technology and innovation in an economy is vital to the production rate. With high technological levels and high investment spending on technology and innovation, the higher the productivity will be (Schwab et al., 2009, p. 6).

High educational enrollment and attainment levels in a country influence the productivity rates in an economy because a worker with higher qualifications and educational level is more productive than a worker with low qualifications (Houlberg Hansen, Sneftrup Hansen, Lonning, & Poulsen, 2001, p. 59). In connection to this, it is also relevant to look at expenditure on education, as this can be seen as an investment in the future growth and prosperity of an economy.

According to these statistics, the US has the highest level of enrollment in tertiary education up until 2004, where both China and the EU surpass the US level of tertiary enrollment[16].

Table 7

Total enrollment in tertiary education (in millions)	2000	2001	2002	2003	2004	2005	2006	2007
US	13.2	13.6	15.9	16.6	16.9	17.3	17.5	17.8
China	7.4	9.4	12.1	15.2	18.1	20.6	23.4	25.3
EU	12.6	12.8	13.2	13.6	17.3	17.6	18.9	18.9

Source: UIS data centre, UNESCO

[16] The size of the population is of course a determiner when it comes to the amount of tertiary students, and the size of population compared to size of enrollment level seem to correspond. The EU enlargement has all other things equal contributed to the rise in enrollment levels after 2004. Up until then, US and EU enrollment levels were close but slightly higher in the US.

The increase in tertiary enrollment in China is quite impressive as the figure has tripled in seven years, but only from 2004 were there more tertiary students enrolled in China. US and EU figures are not as impressive, but still positive. Despite the fact that the US had slightly higher enrollment levels than the EU up until 2004, US graduation rates are slightly lower than EU graduation rates, something that seems to indicate that the EU graduates proportionally more of its enrolled students than the US does.

Table 8

Tertiary graduates (in millions)	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
US	2.2	2.2	2.2	2.4	2.5	2.6	2.6	2.7
China	1.8	1.8	1.9	n.a.	4.0	5.0	5.6	5.9
EU*	2.1	2.2	2.4	2.6	2.7	2.8	2.9	3.0

Source: UIS Data Centre, UNESCO
* The figures for the EU are only for EU15, otherwise it would be difficult to compare them with enrollment figures.

China graduates most tertiary students, but only from 2004 and onwards. Considering the size of its population, this trend clearly indicates how far behind China is in the area of education.

US public spending on education has remained the highest from 2000 to 2007 compared to both the EU and China.

Table 9

Public expenditure on education % of GDP	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
US	7.5	7.9	6.3	6.2	6.3	6.1	6.1	6.2
China	2.8	3.0	3.2	2.7	2.4	2.4	2.3	2.8
EU	5.3	5.5	5.6	5.8	5.4	5.4	5.2	5.1

Source: IMD World Competitiveness Online

Despite a fall in expenditure, the US still has the highest expenditure on education, and this is of course a competitive advantage for the US, or something that will most likely give the US a competitive advantage in the future. EU figures are close to the US towards the end of the period, but the EU still allocates one percent less of GDP to education. Even though this might seem insignificantly low, one

percent of around 14 billion dollars is a substantial number. China's education expenditure is considerably lower than the US', and has remained more or less the same during the last seven years. The low spending level in China does all other things equal mean that China has a less competitive educational system than the US, and will therefore as a consequence have less qualified workers compared to the US.

Workforce

To compare the non-working population with the working population, one can look at the age dependency ratio; the higher this rate is the more people are dependent on pensions, transfer payments and the like. The age dependency ratio is important in this study, as aging populations are a reoccurring issue when dealing with competitiveness.

Table 10

Age dependency ratio (% of working age population)	**2000**	**2004**	**2008**
US	51	50	49
China	48	43	40
EU	50	48	47

Source: World Bank, WDI

The US actually has the highest age dependency ratio of the three economies, which means that the US will be looking at the highest costs. All three economies have decreasing dependency ratios, which is of course positive, as this means that costs for the aging population are going down. China has the lowest dependency ratio and therefore has the least costs in connection to its aging population.

Migration rates

Immigrants are an important part of the workforce, and the migration rates in the three economies will therefore help illustrate if these economies are receiving more or less manpower.

Table 11

Net migration	2000	2005*
US	7,980,001	5,675,799
China	-785,754	-2,058,276
EU*	3,657,901	8,260,997

Source: World Bank, WDI
* Latest available figure

The US has had a positive migration rate since 2000, which is also the case for the EU. However, the EU has seen increasing migration rates during the time period, whereas US net migration has decreased. Net migration in the EU more than doubled from 2000 to 2005, and in 2005 the net migration rate was substantially higher in the EU than in the US. China has a negative migration rate, which means that more Chinese people leave the country than foreigners come to China. This negative migration has increased from 2000 to 2005.

Summary

Educational enrollment and attainment seem to have increased mostly in China, and today China has more students enrolled in tertiary education, and more students attaining tertiary education. Despite its large population, this is a fairly recent trend. Also the EU has seen increasing tertiary enrollment and attainment rates, and do now enroll and educate more tertiary students than the US. The US spends most on education, which naturally gives it an advantage compared to the EU and China. However, the EU is quite close to allocating the same amount to education as the US, and the gap between these two economies seems fairly small. On the contrary, the gap for China is quite big, as China does not come close to US educational expenditure, and this is naturally a clear disadvantage for China.

There has been a positive age dependency ratio in all three economies, which means that the dependent population has decreased compared to the working population. The US has the highest dependency ratio and does as such seem to face the largest costs. Furthermore, the decreasing net migration rate means that there will be fewer immigrants in the workforce to pay for the aging population. The EU has a slightly lower age dependency ratio, and seems to be experiencing increasing immigration rates;

trends that will help reduce the costs of the dependent population. China still has a low dependency ratio today, which will help reduce the costs of the aging populations. However, the decreasing migration rate is not a positive trend for China, and could, if combined with an increasing dependency ratio come to constitute a problem for China in the future.

Current account balance

The US has had a current account deficit for the last decade. The US current account deficit has been extraordinarily high compared to both the EU and China, and the US has not had a current account surplus at any point during the last ten years. There has however been a positive development during the last two years, as the deficit has decreased since 2006.

Table 12

Current account balance (current $US billions)	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
US	-301.7	-417.4	-384.7	-461.3	-523.4	-625	-729	-788.1	-731.2	-673.3
China	21.1	20.5	17.4	35.4	45.9	68.7	160.8	253.3	371.8	426.1
EU	1.0	-60.2	-7.0	39.1	46.9	71.3	-0.6	44.0	-79.3	-159.2

Source: World Bank, WDI

The EU current account has been stable for the last 10 years, but in 2007 the current account was in deficit. From 2007 to 2008 the current account deficit doubled, and the EU saw its highest recorded deficit in 2008. China has an impressive current account surplus, a surplus that has steeply increased throughout the last ten years. This also means that contrary to the US, China has substantial interest and installment receivables. These interests and installments will quite likely come from the US and the EU, as the US and the EU have debtor positions with China (Gerstberger, Jalava, Krüger, & et al, 2009, p. 81). The US is also a net debtor to the EU in terms of trade.

Trade and services

What is important to examine when looking at current account balance is the reason behind a deficit or surplus[17]. If an economy has a current account deficit that is caused by higher imports than exports, perhaps as a result of high consumption rates, this will result in a consumption debt, something that will not provide any returns or income in the future (Heakal, 2009). The balance on trade and service will therefore help clarify what the cause of the current account deficit in the US is.

As can be seen from the table below, the US has run a deficit on its trade and services balance for the last ten consecutive years, which means that the US current account deficit is caused by trade and service deficits.

Table 13

Net trade in goods & services (current $US)	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
US	-265.1	-379.8	-365.1	-423.7	-496.9	-607.7	-711.6	-753.3	-700.3	-681.1
China	30.6	28.9	28.1	37.4	36.1	49.3	124.8	208.9	307.5	348.9
EU	93.4	36.5	82.7	142.3	167.2	173	122	84.8	92.2	63.1

Source: World Bank, WDI

At the same time, China has had a surplus on its trade balance, which explains its current account surplus. The EU has a small surplus on its trade and service account, which seem to imply that the EU current account deficit is not caused by a trade deficit[18]. This could seem to suggest that the current account deficit is caused by a high outflow of capital compared to the level of capital inflow. The EU deficit is therefore presumably invested, and will at some point most likely provide a return.

[17] There are three items on the current account balance; net import/export, net income, and net transfer receivables. Only the former will be included in this examination, as this will provide an accurate picture of the reason behind the current account balances (Blanchard, 2009, p. 409)
[18] The current account consists of trade & services, factor income (income from investments, remittances), and transfer payments (foreign aid).

Summary

The US has run a deficit on its current account for many years, and has paid interests and installments on these. A huge current account deficit is therefore not a significant problem for the US, as this is a liability that it has dealt with for years. It is however still a liability, and an expense for the US. The deficit is caused by increased consumption not increased investments. The EU has only recently showed some negative trends in its current account balance. However, this does not seem to be caused by large trade deficits. China has a massive surplus on its current account, and is a net creditor to the US, which means that China is in store for massive debt receivables and installments.

Budget balance

In 2008, the US budget deficit hit its highest in ten years. At the end of the 1990s and the beginning of the 21st century, the US ran very high budget surpluses, but in 2002 that trend reversed. Recently, the budget balance had actually begun to show positive signs, as the deficit was decreasing from 2004 till 2007, but in one year, the deficit quadrupled to a staggering $-816 US billions.

Table 14

Budget balance, $US billions	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
US	157	255	92	-159	-374	-412	-317	-248	-188	-816
China	-21	-30	-30	-38	-35	-25	-28	-21	20	-16
EU*	-66	69	-98	-200	-319	-375	-336	-204	-145	-419

Source: IMD World Competitiveness Online, Eurostat
* Minus Cyprus, Latvia and Malta

The current financial crisis had a large influence on the magnitude of the deficit, as the US government has spent billions on bail-outs and a stimulus package to help the economy. However, a large amount of this money was not spent in 2008 but 2009, so the 2009 budget balance will be negatively affected by the stimulus package.

The EU has a somewhat similar trend in the budget balance, as the budget deficit hit a high point in 2004 and after that saw decreasing deficits until 2008, where the deficit in only one year tripled from 2007 till 2008. European stimulus packages will also come to negatively affect the budget balances in the EU in 2009 and 2010 (Furlong, 2009) (Monaghan, 2008). China is also running a deficit on its budget balance, although not in the same scale as the US, and the deficit is more or less so insignificant that it has no effect on the Chinese economy. Like the US, China has also spent a substantial amount of money on stimulating its economy and this will most likely also come to affects its budget balance in 2009 (Moore, 2008).

As can be seen from the figures in table 14, all the economies run deficits on their budget balance, and this has not been any hindrance to economic growth and expansion. So it seems that budget balance deficits do not constitute major problems for an economy, as it can continue to grow and expand, all the while decreasing budget deficits. This is especially obvious for the EU when looking at budget balance as a percentage of GDP.

Table 15

Budget balance % of GDP	**1995**	**2001**	**2008**
US	-2.11	0.91	-5.72
China	-1.75	-2.29	-0.37
EU*	-5.05	-0.00	-1.77

Source: IMD World Competitiveness Online, Eurostat
* Minus Cyprus, Latvia and Malta

The EU had a historic high budget balance deficit in 1995 as a percentage of GDP, but as the figures on economic growth revealed, this budget deficit has not hindered or limited economic growth in the EU. The EU managed to maintain the sustainability of its public finances despite the huge budget deficit, and managed to decrease its budget deficit to less than two percent in 2008. But what is indisputable is that a high budget deficit will result in expenditure in connection to debt interests, which again means less money for other public expenditures. In order to decrease the deficit, it is necessary to increase revenues and decrease expenditure. The increased expenditure on debt interests is more or less what the US is in store for, as its 2008 budget deficit as a percentage of GDP was the highest in decades. China

seems to have more or less stabilized its budget balance over the last couple of years, and was in 2008 close to equilibrium between revenues and expenditures.

Summary

The trend for the US budget balance is very negative, as the budget deficit has reached staggering levels. This means that the US has to allocate capital to pay debt interests, keep expenditures to a minimum, and increase revenues. The US budget balance is another sign of weakness in the US economy, and from figures analyzed so far, it seems safe to say that US future economic sustainability is more than fragile. The EU has also seen increasing budget deficits, albeit not in the same scale as the US deficit. China does again show healthy signs, as its budget is close to being balanced, and the Chinese budget balance is again yet another indicator of the healthy and sustainable Chinese economy.

Technology and innovation

Patent applications

The patent level in an economy indicates the level of innovation and invention, which is an important competitive advantage for an economy. The US has a significantly higher level of patent applications than both the EU and China. The patent application level has also been increasing steadily over the last seven years, whereas the EU patent application level has decreased. China's patent application level has increased dramatically from 2000 to 2007.

Table 16

Patent applications (residents)	2000	2003	2007
US	164,795	188,941	241,347
China	25,346	56,769	153,060
EU	113,310	97,780	108,404

Source: World Bank, WDI

Despite the massive increase in Chinese patent applications, the US still has far more applications, and does as such still seem to have a clear advantage in innovation over both China and the EU. However, it should be underlined that many of those applying for patents in the US are non-residents.

Table 17

Patent applications (non-residents)	2000	2003	2007
US	131,100	153,500	214,807
China	26,560	48,548	92,101
EU	29,231	27,766	30,591

Source: World Bank, WDI

Clearly, the US has many patent applications from non-residents compared to residents, which means that it is chiefly foreigners who apply for patents in the US. This of course indicates that it is not Americans who have an innovative edge, but more that the US has an easily accessible patent market. According to the European Commission, it is 11 times more expensive to obtain a patent in many EU countries than it is in the US (BBC.com, 2009).

Scientific and technical journal articles

The US and the EU are close to publishing the same amount of scientific and technical journal articles a year, although the EU seems to have an advantage compared to the US.

Table 18

Scientific and technical journal articles	2000	2005*
US	192,743	205,320
China	18,479	41,596
EU	207,776	234,102

Source: World Bank, WDI
* Latest available figure

China still has a long way to go before it comes close to publishing the same amount of scientific and technical articles. This is of course an indicator of the innovative and technological advantage the US has vis-à-vis China. In terms of scientific articles, the EU has an advantage over the US.

Summary

Looking at only these few statistics, it is clear that the US has a competitive advantage over China in terms of innovation and technology. The US publishes five times as many scientific and technical articles, and has twice as many patent applications as China has. However, it should be underlined that many of the patent applications come from non-residents. Compared to the EU, the US does not seem to hold as substantial an advantage. The EU publishes more scientific and technical articles than the US, and has done so for several years. In terms of patent applications, the US seems to have an advantage, even though many of the patent applications come from non-US residents.

Investment

FDI

The level of investment that is being pumped into an economy can be seen as an injection that helps create growth; *"For a host country or the firm which receives the investment, it can provide a source of new technologies, capital, products and management skills, which can lead to higher competition and give impetus to economic development"* (Gerstberger et al., 2009, p. 81). Therefore, investment levels are important when examining the reasons behind growth. One source of investment is foreign direct investment (FDI). According to the World Bank's latest figures on FDI, all three economies have seen positive long term developments in average FDI. However, US FDI levels decreased during the last decade, and FDI inflows to the US were higher in 1999 than in 2007.

Table 19

FDI net inflows (BoP, current $US billions)	**1989**	**1999**	**2007**
US	68.2	289.4	237.5
China	3.4	38.8	138.4
EU[19]	78.9	504.4	907.7

Source: World Bank, WDI

[19] The main investors in the EU are European non-EU members (43 %), Switzerland, Norway, Iceland, and Liechtenstein, as well as the Americas (36 %) and Asia (9 %) (Corsini, Foltête, & Gori, 2007, p. 44).

The EU and China on the other hand, have only seen increases in FDI inflows. The EU FDI inflows grew six times from 1989 till 1999, almost doubled from 1999 till 2007, and has on average been three times higher during the last decade than the US[20]. In 1999, China's FDI inflows were more than ten times larger than their FDI inflows in 1989, and from 1999 to 2007, FDI inflows more than tripled. China's FDI inflows were still only half of US levels in 2007, but compared to the size of its GDP, the percentage is still considerably higher than the US percentage level of GDP.

Table 20

FDI net inflows as % of GDP	1989	1999	2007
US	1.3	3.1	1.7
China	1	3.6	4.1
EU	1.6	10.0	7.8

Source: World Bank, WDI

The figures on FDI levels as a percentage of GDP show the FDI inflows into the US were almost twice as high in 1999 as in 2007. The EU FDI inflow as a percentage of GDP decreased slightly from 1999 to 2007, but was still very high compared to the US.

Gross fixed capital formation

Another catalyst for increased growth and productivity is the investments that are made domestically to improve production and productivity levels. The level of domestic investment in an economy helps explain growth rates and will also indicate growth potential in the future.

US investment in fixed capital has been increasing over the last decade or so, which of course has a positive influence on economic growth. The same has been the case for China, although the increases in China have been significantly higher than in the US.

[20] It must be underlined that the FDI flows for Luxembourg were not included in this estimate, as they would have skewed the overall findings. FDI flows to Luxembourg would have sent the EU FDI figures up with several billion US dollars.

Table 21

Gross fixed capital formation $US billions	1995	2001	2008
US	1,348.8	1,970.1	2,537.9
China	243.1	456.1	1,383.1*
EU	1,667.8	1,630.4	3,828.5

Source: IMD World Competitiveness Online 1995-2009
* Figure is from 2007

The EU did not see much progress in investments from 1995 to 2001, but investment levels doubled from 2001 to 2008; an increase that put the EU considerably ahead of the US in terms of sheer volume of investment. It is however more telling to look at capital investment levels as a percentage of GDP, because it shows how much of GDP is spent on improving production facilities and productivity growth. This is especially the case for the Chinese figures, as the Chinese economy is significantly smaller than the two others, and will therefore naturally not be able to invest as much money as the US or the EU.

US capital formation has been pretty stable and consistent throughout the last 13 years, and has as such not increased considerably. Of course, as GDP has grown, there has also been a natural growth in investment since the figures as a percentage of GDP are stable or slightly increasing. However, the EU has been able to increase its investment levels concurrently with increased economic growth, and has also had higher investment levels in all three index years compared to the US. US investment levels were actually lower in 2008 than in 1995, and this might be one of the reasons why US growth has slowed during the last decade.

Table 22

Gross fixed capital formation % of GDP	1995	2001	2008
US	18.23	19.45	17.79
China	34.71	34.43	42.17*
EU	19.48	21.14	23.31

Source: IMD World Competitiveness Online 1995-2009
* No figure is available for 2008, so this figure is from 2007

When comparing the figures as a percentage of GDP, it is clear that China invests a considerably larger share of GDP than the US. This of course helps explain the impressive growth rates China has experienced over the last couple of decades.

Summary

US FDI inflow has been decreasing during the last ten years or so, compared to the 1990s. And the US FDI levels are significantly lower than EU levels. The EU has especially during the last decade had remarkably high average FDI inflows. The figures on fixed capital formation showed that the US has had the lowest levels of investment as a percentage GDP, and this could also be one of the contributing factors to its slowed economic growth over the last decade. The EU has had moderate increases in investment levels, and these have as such probably also been a reason behind economic growth in the EU. China, on the other hand, has had an impressive growth in investments over the last decade; yet another factor that helps explain its high economic growth rates. China has also had positive developments in its FDI inflows during the last decade, and the increase in FDI inflows from 1989 to 2008 has been quite remarkable. However, China's average FDI inflows during the last decade was considerably smaller than US FDI inflow, and China still has a long way to go before it reaches FDI inflows that equals US levels. The impressive growth rates China has had during the last decades seem to come from both high productivity growth rates and also increasing FDI inflows. What can be concluded from these figures is that the US must have lost some attractiveness in terms of investment opportunities in the economy, whereas the EU and China have been more attractive for investors.

2.1. Military indicators

After assessing and examining the economic situation in the US by looking at vital economic measures and indicators over the last decades, the picture that emerges of the condition of the US economy is rather bleak. However, other vital components of national power need to be examined, including what can be called hard and soft power measures[21]. Military capabilities is the cornerstone of hard power,

[21] Some scholars argue that economic indicators are also part of what constitutes hard power. Whether economic power is hard or soft is however not essential in this study.

and the size and strength of a state's military has always been a clear indicator of how powerful that state is compared to other states. Therefore the following section will look at US military capabilities compared to China and the EU, in order to determine whether or not these economies could possibly be able to influence or constrain the US in the area of security. This chapter will also touch upon other measures of national power, such as soft power, as this has been of growing importance in international relations and foreign policy strategies. Soft power can be seen as the counterpart to hard power or military capabilities, and soft power capabilities will therefore be touched upon in this section.

Defense budget

For many years, the US has had the largest and strongest military force in the world, and the US has enjoyed almost unconstrained freedom in terms of security policy, because of this military superiority. US military superiority comes first and foremost from the amount of money that is being allocated to defense capabilities. The table below illustrates the military budget of the US, China and the EU.

Table 23

Defense expenditure $US billions	2006	2007	2008
US	411	432	480
China	52	58	64
EU	261	265	260

Sources: US Department of Defense, Stockholm International Peace Research Institute, and the European Defence Agency

The US expenditure is staggering. Compared to other single economies, China[22] has the second highest defense budget in the world, and this is eight times smaller than the US budget. Clearly, the US must have a defense capability that is beyond anything any other nation can muster. On top of this, the US also allocates vast amounts to so-called war funding[23], a budget item that after 2003 increased rapidly. In 2001 and 2002, war funding amounted to $13 and $17 billion (US Department of Defense, 2009b). This figure increased to $72 billion in 2003, and in 2008, war funding accounted for $187 billion, putting the total US defense budget at $667 billion in 2008. Other defense expenditures, which are not

[22] There is much debate on how reliable official figures from China are, and whether they correspond to the actual level of spending on defense. According to the US Department of Defense China's defense budget is at least $100 billion in 2008, but could in fact be as high as $150 billion (US Department of Defense, 2009a, p. 32).
[23] These spending are so-called supplementary spending, and do as such not appear on the defense budget

included in the defense budget, should allegedly bring the total defense expenditure to as much as $1.4 trillion (Flounders, 2009).

The EU figure is an aggregate of the 27 member states' defense budgets, and is as such not a single defense budget which is run by a governing body. The EU does have a defense agency, European Defence Agency, which aims to help EU member states develop military capabilities, and encourages member states to spend more on defense capabilities. The agency had a budget of €32 million (about $45 million) in 2007 (Champlin, 2009). A very low and insignificant figure compared to the other defense budget figures. Additionally, it seems essential to underline a few aspects of EU defense, when including the EU as a collective entity in a discussion about military capabilities. The EU only recently adopted a more comprehensive security and defense policy, and many argue that should disputes arise between the EU and the US on security matters, the EU would probably be divided internally as was the case with the invasion of Iraq in 2003. However, with the new Lisbon Treaty, the EU has come closer to a common defense and security policy (Zapatero & Van Rompuy, 2010).

Nuclear weapons

The ultimate weapon of power is the nuclear weapon. This weapon functions as the most effective deterrence because of its devastating nature. One consequence of the massive expenditure on defense in the US is that the US can acquire and develop weapons of mass destruction, as well as invest heavily in research and development of weapon's technology and other military capabilities. The US nuclear weapons and missile arsenals (delivery vehicles) are one of the reasons why the US is militarily superior.

Table 24

Nuclear warheads	2008
US	10,400
China	400
EU	550

Source: The Federation of American scientists and Council on Foreign Relations

The US has the largest stock of nuclear weapons, with around 10,400 nuclear warheads and around 500 intercontinental ballistic missiles (ICBM)[24]. China has about 400[25] nuclear warheads and 40 ICBMs. France and the UK are the only two EU member countries that have nuclear weapons and combined these two countries have about 550 nuclear warheads, and only submarine-launched ballistic missiles to deliver them. Neither the UK nor France has ICBMs. Clearly, the US nuclear arsenal is significantly larger than that of China and the EU (Kristensen & Godsberg, 2008).

China seems to be the only nation that is actively increasing its nuclear arsenal and missile systems, not reducing it (Norris & Kristensen, 2008). As China's nuclear arsenal is quite low, China does not participate in nuclear reduction negotiations or treaties. The US and Russia account for 95 % of the world's nuclear weapons, and when it comes to nuclear reductions, the focus is on these two states (NewEurope, 2009). Currently, the US and Russia are negotiating a replacement treaty for START, which runs out in December 2009. The terms of the new treaty are to reduce their nuclear arsenals by at least one-quarter within seven years (Levy & Baker, 2009). Being irrelevant or at least a 'small fish' provides China with the freedom to continue developing and improving its nuclear arsenal.

Investment in R&D

A natural consequence of the huge US defense budget is large spending on military research and development in the US. As can be seen from the table, the US spent around $54 billion on R&D in 2004, allocating five times as much of its defense budget to military R&D than the EU did. The difference from China is even more remarkable, as the US spent ten times as much money on military R&D than China did in 2004[26]. In 1996, this difference was even more immense, and it underlines that proportionally, China has been increasing its military R&D at higher rates than the US. Despite this,

[24] These missiles have a range of more than 5,500 km and are therefore considered to be the most sophisticated and threatening missiles because of their reach.
[25] Estimates of Chinese weapons arsenals differ greatly. Official figures released by China states that they have only between 100 and 200 nuclear warheads, but US and other sources estimate the nuclear warhead arsenal to be around 400. And this estimate was made already in 2000, so China will most likely have more than 400 warheads today (www.cfr.org).
[26] R&D spending as a percentage of the total defense budget would have provided a more accurate picture of R&D spending, but these figures were not possible to acquire.

China is still far behind US levels, and must as such also lag substantially behind the US in terms of scientific and technological innovation in military affairs.

Table 25

Military R&D in $US billion (2004 prices)	1996	2000	2004
US	44.7	42.4	54.1
China	2.7	3.8	5.0
EU	12.9	11.3	11.2

Source: (Brzoska, 2006) - OECD and other sources are mentioned in his

The US spent 10 billion more on military R&D in 2004 compared to 1996 and has as such increased its expenditure on R&D remarkably. China increased its R&D spending as well and spent twice as much in 2004 on R&D than it did in 1996. On the contrary, the EU slightly decreased its spending on R&D from 1996 to 2004; trends that all correspond to the trends in military budgets for all three economies.

Anti-satellite weapons

In the last couple of years there has been a development in regard to space and military capabilities, which necessitates a brief mentioning of the issue. China became one of the three countries, besides the US and Russia, to attain the capability of sending missiles into outer space. This was illustrated when China tested an anti-satellite missile in 2007 that destroyed a Chinese weather satellite (GlobalSecurity.org, 2009). The action underlines the growing technological advances of the Chinese military, and of Chinese technological and scientific levels in general. Despite the US' advantage in space technology, China's fast moving technological advances are being taken very seriously by the US (Levine, 2009). The speed at which China has developed and improved technologically, especially in military areas, over the last decade is impressive, and China's ability to destroy satellites underlines China's growing military capabilities and improves its overall national power.

Manpower

The aspect of manpower is one of the classic measures of military power and will therefore briefly be touched upon in this section.

Table 26

Armed forces personnel, millions	2007
US	1.5
China	2.8
EU	2.4

Source: World Bank, WDI

China obviously has an advantage when it comes to sheer size of its army, and it does in fact also have more than one million more military personnel than the US. Also the EU is close to having one million more military personnel than the US. In conventional warfare this naturally gives China and the EU an advantage over the US. However, as discussed previously, holding an advantage in conventional warfare seems less relevant in the 21st century, as conventional war between states is less likely today than previously. Therefore, even though manpower does provide some national power and thereby also leverage to China and the EU, it seems unlikely that this alone could provide them with enough power to constrain US foreign policy.

Treaties and alliances

US military primacy does not seem relevant in the same way in the US-EU relationship, considering the close relationship the two have, and the fact that they are both part of NATO[27]. Clearly, the US has the upper hand when it comes to military capabilities, but the US and the EU are allies, which means that nuclear primacy and deterrence is not in the same way relevant to their relationship, and the issue of whether the EU is capable of constraining US security policy. Naturally, when looking independently at nuclear capabilities in regard to national power, the US seems to be beyond superior compared to the EU. And generally, in terms of military capabilities, the US is significantly superior to the EU.

[27] When examining and discussing military capabilities of the US and the EU, it is essential to touch upon NATO, since NATO is a military alliance between the US and most member countries of the EU. As such, there has for over five decades been military and security collaboration between the US and Europe, and disputes or conflict between the US and Europe will most likely never materialize between the two due to the collective security agreement. Still, the US and the EU can disagree on security policy strategies, as happened with the war in Iraq.

China, on the other hand, is considered to be a much more likely rival to the US. There is no formal military alliance between China and the US, and China generally seems reluctant to commit to any formal cooperation with other states (Berger, 2009). However, China did very recently just sign a deal with Russia on missile launches, in which the two states agreed to notify each other on impending ballistic missile launches. This is the first such agreement between Russia and China, and currently there are no such agreements between China and the US (Champlin, 2009). This means that military capabilities are a much more vital power measure between the US and China, should any disagreements erupt over security policy strategies, because these two states are not allies and disagreements could turn into a power struggle that involves military deterrence.

Summary of military indicators

The US is clearly more than superior when it comes to military capabilities. The only area in which the US is not completely superior is the size of its manpower, and it is highly debatable how important this area really is. Given US superiority in all other aspects of military capabilities, manpower alone will not be able to provide a state with enough leverage to constrain US security policy. The US spends staggering amounts of money on military budgets and overseas military operations, as well as military R&D. It should however be noted that China has been allocating more and more money to its military capabilities over the last years. China has also increased its military R&D considerably, which has provided China with impressive military technology, demonstrated latest in 2007 with its anti-satellite weapon. China has been improving its military capabilities substantially, and this alone could signal that China might be able to put more pressure on US security policy. The EU on the other hand has slightly decreased its military expenditures and does generally not put a lot of resources into collective defense. This has however been changing, and with the signing of the new Lisbon Treaty, the EU will strive towards a collective security and defense policy.

2.2. Soft power indicators

Soft power has become a concept of growing importance in international relations and foreign policy strategies during the last decade. This is apparent not least by the US' own foreign policy strategies

which focus more on 'smart' power than former US foreign policy strategies have done - a mix of hard and soft power, as Secretary of State Hillary Clinton has termed it (Ambinder, 2009). Evidently, soft power is considered to be increasingly important as a measure of national power. Joseph Nye, who first coined the term, argues that the foundation of power today is moving away from military and conquest over to softer aspects of power, such as culture, values, beliefs and how a state acts within the international arena (J. S. Nye, 2003). Even though it is quite difficult to measure the impact and effect of having soft power, it will be included in this analysis. It will be included because it has become an unavoidable concept in international relations, but also because it will help underscore the level of national power of the US, as well as the EU and China.

Development assistance

One way to gain soft power is through development assistance. Underlining this is the very positive ranking of Bush by African countries in a global public opinion survey. Bush received the highest confidence ranking from the three, and only, African countries participating in the survey (Pew Research Center, 2008). Coincidently, from 2000 to 2006, the US doubled its development assistance to Africa (Schaefer & Kim, 2008).

Table 27

Official development assistance, % of GNI	**2001**	**2004**	**2008**
US	0.11	0.17	0.19
China	0.11	0.09	0.05*
EU	0.43	0.37	0.43

Source: OECD
* Figure is from 2006

As can be seen from the table, the EU clearly allocates more assistance to developing nations than the US does. US development assistance has been increasing since 2001, but is still significantly lower than EU assistance. The US does however allocate more than China does, and China's development assistance has been decreasing throughout the last eight years, despite the positive economic development in its economy.

Tourists

Another measure of soft power, according to Nye, is a nation's ability to attract tourists (J. Nye, 2004).

Table 28

International tourists arrivals	2000	2003	2006
US	51,000	41,000	51,000
China	31,000	33,000	50,000
EU*	84,900	85,500	108,600

Source: World Bank, WDI
* The EU figure is only non-EU tourists (De Voldere, Myncke, Jans, & Staelens, 2009, p. II).

Again, the EU seems to be ahead of the US, as the EU receives twice as many tourists yearly as the US. US tourist arrivals have been at the same level since 2000, whereas EU tourist arrivals have increased considerably from 2000 to 2006. China has caught up with the US from 2000 to 2006, and received the same amount of tourists as the US did in 2006.

Asylum seekers

Lastly, Nye points to the level of asylum seekers as an indicator of a nation's soft power. Clearly, the EU also has the upper hand in this category, as it receives a huge amount of asylum applications.

Table 29

Asylum seeker applications	2008
US	39,362
China	48
EU	293,672

Source: UNHRC

The US receives significantly less, almost eight times as few applications as the EU. China on the other hand receives only a fraction of the applications the US receives.

Summary

The figures analyzed showed that the US is doing better in most indicators of soft power compared to China. The US provides more development assistance and receives more asylum applications. However, US tourist arrivals have remained on the same level since 2000, whereas Chinese tourist arrivals have almost doubled. This means that the US and China received almost the same amount of tourists in 2008. All in all, the US seems to have more soft power than China. However, this is not the case with the EU. In all three areas examined on soft power indicators, the EU is doing significantly better than the US, and the EU must as such be considered to have far more soft power than the US.

Part III – Discussion

3.0. Rankings

To get a quick overview of all the measures analyzed, and to rank the national power of the US compared to the EU and China, an aggregation has been made of all the indicators examined. The economy that performs best receives 1 point, the other economy 0; hence the economy with the highest score has the best performance. For instance, in the area of economy there are six categories, and thereby six points to be distributed.

Areas	US	China
Economy	2	4
Human & physical capital	2	3
Innovation & technology	3	1
Military	3	1
Soft power	3	1
Sum	**13**	**10**

Areas	US	EU
Economy	1	5
Human & physical capital	1	4
Innovation & technology	1	3
Military	3	1
Soft power	0	3
Sum	**6**	**16**

Source: appendix 2

As can be seen from the table, the US has the overall best score compared to China, and the main reason for this can be found in the area of military and soft power. The US also has somewhat stronger indicators in the area of innovation and technology, but China is not as far behind as it used to be. China has better economic and human and physical capital indicators than the US, and especially in economic matters does China seem to have the lead. However, the US performs best in three out of five categories, which results in a better performance overall.

When comparing the performance of the US and the EU, it can be concluded that the EU does better in all areas except the area of military. This also means that the EU's overall performance is significantly better than the US'. Indicators in the economic, technological, human and physical capital, and soft power sections showed that the EU performs remarkably better than the US. Only in the area of military does the US perform significantly better than the EU, and this is the only reason why the gap between the US and the EU in the overall performance is not even bigger.

These rankings help provide an easy overview of the three economies and their overall performance in key areas of national power and international competitiveness. The rankings do not provide a definite conclusion to this study's research field, but they do provide significant indications of the national power levels in these three economies. Based on the indicators examined in this study, it can be concluded that the US has lost some of its national power. Compared to China, the US still seems to be superior, even though the figures do not reveal the entire truth. Compared to the EU, US power seems to be waning. However, the importance of all these indicators varies a great deal, and concluding anything definite from these rankings would be hasty. A more elaborative discussion of the findings in the analysis will be provided below.

3.1. Weakening US economy

The analysis of the most essential and vital indicators of the US economy showed that the US is facing severe economic problems. Arguments put forward by scholars and professors of the impressive and competitive condition of the US economy seem not only to be gross overstatements, but also misleading (Lynch & Singh, 2008) (Yetiv, 2009). The analysis showed that the US does not have the strongest, most dynamic, and most competitive economy in the world, something that is backed up by Michael Cox[28]; *"As Americans themselves are always keen to point out, the American economy remains the biggest in the world. Yet its weight and productivity should not hide what is becoming increasingly clear to many commentators since the bubble-like 1990s: that nearly all the economic indicators in the early twenty-first century point downwards"* (2007, p. 651). The US is looking at decreased growth rates, slowing productivity growth rates, decreasing FDI inflows and decreasing domestic investment levels. Furthermore, the US has enormous budget and current account deficits, which only seem to be growing larger in the coming years. The argument put forward by Lynch and Singh that the growth in the US is one of the most positive aspects of the US economy, is both outdated and incorrect (2008, p. 267).

[28] Michael Cox is Chatham House Expert in transatlantic relations after 9/11, 21st century security threats, and American foreign policy in the post-Cold War era. He is also a contributor in the new wave of declinism debate.

Another area in which the US does not quite live up to the arguments posed by scholars is the strength of the US workforce, allegedly one of the US' strong areas. Niall Ferguson has underlined that the aging populations in the EU will come to constitute a severe problem for the EU in the future, something that will not come to represent a similar problem in the US (N. Ferguson, 2004, p. 239) (Kupchan, 2002). Also Fareed Zakaria[29] claims that the US has an advantage over the EU and Asia, because these are facing demographic problems, with aging populations and low immigration rates (F. Zakaria, 2008, pp. 196-197). However, according to the dependency ratio trends, the US currently has a higher dependency ratio than both the EU and China, and for now it seems that the EU has a competitive advantage over the US in terms of dependency ratios. Additionally, US net migration has decreased during the last years, whereas EU net migration has increased.

Unsustainable fiscal budget

Combining declining US economic indicators with huge budget and current account deficits adds to an increasingly gloomy prospect for the US. The deficits run by the US are a liability for the US, as they entail high interests and installments to be paid on debt. In order to bring down the deficits, the US government needs to increase revenues and decrease expenditure. However, as underlined in recent reports from the US Government Accountability Office and the US Congressional Budget Office, the US is looking at increasing public expenditure over the coming years due to health care costs and demographic trends, while seeing no particular increase in revenues (United States Government Accountability Office, 2009) (Meyerson, Topoleski, Papenfuss, & Weiner, 2009). The US is especially going to have increasingly costly entitlement programs, such as Medicare, Medicaid, and Social Security, which will take out huge sums of the budget (Dickson, 2008). The increasing costs of the programs are the results of an aging US population. So the US does in fact seem to be facing its own share of demographic burdens. The projections from the Congressional Budget Office are not uplifting. According to their long-term budget outlook, the US *"federal budget is on an unsustainable path"*, and there needs to be taken serious political steps to curb increasing deficits (Meyerson et al., 2009). However, taking the necessary steps of increasing revenues, perhaps through contractionary fiscal policy of raising taxes, or decreasing expenditure by lowering spending on entitlement programs can be

[29] Fareed Zakaria is a journalist, commentator, and author. He is currently editor of Newsweek International and host on CNN's *Fareed Zakaria GPS*.

politically risky. This could keep politicians from taking the needed decisions that will direct the US economy back on a sustainable path. Furthermore, contractionary fiscal policy would also hurt the US economy and stifle economic growth.

Additionally, costly overseas military engagements will constitute a significant expense on the budget. For an economy that is performing well and has a somewhat stable budget, all this would be manageable. For a nation where most economic indicators point downwards, this is problematic. Paul Kennedy underscores the US' problems and paints a vivid picture of the current US situation; *"... a strong person, balanced and muscular, can carry an impressively heavy backpack uphill for a long while. But if that person is losing strength (economic problems), and the weight of the burden remains heavy or even increases (the Bush doctrine), and the terrain becomes more difficult (rise of new Great Powers, international terrorism, failed states), then the once-strong hiker begins to slow and stumble"* (P. Kennedy, 2009).

Current crisis intensifies negative trends

Adding to all these US indicators and trends is the current economic crisis, which will eventually only come to exacerbate the negative US trends (Altman, 2009). Altman[30] argues that the US might actually be facing *a period of forced restraint* because of the severity of the economic crisis. For instance this could mean that the US would not be able to carry out large overseas interventions, thereby facing constraints on possible security policies. Additionally, the whole Western style capitalist system has been undermined by the crisis, and confidence in Western countries and their credit-abilities have been severely damaged. This is underscored by a recent ranking of the most highly valued financial institutions (Jenkins, 2010). Four Chinese banks are in the top five. Ten years ago, US banks were dominating the top five. According to Cox, the collapse of the Soviet Union and the communist system was one of the reasons why the decline of the US did not happen during the 1990s (Cox, 2007, p. 648). This is one issue that separates the US situation today from the time of Kennedy's writing. Today, the

[30] Roger Altman is former Deputy Treasury Secretary under Bill Clinton.

US capitalist system has dealt a serious blow, and this is one issue that helps underscore the weakening of the US today compared to 20 years ago.

The current recession means that, all other things being equal, tax revenues will decrease, while expenditure such as unemployment benefits increase. Consequently, the US is looking at decreased revenues and increasing expenditures over the coming years, causing the budget deficit to increase even further (Langdana, 1990, p. 7). Research has shown that over the three following years after an economic crisis, government debt rises 86 % (Reinhart & Rogoff, 2009, p. 9). Add this to the already alarming US budget deficit, and the consequences of decreasing US national power seem unavoidable. This means that the US will have less leverage in international relations, and as a result will most likely face more constraints on its foreign policy strategies from other powerful players.

Even though the overall impression of the US economy is concerning, there are some positive aspects which need to underlined. The US still has a very high productivity rate. But productivity growth has slowed in the US, and is lower than both EU and Chinese productivity growth. What is also disquieting, however, is the fact that the Chinese and European economies seem to be growing faster than the US despite higher US productivity levels. Another positive economic indicator for the US is the level of educational expenditure, which is higher than both the European and Chinese levels. Education is a vital indicator, which gives the US an important advantage in the future. Whether the US will be able to sustain its high educational expenditure during this economically pressured period remains to be seen though. Compared to China, the US has several more positive indicators in the area of technology and innovation, where China still seems to lack behind. These are important indicators in the changing relationship between the US and China, where the US after all is still superior in many areas.

Other powerful players

China will not see the same economic setbacks as the US or the EU due to the economic crisis, on the contrary; *"China certainly comes out of the crisis stronger rather than weaker, and it's the opposite for the United States"*, says chairman of Morgan Stanley Asia (McDonald, 2009). Also, China's economy has been growing with remarkable speed during the last two decades, and does not show any signs of slowing down. The latest released figures on Chinese GDP growth showed that growth in 2009 was 8.7 %, a figure that exceeds even China's own predictions (BBC.com, 2010). With the impressive Chinese growth rates, and the slowing US growth rates, it will not take many years before the Chinese economy is the same size as the US. China's economy is still significantly smaller than the US, but the Chinese economy is showing positive signs across the board. Furthermore, the huge debt of the US is mainly financed by China, which owns a large share of US assets, close to $1 trillion (Faiola, 2009). Even though some scholars have argued that the US and China are in mutually vulnerable positions due the financial situation between the two, it is nonetheless China that has the upper hand, not the US. It might not be economically beneficial for China to start selling off US treasury bonds, but since China has the power to make the dollar collapse, China will all other things equal be able to use its large dollar holdings as a means of pressuring or constraining the US (Morrison & Labonte, 2009, p. 8). Other predictions about consequences of China selling off US dollars are just as bleak, as the US could find itself bankrupt over night, if China decided to get rid of all of its dollar holdings (Sieff, 2009a). All in all, China seems to be a very powerful player, and it seems that China could in fact very well, contrary to what some may argue, be able to constrain US foreign economic policy.

The EU has been almost as severely hit by the crisis as the US. However, as the analysis showed, the EU does not have as many negative economic indicators as the US, and it will therefore be better equipped to deal with the crisis and its repercussions. EU growth rates have improved during the last decade, whereas US growth rates have decreased. The US has not seen as high growth rates during the last decade as it did during the 1990s. This is a clear indicator of a more healthy EU economy. Furthermore, as was clear from the above rankings, most of the economic indicators examined showed more positive trends in the EU than in the US. This also means that the EU has the largest economy in the world today, and thereby also a huge internal market it can use as leverage in international trade

relations. So, it can be concluded that the EU seems to be performing better than the US on most indicators examined, and that it has a strong and stable economy. This indicates that in theory, the EU should very much be able to constrain US foreign economic policy.

US military strength

The area in which the US comes out as the absolute strongest is military capabilities, and the US seems to be far ahead of especially the EU, when it comes to military strength. China has been improving its military capabilities with alarming speed during the last decade, proved not least by its anti-satellite weapons, and today China does not seem to lack as far behind the US as previously. However, the analysis of military indicators showed that the US is militarily superior, and does as such currently seem to face very limited constraints on its security policy. Yet, there are some issues that need to be taken into consideration.

Firstly, the issue of interconnectedness between economy and military strength, as Bruce Jentleson so adequately puts it; *"… economic power is the foundation on which military power ultimately rests"* (2007, p. 10). Economy and military capabilities are in other words closely intertwined; there can be no military strength without economic strength. So US military capabilities are going to become affected by the condition of the US economy to some degree. It is self-evident that with a more than strained US economy, there can be fewer resources allocated to US military capabilities in the coming years. China on the other hand, does not seem to run into problems of financing its military capabilities. Over time, this could result in declining US military capabilities and improved Chinese military capabilities (Sieff, 2009a). The interconnectedness of a strong economy and military capabilities is also the essence of Kennedy's decline theory and it is more than applicable today for the US, as the American economy is severely weakened, and the US is entangled in two costly wars in the Middle East. The cost of wars in Iraq and Afghanistan has risen remarkably since 2001, and the US has spent over $800 billion on the wars in Afghanistan and Iraq (Bacon Jr., 2009). It is expenditure like this that seems unrealistic to sustain with the weakened US economy. However, this does not mean that the US should prepare for ultimate decline as a superpower, but it means that the US will have less money to spend on military

and overseas engagements. Accordingly, this will most likely at some point constrain US security policy.

Secondly, it is essential to touch upon the debate about decreased significance of military power. In a US intelligence report, former chairman of the National Intelligence Council, Thomas Fingar points out *"that the one key area of continued U.S. superiority - military power - will 'be the least significant' asset in the increasingly competitive world of the future, because nobody is going to attack us with massive conventional force"* (Warrick & Pincus, 2008). Accordingly, the power that comes with having nuclear weapons and superior conventional warfare capabilities seem less pertinent today than it did during the Cold War. A research project by Emilio Casetti[31] also underscores the declining importance of military capabilities in national power measures (2008). The research found that military capabilities are still an important aspect of national power and the ability to attain foreign policy objectives, but it is no longer the most important aspect. Fukyama also underlines that military might is today less useful than it was in the 20th century (Leffler & Legro, 2008, p. 7). This argument seems suitable to describe the situation in the Middle East, where the US has been engaged in war since 2001, and does not, despite overwhelming superiority, seem capable of winning or producing the result that was initially hoped for. So it seems that the one area in which the US is more than superior, and which should provide the US with unconstrained security policies, has lost importance and influence in world matters. At the same time, other areas have increased in importance, namely soft power.

Soft power

The area of soft power has become increasingly important in recent years, and the importance of soft power is underlined by Zakaria in his 2008 book; *"Washington needs to understand that generating international public support for its view of the world is a core element of power"*(F. Zakaria, 2008, p. 248). In the area of soft power, the US seems to be doing better than China, but is far behind the EU. The analysis showed that the EU clearly dominates the area of soft power. It could be argued that the

[31] Emilio Casetti is professor at Ohio State University, Columbus, Ohio. Additional research, mentioned in the research article backs up the conclusion of Casetti's research.

EU acts as the moral high ground of the Western world, and seeks to be an influential player in the world without being militarily superior (Leffler & Legro, 2008, p. 43). EU soft power indicates that the EU is in fact an influential player in the area of security policy, and it could therefore quite likely be able to at least influence US security policy, despite US military superiority.

3.2. Increasing constraints

All in all, the analysis indicates that the US has in fact lost some of its competitive edge and national power compared to great powers such as China and the EU. Zakaria points out that the trends for the US are not about the decline of the US, but the fact that other competitors are catching up with the US (F. Zakaria, 2008). However, according to this examination, yes, other great powers are catching up with the US, but even more so, the US is concurrently loosing national power and competitiveness. Many scholars, including Paul Kennedy and Fareed Zakaria, compare the US with the British Empire in the 19th and 20th centuries, which declined as a great power due to economic deterioration. However, Zakaria claims that this is not the trajectory for the US, as the US still has impressive economic indicators and an innovative and technological edge (F. Zakaria, 2008). It might be that this is not the trajectory for the US, but impressive US economic indicators and an innovative and technological edge was not what this analysis illustrated. Yet, Zakaria might be right, as it would be rash to jump to the conclusion that the US is heading the same way as Britain in the beginning of the 20th century. Considering the might of the US, it seems premature to conclude the ultimate decline of the US. What can be concluded, however, is that the US is losing some of its competitive edge and thereby also national power, while other great powers are rising. This means that the US is in fact today facing constraints on its foreign economic policies. Furthermore, the weakened US economy will, all other things being equal, at some point influence US military capabilities, which means that at some point the US will most likely face increasing constraints on its security policies as well. For now, the US is still more than militarily superior, and it seems that it is facing almost no constraints on its security policy.

China and the EU both showed generally more positive indicators in the analysis than the US. In fact, on the basis of this analysis, the EU has more national power than the US. This is not quite the case

with China, but China has impressive economic indicators and the rest of the figures analyzed seem to be following suit. Also, China has a special economic relationship with the US, as it has sponsored a large part of the US debt. The findings in this analysis and the discussion of the most important national power indicators show that all other things being equal the US is looking at increased constraints on its foreign economic policies. Even though China has the smallest economy, and thereby presumably the least leverage, the Chinese creditor role provides China with substantial leverage. Additionally, China's economy is growing at remarkable speed and all Chinese indicators are pointing upwards, which further increases Chinese leverage. This means that in theory, China should be able to constrain US foreign economic policies to some extent. The analysis showed that the EU holds considerably more national power than the US. The mere size of the EU economy, and thereby also its internal market, as well as positive trends across the board, provide the EU with substantial leverage to constrain US foreign economic policy as well. This means that the US actually to a very high degree faces constraints on its foreign economic policies, because it is losing national power and competitiveness, and because other key global players are becoming increasingly more powerful.

In terms of the working hypotheses, it can be concluded that the first hypothesis has been falsified on the basis of this research. The US is to a rather large extent facing constraints on its foreign economic policies, because of vital economic issues that have decreased its national power and competitiveness. On the contrary, the second hypothesis cannot currently be falsified, as the US is still more than militarily superior, and as a consequence faces very limited constraints in connection to security policies. However, the economic situation in the US could result in increasing constraints on security policies in the long term.

3.3. Examples of China's increased power

One clear indicator of Chinese influence is the issue of the Chinese currency. China has refused to revalue the renminbi, which gives China unfair trading advantages, according to the US. However, the pressing issue of the low Chinese currency rate was not something President Obama brought up during his first visit to China in November 2009, even though the US for a long time has been trying to

pressure China to appreciate its currency (Panda, 2009). And in late December 2009, the Chinese prime minister confirmed and assured that China will not give in to pressure and appreciate its currency (Dyer, 2009). This policy is a clear indicator of China's ability to constrain US foreign policy. The US wants China to revalue its currency so it can compete with Chinese exports, but China refuses to do this. Another indicator of the changing relationship between the US and China is the fact that during the same visit in China, Obama recognized Tibet as part of China. An unusual concession from the US, which back in March 2009 attacked Chinese policy towards Tibet (Embassy of the People's Republic of China in the United States of America, 2009).

Another example of China's ability to constrain US foreign policy is evident in the Doha trade negotiations round. Together with India, China has been able to block a trade agreement, illustrating the US' inability *"to impose its will globally"* (Castle & Landler, 2008). The growing influence of China and another indicator of US compliance towards China is the fact that President Obama, during a meeting in April 2009, promised the Chinese president that it will cut its budget deficit (McDonald, 2009). A promise put forward to reassure the US' largest creditor that the US economy is stable. These reversed roles are quite novel and seem to illustrate that the relationship between the US and China has in fact changed recently.

3.4. Examples of the EU's increased power

Examples of the EU's ability to influence and constrain US foreign policy are not as easy to find as those of China. This could very well be due to the fact that the US and the EU share common ground on most internationally related issues, especially on security matters, manifest by the NATO alliance. Few examples exist of issues where the EU and the US seem to disagree. One example of US-EU disagreement is the Iraq war. However, the EU did not agree internally on the matter, and this makes the example more complicated. Nevertheless, depending on how the case of Iraq is viewed, it could be argued that the EU did constrain US foreign policy to some degree. The EU was capable of dragging out the Iraq issue until 2003, because prominent EU countries such as Germany and France refused to sign a UN resolution that would allow for an invasion of Iraq. What this example also illustrates is the

lack of cohesiveness in the EU, which many scholars have pointed out. If the EU had agreed on the Iraq matter, it is uncertain if the US would have carried out the invasion without support from key countries such as Britain and Spain. However, the EU did not agree and the EU skeptics found validation for their skepticism. The new Lisbon Treaty should provide the EU with a single voice in security and defense matters, and give the EU more leverage, as it will be able to act more decisively on a range of issues concerning security matters (Dagand, 2008). The signing of the treaty further underscores the EU's ability to influence US security policy. Yet the treaty only entered into force on 1 December 2009, and the power which this treaty entails has yet to materialize.

One example of the EU's ability to constrain US foreign economic policy can be found in the trade negotiations in the WTO, as was the case with China. The EU has a common policy regarding trade agreements and the WTO, even though scholars argued that the EU could not act decisively on monetary matters (Brooks & Wohlforth, 2008). The European Commission deals with the economic interests of the EU and represents the trade interests of the entire Union (EconomyWatch, 2009). In fact, the EU is today the largest trading block in the world, which all other things equal gives the EU leverage and power in trade negotiations. The EU has flexed its muscles in the WTO and the Doha trade negotiations, in which the EU has refused to lower its agricultural subsidies (EurActiv.com, 2007). According to professors Barry Eichengreen and Douglas A. Erwin, the US has been powerless due to the EU's unwillingness to reduce its agricultural subsidies (Leffler & Legro, 2008p. 195).

Part IV - Critique and evaluation

When carrying out an examination like this, it is important to remain critical of the approach that is used, as this very much influences the results and outcome of the study. Therefore this short section will critically discuss and evaluate the method used in this study.

To any given examination there are a number of approaches that can be used, and it is important to keep in mind that whichever method is used will ultimately come to influence the outcome of the study. Consequently, this study could have used other methods to examine and assess the extent of constraints on US foreign policy. The study used a range of different indicators to help evaluate the national power of the US, but it could have included even more indicators. With more resources and space, it would have been possible to provide a much more extensive evaluation and assessment of the level of US national power, as well as Chinese and EU national power. This would undoubtedly have made the result even more solid and substantiated. However, on the basis of what was possible to take on, this study has included quite a significant amount of data, and is therefore also considered to be more than well-founded. It is acknowledged that the outcome of this study is not the definitive answer to the question raised. Furthermore, it is also recognized that there have been some limitations as to obtaining and including data, both in connection to accessibility and size of the study. Naturally this means that the study can only base its discussion and conclusion on the information that has been examined, and that it does not take into consideration other elements or unexpected events.

Taking on another approach to the concept of national power could also have provided different results. The definition of national power and what constitutes national power is essential for the outcome of a paper like this. If the study had focused more on hard power measures and military capabilities, leaving out measures of soft power, the US might have ended up with significantly more national power than it did in this study. As such, the scientific theoretical approach that is used influence the outcome of a study to a high degree. Consequently, it is acknowledged that the methodological and scientific approach used in this study has an impact on the result of the study. The scientific theoretical approach used in this study is founded in logical positivism, as opposed to a more hermeneutic approach. But

using a qualitative hermeneutic method instead would also have given an interesting and different study. For instance, the study could have used various contemporary case studies as empirical data - interaction between the US and other key global players, and analyzed these data in order to see if there were any signs of US foreign policy behavior or action that could signal that the US is facing constraints. With the resources and time, including both methods in a study of this kind would have been optimum. Including contemporary examples of US interaction with China and the EU in the study is an attempt to provide the research with a degree of this alternative method.

Part V - Conclusion

In order to determine and locate possible constraints on US foreign policy, this study examined both the US and those actors deemed most capable of constraining US foreign policy, namely China and the EU. The underlying rationale for the study was that the more powerful a state is, the fewer constraints it will face internationally. An examination of the US economy and other vital indicators of national power was carried out in order to assess the condition of the US and its economy, and to locate signs of decreasing national power and competitiveness. China and the EU were examined similarly, to determine their level of national power.

Through an extensive analysis of a range of national power indicators, this study has found that the US is facing severe economic problems. Many vital economic indicators such as growth, investments, and productivity growth are showing weakening signs. At the same time, the US is running a budget deficit not seen since the end of World War II, a deficit that according to all projections will increase in the following years due to massive budget expenditure such as the entitlement programs. Furthermore, the economic crisis that hit the US in 2008 has intensified the negative trends in the US. Due to the crisis, the US budget is expected to become even greater, and the US is in store for large installments and interests on its debt. The analysis showed that the US economy is far from stable, and that the US is in fact losing some of its national power vis-à-vis other great powers.

The Chinese economy continues to expand with impressive speed, despite the global economic recession, and China has a more than stable and healthy economy. Besides this, China is also the largest US creditor, and US debt to China is currently staggering. So, even though the US seems to hold more national power than China, China is still a significant player and holds substantial leverage due to impressive growth and an increasingly massive economy. Additionally, there are some significant economic conditions that make the US dependent on China, and this gives China substantial leverage. The EU is today the largest economy in the world, and showed more or less positive economic indicators across the board. The EU also came out as the strongest part by far when comparing the US and the EU.

The only area in which the US showed very positive tendencies was the area of military capabilities, where it was more than superior. However, with the weakening US economy, it seems inevitable that this will not at some point have consequences for US defense capabilities and the amount of international engagements the US can take on. Accordingly, this will most likely come to create self-inflicted constraints on US security policy in the future. At the moment though, the US seems to be faced with very little constraints on its security policies.

To conclude, the US does seem to be facing more constraints on its foreign economic policies to a much larger extent than during the last decade. The US faces constraints because of its severely weakened economy, and because influential players like China and the EU are becoming more competitive and powerful. Examples of both EU and Chinese maneuvering in trade negotiations illustrate their ability to constrain the US.

In terms of security policy, the analysis showed that the US faces quite limited constraints, due to its massive military strength. However, due to the level of soft power the EU has, the EU holds some leverage in the area of security. So even though the EU is militarily inferior, it is deemed at least capable of influencing US security policy. Furthermore, the consequences of the weakening US economy could come to create constraints on US security policy. In the near future, there will, all other things being equal, be fewer resources for upholding military capabilities and taking on foreign engagements, as the US needs to focus on keeping its economy stable and on track. Eventually this could result in constraints on US security policy, but for now, it seems there are very few constraints on US security policies.

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Appendices

Appendix 1 - figures

GDP in billions, PPP (current international $)	1989	1999	2006	2007	2008
Austria		218	293	311	318
Belgium	174	259	353	371	369
Bulgaria				86	94
Cyprus			20	21	21
Czech Republic			226	248	258
Denmark	90	143	191	197	201
Estonia			25	27	28
Finland		122	172	183	188
France	945	1,425	1,963	2,078	2,112
Germany	1,338	2,064	2,705	2,830	2,925
Greece	125	185	299	319	330
Hungary			182	189	194
Ireland	41	97	175	195	197
Italy	944	1,377	1,730	1,802	1,841
Latvia			34	39	39
Lithuania			53	60	63
Luxembourg	11	21	36	38	38
Malta			9	9	9
Netherlands	244	426	600	634	672
Poland			566	613	672
Portugal	99	164	229	241	245
Romania				267	303
Slovak Republic			97	108	119
Slovenia			50	54	56
Spain	481	792	1,299	1,416	1,456
Sweden		229	313	336	345
United Kingdom	881	1,397	2,040	2,143	2,176
Total	**5,373**	**8,919**	**13,660**	**14,815**	**15,269**
	1989	**1999**	**2006**	**2007**	**2008**

GDP growth (annual %)	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	Average 1989-1989
Austria							1.91	2.62	1.84	3.56	

Belgium	3.47	3.14	1.83	1.53	-0.96	3.23	2.38	1.2	3.51	1.68	
Czech Republic											
Denmark	0.57	1.48	1.3	1.98	-0.09	5.53	3.07	2.83	3.2	2.16	
Finland							3.93	3.69	6.09	5.19	
France	4.16	2.64	1.02	1.37	-0.91	2.22	2.12	1.11	2.24	3.5	
Germany	3.9	5.26	5.11	2.23	-0.8	2.66	1.89	0.99	1.8	2.03	
Greece	3.8	0	3.1	0.7	-1.6	2	2.1	2.36	3.64	3.36	
Hungary											
Ireland	5.81	8.47	1.93	3.34	2.69	5.76	9.63	8.2	11.35	8.05	
Italy	3.39	2.05	1.53	0.77	-0.89	2.15	2.83	1.1	1.87	1.4	
Luxembourg	9.8	5.32	8.64	1.82	4.2	3.82	1.43	1.52	5.94	6.49	
Netherlands	4.42	4.18	2.44	1.71	1.26	2.96	3.12	3.41	4.28	3.92	
Portugal	6.44	3.95	4.37	1.09	-2.04	0.96	4.28	3.62	4.19	4.85	
Slovak Republic											
Spain	4.83	3.78	2.55	0.93	-1.03	2.38	2.76	2.42	3.87	4.47	
Sweden							3.97	1.46	2.46	3.81	
United Kingdom	2.19	0.77	-1.37	0.21	2.27	4.32	2.94	2.78	3.1	3.35	
Cyprus											
Estonia											
Slovenia											
Bulgaria											
Latvia											
Lithuania											
Poland											
Romania											
Malta											
Total	52.78	41.04	32.45	17.68	2.1	37.99	48.36	39.31	59.38	57.82	
Average	4.40	3.42	2.70	1.47	0.18	3.17	3.22	2.62	3.96	3.85	**2.90**
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	
											Average 1989-1989
US	3.53	1.86	-0.19	3.34	2.69	4.06	2.54	3.75	4.55	4.22	**3.04**
China	4.10	3.80	9.20	14.20	14.00	13.10	10.90	10.00	9.30	7.80	**9.64**

GDP growth (annual %)	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**Average 1999-2008**
Austria	3.32	3.36	0.83	0.86	1.21	2.31	2.04	3.3	3.35	1.8	
Belgium	3.42	3.74	0.79	1.51	0.99	0.297	1.67	2.85	2.8	1.1	
Czech Republic						4.48	6.32	6.79	5.95	3.22	
Denmark	2.56	3.53	0.7	0.47	0.38	2.3	2.46	3.9	1.8	-1.1	
Finland	3.89	5.01	2.64	1.64	1.77	3.73	2.84	4.85	4.4	0.9	
France	3.3	3.91	1.85	1.03	1.09	2.47	1.9	2.17	2.17	0.4	
Germany	2.01	3.21	1.24	0	-0.22	1.06	0.78	2.87	2.48	1.3	
Greece	3.42	4.48	4.49	3.9	5.04	4.58	3.83	4.19	4	2.9	
Hungary						4.7	3.9	4	1.2	0.6	
Ireland	10.39	9.37	6.07	6.58	4.46	4.38	6.02	5.74	6	-2.3	
Italy	1.46	3.69	1.82	0.45	-0.02	1.53	0.55	1.84	1.46	-1	
Luxembourg	8.42	8.44	2.52	4.1	2.1	4.89	5.02	6.12	4.46	-0.9	
Netherlands	4.68	3.94	1.93	0.08	0.34	2.24	1.51	3.01	3.48	2.1	
Portugal	3.84	3.92	2.02	0.76	-0.81	1.52	0.91	1.28	1.75	0	
Slovak Republic						5.16	6.55	8.5	10.42	6.4	
Spain	4.75	5.05	3.65	2.7	3.1	3.27	3.62	3.86	3.83	1.2	
Sweden	4.6	4.4	1.06	2.41	1.91	4.13	3.3	4.09	2.73	-0.2	
United Kingdom	3.04	3.8	2.37	2.05	2.77	3.26	1.84	2.92	3.02	0.7	
Cyprus						4.2	3.95	4.04	4.36		
Estonia						7.53	9.16	10.38	6.33	-3.64	
Slovenia						4.29	4.35	5.9	6.76	3.54	
Bulgaria									6.17	6.01	
Latvia						8.68	10.6	12.23	9.98	-4.58	
Lithuania						7.35	7.8	7.84	8.92	3.02	
Poland						5.34	3.62	6.2	6.7	4.8	
Romania									6	9.23	
Malta						0.21	3.21	3.4	3.79		
Total	63.1	69.85	33.98	28.54	24.11	93.907	97.75	122.27	124.31	35.5	
Average	4.21	4.66	2.27	1.90	1.61	3.76	3.91	4.89	4.60	1.37	**3.32**
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	

US	4.49	3.69	0.76	1.61	2.52	3.65	3.08	2.87	2.00	1.10	**2.58**
China	7.60	8.40	8.30	9.10	10.00	10.10	10.40	11.60	13.00	9.00	**9.75**

GDP per person employed, $US	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Austria	51,092	50,533	55,098	66,977	77,445	79,430	82,036	92,298	101,283
Belgium	56,702	55,826	60,767	74,790	85,947	89,045	93,118	105,016	113,820
Bulgaria							8,764	10,649	13,010
Czech Republic					23,268	26,152	29,545	35,503	42,982
Denmark	57,972	57,890	62,493	77,559	90,407	95,098	99,471	109,888	118,953
Estonia					20,133	22,703	25,449	31,883	35,346
Finland	52,149	52,848	57,056	69,579	79,879	81,356	85,729	98,678	106,850
France	54,924	54,527	58,762	72,751	83,021	85,815	90,022	101,527	109,934
Germany	48,553	48,098	51,589	63,064	70,604	71,773	74,608	83,574	90,647
Greece	30,716	31,996	35,296	45,260	53,500	56,260	60,076	69,252	78,052
Hungary					26,185	28,233	28,753	35,346	39,780
Ireland	56,967	60,769	69,469	86,878	98,864	103,275	108,781	123,708	126,386
Italy	51,717	51,692	55,646	67,766	77,115	78,737	81,080	91,102	98,370
Lithuania					15,667	17,625	20,070	25,354	31,123
Luxembourg	77,288	72,132	78,522	98,629	112,807	121,071	134,669	154,137	161,701
Netherlands			57,553	71,205	81,603	85,496	89,301	99,375	109,642
Poland					18,356	21,540	23,408	27,907	32,998
Portugal	22,440	22,637	24,810	30,561	34,932	36,203	37,797	43,183	46,891
Romania								17,746	20,352
Slovak Republic					19,466	21,595	24,316	31,847	39,044
Slovenia					35,240	37,009	39,912	49,097	56,471
Spain	37,455	37,724	41,265	51,091	58,108	59,546	62,405	70,642	79,188
Sweden	57,180	51,241	56,684	71,189	82,344	84,106	88,910	100,308	105,237
United Kingdom	53,083	53,721	57,751	66,066	77,184	79,231	84,107	95,730	90,091
Total	708,239	701,633	822,761	1,013,366	1,322,076	1,381,298	1,472,325	1,703,748	1,848,151
Average	**50,588**	**50,117**	**54,851**	**67,558**	**60,094**	**62,786**	**66,924**	**70,990**	**77,006**

Percentage change of GDP (PPP) per person	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2000-2008 average**

employed per hour										
Austria	9.56	2.38	5.12	3.19	6.58	0.21	0.61	3.57	0.29	
Belgium	6.91	1.88	9.04	0.46	2.69	2.48	1.39	3.41	-0.52	
Bulgaria					5.64	3.31	0.03	4.81	2.64	
Czech Republic					7.93	4.48	11.46	8.84	0.62	
Denmark	2.23	2.64	5.81	2.48	7.76	3.11	-0.06	0.81	-2.24	
Estonia					8.44	8.97	4.87	8.17	-3.76	
Finland	5.05	3.72	7.41	1.46	8.24	1.45	6.36	4.36	-0.69	
France	16.31	2.65	6.13	1.28	3.57	4.98	1.35	4.36	-0.97	
Germany	4.47	3.12	2.19	5.51	4.24	4.99	0.88	2.85	-0.11	
Greece	24.76	6.82	7.28	3.83	6.21	3.04	1.85	5.48	1.82	
Hungary					5.05	4.29	9.82	3.96	1.71	
Ireland	1.03	6.44	7.21	4.34	4.35	3.39	2.67	7.95	-2.72	
Italy	5.48	2.36	4.04	-1.28	1.27	2.51	-0.97	3.13	-1.89	
Lithuania							8.30	9.60	4.04	
Luxembourg	8.46	-1.66	-0.92	5.68	6.26	2.62	7.86	2.16	-5.81	
Netherlands				-2.79	6.31	5.11	2.01	2.28	0.36	
Poland					7.14	3.43	6.04	3.11	-0.21	
Portugal	11.32	2.61	1.07	-0.76	2.51	8.20	4.72	5.23	-0.54	
Romania								13.07	4.03	
Slovak Republic					7.72	7.98	9.04	8.89	3.06	
Slovenia					3.32	4.00	5.59	7.68	3.29	
Spain	16.65	1.92	1.32	-1.65	2.59	1.47	1.13	5.77	1.69	
Sweden	9.42	1.35	6.88	9.70	7.84	0.82	3.05	5.12	-1.10	
United Kingdom	7.77	3.99	4.10	5.39	6.25	2.48	-0.66	4.33	-0.03	
Total	129.41	40.24	66.70	36.83	121.94	83.30	87.34	128.93	2.95	
Average	**9.24**	**2.87**	**4.76**	**2.46**	**5.54**	**3.79**	**3.80**	**5.37**	**0.12**	**4.22**
US	5.17	3.14	3.20	5.02	5.47	4.55	-1.41	3.55	1.58	**3.36**
China	n.a.	9.03	8.84	11.30	11.66	13.93	7.66	15.11	8.31	**10.73**

Total tertiary enrollment	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Bulgaria							240,000	258,692

Czech Republic					318,858	336,307	338,009	363,277
Estonia					65,659	67,760	68,286	68,767
Hungary					422,177	436,012	438,702	431,572
Latvia					127,656	130,706	131,125	129,497
Lithuania					182,656	195,405	198,868	199,855
Poland					2,044,298	2,118,081	2,145,687	2,146,926
Romania							914,000	928,175
Slovakia					164,667	181,419	197,943	217,952
Slovenia					104,396	112,228	114,794	115,944
Austria	314,722	264,669	223,735	229,802	238,522	244,410	253,139	260,975
Belgium	355,907	359,265	366,982	374,532	386,110	389,547	394,427	393,687
Cyprus	10,414	11,934	13,927	18,272	20,849	20,078	20,587	22,227
Denmark	189,162	192,022	196,204	201,746	217,130	232,255	228,893	232,194
Finland	270,185	279,628	283,805	291,664	299,888	305,996	308,966	309,163
France	2,015,344	2,031,743	2,029,179	2,119,149	2,160,300	2,187,383	2,201,201	2,179,505
Germany	2,051,183	2,082,783	2,157,747	2,240,117	2,329,091	2,300,000	2,285,762	2,285,762
Greece	422,317	478,205	529,233	561,468	597,007	646,587	653,003	602,858
Ireland	160,611	166,600	176,296	181,557	188,315	186,561	186,044	190,349
Italy	1,770,002	1,812,325	1,854,200	1,913,352	1,986,497	2,014,998	2,029,023	2,033,642
Luxembourg	2,437	2,533	2,965	3,077	3,042	2,800	2,692	2,692
Malta	6,315	7,422	7,259	8,946	7,867	9,441	9,441	9,441
Netherlands	487,649	504,042	516,769	526,767	543,396	564,983	579,622	590,121

Portugal	373,745	387,703	393,738	400,831	395,063	380,937	367,312	366,729
Spain	1,828,987	1,833,527	1,832,760	1,840,607	1,839,903	1,809,353	1,789,254	1,777,498
Sweden	346,878	358,020	382,851	414,657	429,623	426,723	422,614	413,710
United Kingdom	2,024,138	2,067,349	2,240,680	2,287,833	2,247,441	2,287,541	2,336,111	2,362,815
Total	**12,629,996**	**12,839,770**	**13,208,330**	**13,614,377**	**17,320,411**	**17,587,511**	**18,855,505**	**18,894,025**
US	**13,202,880**	**13,595,580**	**15,927,987**	**16,611,711**	**16,900,471**	**17,272,044**	**17,487,475**	**17,758,870**
China	**7,364,111**	**9,398,581**	**12,143,723**	**15,186,217**	**18,090,814**	**20,601,219**	**23,360,535**	**25,346,279**

Total graduates in all programmes	2000	2001	2002	2003	2004	2005	2006	2007
Bulgaria								
Czech Republic								
Estonia								
Hungary								
Latvia								
Lithuania								
Poland								
Romania								
Slovakia								
Slovenia								
Austria	24,981	27,099	n.a.	29,176	30,809	32,925	34,825	36,628
Belgium	68,225	70,202	72,939	74,000	76,000	78,000	81,546	81,546
Cyprus					3,547	3,676	3,858	4,445

Denmark	33,188	39,017	39,285	42,637	46,726	49,704	47,539	50,849
Finland	36,141	36,898	38,610	38,645	38,608	39,400	40,472	43,370
France	500,079	512,031	532,083	584,849	664,711	643,604	633,503	622,937
Germany	302,095	296,640	293,920	304,773	319,791	343,874	359,365	377,851
Greece		38,963	43,710	45,213	48,135	59,872	59,872	60,475
Ireland	42,009	45,818	45,028	53,808	55,852	59,650	59,184	59,011
Italy	202,309	218,041	248,710	290,340	324,505	379,933	386,051	400,021
Luxembourg	680	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Malta					2,145	2,741	n.a.	n.a.
Netherlands	79,416	81,603	85,818	89,341	96,890	106,684	117,392	123,321
Portugal	58,456		64,098	68,511	68,668	70,023	71,828	71,828
Spain	260,225	277,853	291,425	299,401	298,448	288,158	285,957	279,412
Sweden	42,390	42,741	45,532	49,345	59,359	57,611	62,774	62,213
United Kingdom	504,078	551,665	562,374	601,744	595,641	633,042	640,246	651,059
Total	**2,154,272**	**2,238,571**	**2,363,532**	**2,571,783**	**2,729,835**	**2,848,897**	**2,884,412**	**2,924,966**
United States	**2,150,954**	**2,174,142**	**2,238,327**	**2,355,724**	**2,473,299**	**2,557,595**	**2,639,006**	**2,704,070**
China	**1,775,999**	**1,804,660**	**1,948,080**	**n.a.**	**3,977,882**	**5,004,102**	**5,622,795**	**5,872,815**

Public expenditure on education % of GDP	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Austria	5.6	5.7	5.7	5.8	6.0	6.0	6.0	

Belgium		7.9	8.0	8.1	5.9	6.0		
Bulgaria								3.8
Czech Republic					4.1	4.1	4.2	3.9
Denmark	8.1	8.6	8.2	8.2	8.2	8.0	7.8	7.4
Estonia					5.2	5.0	4.8	5.0
Finland	6.3	6.3	6.4	7.6	6.1	6.1	5.9	5.9
France	6.1	6.2	5.9	6.4	6.2	6.1	6.0	5.9
Germany	4.2	4.1	4.5	4.3	4.3	4.2	4.1	4.0
Greece	3.1	3.4	3.3	3.2	3.1	3.0	2.3	
Hungary					5.8	5.8	5.8	5.8
Ireland		3.6	3.7	3.9	4.2	4.4	4.3	4.4
Italy	4.8	4.9	4.9	5.1	4.6	4.7	4.5	4.5
Lithuania					5.9	5.5	5.1	5.4
Luxembourg	4.3	4.6	5.3	5.4	5.6	5.3	4.9	4.8
Netherlands	4.5	4.7	5.1	5.2	5.2	5.1	5.1	5.0
Poland					5.5	5.6	5.5	5.2
Portugal	6.5	6.6	6.8	7.1	7.0	7.6		
Romania								4.3
Slovak Republic					3.9	3.9	3.8	3.4
Slovenia					5.9	5.8	5.8	5.2
Spain	4.2	4.2	4.2	4.3	4.4	4.3	4.3	4.4
Sweden	6.4	7.5	7.3	7.2	7.3	7.1	7.0	7.0
United Kingdom		4.9	5.2	5.5	5.5	6.1	6.1	6.1
Total	64.2	83.0	84.5	87.4	119.8	119.7	103.2	101.3
Av.	**5.3**	**5.5**	**5.6**	**5.8**	**5.4**	**5.4**	**5.2**	**5.1**
US	**7.5**	**7.9**	**6.3**	**6.2**	**6.3**	**6.1**	**6.1**	**6.2**
China	**2.8**	**3.0**	**3.2**	**2.7**	**2.4**	**2.4**	**2.3**	**2.8**

Age dependency ratio (% of working age population)	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Austria	48	48	48	48	48	47	47	47	48
Belgium	52	52	53	52	52	52	52	52	52
Bulgaria								44	44
Cyprus					48	47	46	46	45

Czech Republic					41	41	40	40	40
Denmark	50	50	50	51	51	51	52	52	52
Estonia					47	47	47	47	47
Finland	49	49	50	50	50	50	50	50	50
France	54	54	54	54	54	54	54	54	54
Germany	47	47	48	49	49	50	50	50	51
Greece	47	47	47	47	48	48	48	48	48
Hungary					46	45	45	45	45
Ireland	49	48	47	47	46	46	46	46	46
Italy	49	49	50	50	51	51	52	52	52
Latvia					46	45	45	45	45
Lithuania					48	47	46	46	45
Luxembourg	49	49	49	49	49	48	48	48	47
Malta					45	44	44	43	43
Netherlands	47	48	48	48	48	48	48	48	49
Poland					43	42	41	41	40
Portugal	48	48	48	48	48	48	49	49	49
Romania								43	43
Slovak Republic					41	40	39	39	38
Slovenia					42	42	42	42	43
Spain	46	46	46	46	46	46	46	46	46
Sweden	55	55	54	54	53	53	53	52	53
United Kingdom	53	53	53	52	52	52	51	51	51
Total	743	743	745	745	1192	1184	1181	1266	1266
Average	**50**	**50**	**50**	**50**	**48**	**47**	**47**	**47**	**47**

US	**51**	**51**	**51**	**50**	**50**	**50**	**50**	**49**	**49**
China	**48**	**47**	**46**	**44**	**43**	**42**	**41**	**40**	**40**

Net migration	**2000**	**2005**
Austria	65028	219893
Belgium	61339	195904
Bulgaria		-41325
Cyprus		
Czech Republic		67016
Denmark	73469	45603
Estonia		910
Finland	19554	33317
France	191910	760594
Germany	951974	930064
Greece	300304	154312
Hungary		70327
Ireland	91514	229704
Italy	212964	1750000
Latvia		-19584
Lithuania		-35840
Luxembourg	20406	20228
Malta		9000
Netherlands	184335	109510
Poland		-200000
Portugal	149583	291215
Romania		
Slovak Republic		9987
Slovenia		22519
Spain	792712	2503788
Sweden	49070	186234
United Kingdom	493739	947621
EU	**3,657,901**	**8,260,997**
US	**7,980,001**	**5,675,799**
China	**-785,754**	**-2,058,276**

Current account	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**

balance (current $US billions)										
Austria	-3.5	-1.3	-1.5	5.5	4.2	6.1	6.2	7.8	11.6	14.2
Belgium	14.1	11.4	9.4	11.6	12.9	12.5	9.9	8	7.3	-12
Bulgaria									-10	-12.6
Cyprus						-0.8	-1	-1.3	-2.6	-4.5
Czech Republic						-5.7	-1.6	-3.8	-5.7	-6.6
Denmark	3	2.3	4.8	3.5	7	5.9	11.1	8	2.4	6.9
Estonia						-1.4	-1.4	-2.8	-3.8	-2.2
Finland	8	10.5	12.1	12.1	8.5	12.5	7	9.4	10.1	8
France	45.9	22.3	26.2	19.7	14.8	12.4	-13.6	-15.5	-31.2	-52.9
Germany	-27	-32.3	0.4	41.1	47	128	142.8	190.2	263.1	243.3
Greece	-7.3	-9.8	-9.4	-9.6	-12.8	-13.5	-18.2	-29.6	-44.6	-51.3
Hungary						-8.8	-8.3	-8.6	-8.9	-13
Ireland	0.2	-0.4	-0.7	-1.1	0.1	-1.1	-7.2	-9.1	-12.7	-12.7
Italy	8.1	-5.8	-0.7	-9.4	-19.4	-16.5	-29.7	-48	-51	-78
Latvia						-1.8	-2	-4.5	-6.5	-4.4
Lithuania						-1.7	-1.8	-3.2	-5.7	
Luxembourg	1.6	2.6	1.7	2.3	2.4	4.1	4.1	4.4	4.9	3
Malta						-0.4	-0.5	-0.6	-0.5	-0.5
Netherlands	15.7	7.3	9.8	11	29.9	46.1	46.6	63	59.6	65.4
Poland						-10.1	-3.7	-9.4	-20.1	-29
Portugal	-10.3	-11.6	-11.4	-10.3	-9.6	-13.6	-17.6	-19.5	-21.2	-29.6
Romania									-23	-24.6
Slovak Republic						-3.3	-4	-3.9	-4.1	-6
Slovenia						-0.9	-0.7	-1.1	-2.3	-3
Spain	-18.1	-23.2	-24.1	-22.2	-30.9	-54.9	-83.4	-110.9	-144.7	-154.2
Sweden	6	6.6	6.7	12.8	22.8	24.1	25.5	33.3	39.1	40.3
United Kingdom	-35.4	-38.8	-30.3	-27.9	-30	-45.9	-59.1	-8.31	-78.8	-43.2
Total	**1.0**	**-60.2**	**-7.0**	**39.1**	**46.9**	**71.3**	**-0.6**	**44.0**	**-79.3**	**-159.2**
US	**-301.7**	**-417.4**	**-384.7**	**-461.3**	**-523.4**	**-625**	**-729**	**-788.1**	**-731.2**	**-673.3**
China	**21.1**	**20.5**	**17.4**	**35.4**	**45.9**	**68.7**	**160.8**	**253.3**	**371.8**	**426.1**

Net trade in goods and services	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Austria	1.4	2.7	3.2	8.4	7	8.9	10.1	13	18.1	19.5
Belgium	13.2	10.5	10.7	11.5	12.8	13.4	10.9	9.6	8.1	-9.5
Bulgaria									-9	-11.6

Cyprus						-0.5	-0.5	-0.7	-1.4	-2.9
Czech Republic						0.1	4.1	4.9	8.7	11.2
Denmark	8.2	9.3	10.4	10	13.1	12.4	13.7	9.7	7.3	8.2
Estonia						-0.9	-0.9	-2	-2.4	-1
Finland	11.1	13	13.8	13.4	12.3	13.4	8.8	10.4	13.1	11
France	36.1	16.6	21.3	24.8	19.3	11.4	-11.3	-24.4	-39.9	-69.1
Germany	11.7	1.4	34.2	83.7	95.6	136.8	148.2	166	236.2	227.5
Greece	-10.7	-12.3	-11.2	-11.1	-12.6	-12.6	-15.1	-24.9	-34.2	-39.5
Hungary						-2.9	-1.3	-1	1.9	1.6
Ireland	12.7	12.3	15.4	20.5	24.3	26.3	23.6	22.6	25.8	31.6
Italy	24.5	10.5	15.5	10.7	8.9	12.2	-0.3	-14	-5.2	-10.9
Latvia						-2.2	-2.4	-4.5	-5.9	-4.4
Lithuania						-1.6	-1.9	-3.1	-5.2	
Luxembourg	2.7	4.3	3.8	5.9	7	9.5	12	16.3	22.9	22.3
Malta						-0.2	-0.3	-0.3	-0.2	-0.3
Netherlands	18.5	15.8	16.7	17.5	35.8	45.2	54.4	57.8	67.1	70.1
Poland						-5.5	-2	-6.3	-12.3	-19.4
Portugal	-12.5	-12.6	-11.4	-10.1	-10.2	-13.4	-15.6	-14.8	-15.2	-21.8
Romania									-23.9	-25.7
Slovak Republic						-1.3	-2	-1.8	-0.4	
Slovenia						-0.4	-0.2	-0.4	-0.9	-1.2
Spain	-11.5	-17.8	-14	-13.1	-18.8	-39.8	-57.7	-76.5	-93.7	-90.4
Sweden	13	12	12.8	16.7	20.8	28.9	27.3	30.8	33.1	35.8
UK	-25	-29.2	-38.5	-46.5	-48.1	-64.2	-79.6	-81.6	-100.3	-68
Total	**93.4**	**36.5**	**82.7**	**142.3**	**167.2**	**173**	**122**	**84.8**	**92.2**	**63.1**
US	**-265.1**	**-379.8**	**-365.1**	**-423.7**	**-496.9**	**-607.7**	**-711.6**	**-753.3**	**-700.3**	**-681.1**
China	**30.6**	**28.9**	**28.1**	**37.4**	**36.1**	**49.3**	**124.8**	**208.9**	**307.5**	**348.9**

Budget balance, $US billions	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Austria	-5	-3	-0	-1	-4	-13	-5	-5	-2	-2
Belgium	-1	0	1	0	0	0	-10	1	-1	-6
Bulgaria									0	1
Czech										

Republic						-3	-4	-4	-1	-3
Denmark	2	4	2	0	-0	5	13	14	14	12
Estonia						0	0	0	1	-1
Finland	2	8	6	6	4	5	5	8	13	11
France	-26	-19	-21	-46	-74	-74	-63	-52	-70	-97
Germany	-31	25	-53	-74	-98	-104	-92	-45	-5	-5
Greece	-	-5	-5	-7	-11	-17	-13	-8	-11	-18
Hungary						-7	-9	-10	-7	-5
Ireland	3	5	1	-1	1	3	3	7	0	-19
Italy	-21	-9	-34	-35	-53	-60	-77	-62	-32	-61
Lithuania						-0	-0	-0	-0	-2
Luxembourg	1	1	1	0	0	-0	-0	0	0	0
Netherlands	2	8	-1	-9	-17	-11	-2	4	3	9
Poland						-14	-13	-13	-8	-21
Portugal	-3	-3	-5	-4	-5	-6	-11	-8	-6	-6
Romania									-4	-11
Slovak Republic						-1	-1	-2	-2	-2
Slovenia						-1	-1	-1	0	-1
Spain	-9	-6	-4	-3	-2	-4	11	25	32	-61
Sweden	3	9	4	-3	-3	3	8	10	17	12
United Kingdom	17	55	10	-25	-59	-75	-77	-65	-75	-145

Total	**-66**	**69**	**-98**	**-200**	**-319**	**-375**	**-336**	**-204**	**-145**	**-419**
US	**157**	**255**	**92**	**-159**	**-374**	**-412**	**-317**	**-248**	**-188**	**-816**
China	**-21**	**-30**	**-30**	**-38**	**-35**	**-25**	**-28**	**-21**	**20**	**-16**

Budget balance % of GDP	**1995**	**2001**	**2008**
Austria	-5.06	-0.01	-0.39
Belgium	-3.19	0.56	-1.20
Bulgaria			1.52
Czech Republic			-1.46
Denmark	-2.35	1.31	3.57
Estonia			-2.96
Finland	-9.49	5.02	4.18
France	-6.48	-1.55	-3.37
Germany	-1.76	-2.82	-0.13
Greece	-12.28	-3.56	-5.02
Hungary			-3.42
Ireland	-0.71	0.93	-7.15
Italy	-7.52	-3.08	-2.66
Lithuania			-3.22
Luxembourg			

	2.34	6.11	0.01
Netherlands	-3.46	-0.24	1.02
Poland			-3.91
Portugal	-4.90	-4.27	-2.61
Romania			-5.42
Slovak Republic			-2.20
Slovenia			-0.94
Spain	-4.95	-0.64	-3.82
Sweden	-10.46	1.57	2.52
United Kingdom	-5.45	0.66	-5.47
Total	-75.71	-0.01	-42.53
Average	**-5.05**	**0.00**	**-1.77**
US	**-2.11**	**0.91**	**-5.72**
China	**-1.75**	**-2.29**	**-0.37**

Patent applications	**2000**	**2003**	**2007**
Austria	1961	2120	
Belgium	577	519	454
Bulgaria			211
Cyprus			3
Czech Republic			716
Denmark	1730	1772	1660
Estonia			44
Finland	2579	1972	1804
France	13870	13511	14722

Germany	51736	47818	47853
Greece	431	513	772
Hungary			689
Ireland	925	862	847
Italy	7877		9255
Latvia			
Lithuania			62
Luxembourg	85	16	15
Malta			10
Netherlands	2465	2288	2079
Poland			2392
Portugal	81	125	250
Romania			827
Slovak Republic			239
Slovenia			331
Spain	2719	2813	3267
Sweden	4224	3025	2527
United Kingdom	22050	20426	17375
Total	**113,310**	**97,780**	**108,404**

US	**164,795**	**188,941**	**241,347**
China	**25,346**	**56,769**	**153,060**

Patent applications (non-residents)	**2000**	**2003**	**2007**
Austria	340	213	..
Belgium	243	188	163
Bulgaria			28
Cyprus			16
Czech Republic			192
Denmark	140	153	197
Estonia			19

Finland	324	215	211
France	3483	3339	2387
Germany	10406	10663	13139
Greece	34	29	3889
Hungary			102
Ireland	155	77	78
Italy	1396		870
Latvia			
Lithuania			20
Luxembourg	91	8	25
Malta			29
Netherlands	529	573	367
Poland			361
Portugal	65	40	31
Romania			59
Slovak Republic			106
Slovenia			15
Spain	484	367	265
Sweden	844	703	398
United Kingdom	10697	11198	7624
Total	**29,231**	**27,766**	**30,591**

US	**131,100**	**153,500**	**214,807**
China	**26,560**	**48,548**	**92,101**

Scientific and technical journal articles	**2000**	**2005**
Austria	4257	4566
Belgium	5735	6841
Bulgaria		
Cyprus		90
Czech Republic		3169

Denmark	4883	5040
Estonia		439
Finland	4844	4811
France	31427	30309
Germany	43509	44145
Greece	2976	4291
Hungary		2614
Ireland	1581	2120
Italy	21409	24645
Latvia		134
Lithuania		406
Luxembourg	40	59
Malta		23
Netherlands	12341	13885
Poland		6844
Portugal	1880	2910
Romania		887
Slovak Republic		919
Slovenia		1035
Spain	14795	18336
Sweden	9883	10012
United Kingdom	48216	45572
Total	**207,776**	**234,102**
US	**192,743**	**205,320**
China	**18,479**	**41,596**

FDI, net inflows (BoP, current $US billions)	**1989**	**1999**	**2007**
Austria		3	30.7
Belgium	7	142.7	72.2
Bulgaria			9
Cyprus			2.2
Czech			9.3

Republic			
Denmark	1.1	16.8	11.9
Estonia			2.7
Finland		4.6	11.6
France	10.3	46	159.5
Germany	7	55.9	51.5
Greece	0.8	0.6	2
Hungary			37.2
Ireland	0.1	18.3	26.1
Italy	2.2	6.9	40
Latvia			2.2
Lithuania			2
Luxembourg			188.1
Malta			0.9
Netherlands	8.6	41.2	123.6
Poland			23
Portugal	1.7	1.2	5.5
Romania			9.5
Slovak Republic			3.4
Slovenia			1.5
Spain	8.4	18.5	60.1
Sweden		59.4	12.3
United Kingdom	31.7	89.3	197.8
Total	**78.9**	**504.4**	**1,095.8**
US	**68.2**	**289.4**	**237.5**
China	**3.4**	**38.8**	**138.4**

FDI net inflows as % of GDP	**1989**	**1999**	**2007**
Austria		1.4	8.2
Belgium	4.3	56.2	15.9
Bulgaria			22.7

Cyprus			10.5
Czech Republic			5.3
Denmark	1	9.7	3.8
Estonia			12.8
Finland		3.6	4.7
France	1	3.2	6.2
Germany	0.5	2.6	1.6
Greece	1	0.4	0.6
Hungary			26.8
Ireland	0.2	19	10.1
Italy	0.2	0.6	1.9
Latvia			7.8
Lithuania			5.2
Luxembourg			524.9
Netherlands	3.6	10	16.1
Poland			5.4
Portugal	3	1	2.5
Romania			5.7
Slovak Republic			4.5
Slovenia			3.1
Spain	2.1	3	4.2
Sweden		23.1	2.7
United Kingdom	3.7	6.1	7.1
Total	20.6	139.9	720.3
Average	**1.6**	**10.0**	**28.8**
US	**1.3**	**3.1**	**1.7**
China	**1**	**3.6**	**4.1**

Gross capital formation $US billions	**1995**	**2001**	**2008**
Austria	51.9	44.2	92.5
Belgium	52.6	47.3	114.0
Bulgaria			16.6
Czech			52.0

Republic			
Denmark	33.5	31.9	73.8
Estonia			6.6
Finland	20.0	24.4	56.2
France	287.1	260.9	595.2
Germany	522.5	378.4	701.2
Greece	20.3	28.3	68.7
Hungary			31.0
Ireland	9.9	23.6	58.3
Italy	218.9	227.1	481.0
Lithuania			11.6
Luxembourg	3.7	4.6	10.8
Netherlands	79.3	84.7	178.7
Poland			115.7
Portugal	22.9	30.6	52.8
Romania			66.7
Slovak Republic			24.6
Slovenia			17.0
Spain	124.4	158.4	470.9
Sweden	37.2	38.3	94.2
United Kingdom	183.5	247.5	438.3
Total	**1,667.8**	**1,630.4**	**3,828.5**
US	**1,348.8**	**1,970.1**	**2,537.9**
China	**243.1**	**456.1**	**n.a.**

Gross fixed capital formation % of GDP	**1995**	**2001**	**2008**
Austria	23.29	23.26	22.39
Belgium	20.20	20.44	22.61
Bulgaria			33.35
Czech Rep			23.97

Denmark	18.60	19.90	21.63
Estonia			28.40
Finland	16.29	19.48	20.62
France	18.79	19.48	20.80
Germany	22.44	20.01	19.21
Greece	20.18	21.62	19.32
Hungary			20.19
Ireland	16.46	22.58	21.43
Italy	18.34	20.32	20.89
Lithuania			24.41
Luxembourg	21.68	22.64	20.22
Netherlands	20.30	21.15	20.50
Poland			22.02
Portugal	21.86	26.46	21.70
Romania			33.32
Slovakia			25.94
Slovenia			30.95
Spain	21.99	26.00	29.36
Sweden	15.48	17.01	19.63
UK	16.30	16.81	16.56
Total	292.20	317.16	559.42
Average	**19.48**	**21.14**	**23.31**
US	**18.23**	**19.45**	**17.79**
China	**34.71**	**34.43**	**n.a.**

Armed forces personnel, total thousands	**2007**
Austria	35
Belgium	39
Bulgaria	75
Cyprus	11
Czech Republic	27
Denmark	30
Estonia	7
Finland	32

France	353
Germany	244
Greece	161
Hungary	37
Ireland	10
Italy	436
Latvia	17
Lithuania	24
Luxembourg	2
Malta	2
Netherlands	41
Poland	142
Portugal	91
Romania	153
Slovak Republic	17
Slovenia	12
Spain	222
Sweden	18
United Kingdom	160
Total	**2,398**
US	**1,555**
China	**2,885**

ODA as % of GNI	**2001**	**2004**	**2008**
Austria	0.34	0.23	0.43
Belgium	0.37	0.41	0.48
Denmark	1.03	0.85	0.82
Finland	0.32	0.37	0.44
France	0.31	0.41	0.39
Germany	0.27	0.28	0.38
Greece	0.17	0.16	0.21
Ireland	0.33	0.39	0.59
Italy	0.15	0.15	0.22
Luxembourg	0.77	0.79	0.97
Netherlands	0.82	0.73	0.8

Portugal	0.25	0.63	0.27
Spain	0.3	0.24	0.45
Sweden	0.77	0.78	0.98
UK	0.32	0.36	0.43
Czech Republic		0.11	0.12
Hungary		0.07	0.08
Poland		0.05	0.08
Slovak Republic		0.07	0.1
Total	6.52	7.08	8.24
Av.	**0.43**	**0.37**	**0.43**
US	**0.11**	**0.17**	**0.19**
China	**0.11**	**0.09**	**n.a.**

Int'l tourism, number of arrivals in thousands	**2000**	**2003**	**2006**
Austria	18	19	20
Belgium	6	7	7
Bulgaria			
Cyprus			2
Czech Republic			6
Denmark	4	3	5
Estonia			2
Finland	3	3	3
France	77	75	79
Germany	19	18	24
Greece	13	14	16
Hungary			9
Ireland	7	7	8
Italy	41	40	41
Latvia			2
Lithuania			2
Luxembourg	1	1	1
Malta			1
Netherlands	10	9	11
Poland			16

Portugal	12	12	11
Romania			
Slovak Republic			2
Slovenia			2
Spain	46	51	58
Sweden	3	3	3
UK	23	23	31
Total	283	285	362
Non-EU tourists (30%)	**84.9**	**85.5**	**108.6**
US	**51**	**41**	**51**
China	**31**	**33**	**50**

Asylum seekers	**2008**
Austria	12,841
Belgium	17,115
Bulgaria	746
Cyprus	6,933
Czech Rep.	2,719
Denmark	2,360
Estonia	14
Finland	4,016
France	42,599
Germany	28,018
Greece	33,252
Hungary	3,118
Ireland	6,756
Italy	30,324
Latvia	51
Lithuania	215
Luxembourg	809
Malta	2,607
Netherlands	13,399
Poland	7,745
Portugal	161
Romania	1,172
Slovakia	910

Slovenia	238
Spain	4,517
Sweden	40,490
United Kingdom	30,547
Total	**293,672**
US	**39,362**
China	**48**

Appendix 2 - rankings

	US	China	US	EU
Economy				
GDP	1	0	0	1
GDP growth	0	1	0	1
Productivity	1	0	1	0
Productivity growth last decade	0	1	0	1
Current account balance	0	1	0	1
Budget balance	0	1	0	1
Human & physical capital				
Enrollment today	0	1	0	1
Tertiary graduates today	0	1	0	1
Educational expenditure as % of GDP	1	0	1	0
Age dependency ratio for last 10 years	0	1	0	1
Net migration now	1	0	0	1
Innovation & technology				
Patent applications now	1	0	1	0
Scientific & techn. Journal articles 2005	1	0	0	1
FDI net inflows today	1	0	0	1
Gross fixed capital formation today	0	1	0	1
Military				

Defense budget	1	0	1	0
Nuclear weapons	1	0	1	0
Investment in R&D	1	0	1	0
Manpower	0	1	0	1
Soft power				
ODA	1	0	0	1
Tourists	1	1	0	1
Asylum seekers	1	0	0	1

	US	China	US	EU
Economy	2	4	1	5
Human & physical capital	2	3	1	4
Innovation & technology	3	1	1	3
Military	3	1	3	1
Soft power	3	1	0	3
Sum	13	10	6	16