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The United States and China are currently engaged in a struggle for global influence and critical resources known as the Great Power Competition (GPC). Strategic access to key populations, geographies and supply chains, largely built on trust, will be the deciding factor in determining a competitive advantage. The global devastation of the COVID-19 pandemic has demonstrated that no one wins in a power struggle that overlooks human security for shareholder interests. This chapter explores a new way for the U.S. to engage within the modern 1 G|dt'μ 2020strated.



one based primarily on *cooperation* among states, businesses, and humans. Once we

from global competitors. In other words, state capitalism can cause a bifurcation of domestic and international human security, creating unsustainable stakeholder pressure on state businesses that seek to join global markets.

Conversely, *shareholder* capitalism creates an environment in which state and business security do not necessarily align. This system operates with the sole aim of ensuring profits to individual and institutional shareholders. The result is grossly insufficient human security. Public institutions hold little leverage over the businesses, specifically in the medical and defense sectors, which humans rely on to keep them safe.

Finally, the third variety of capitalism, *stakeholder* capitalism, elevates human and business interests as part of the national security paradigm. As Schwab points out, “Stakeholder capitalism is a form of capitalism in which companies seek long-term value creation by taking into account the needs of all their stakeholders, and society at large” (Schwab 2020). This system creates an environment whereby states, global institutions, and civil society work collaboratively to support worldwide commerce and innovations that result in long-term human security. Trust is an essential commodity of stakeholder capitalism.

The apparent difference between a shareholder economy and a stakeholder

In the context of the modern strategic GPC, the concept of “national security” can be viewed as encompassing three distinct functions within the broader framework of the GPC: state security, business security, and human security. State security primarily consists of the conventional military forces that have historically served to protect/defend governments, dynasties, and elites. In this system, the protection of national businesses is a secondary goal, to the extent that they matter to the nation. Business security traditionally functions as infrastructure support, including laws and regulations (domestic and international), access to capital, and public partnerships required to compete fairly in a global marketplace. Human security involves enhancing the quality of human life and all that that entails. This latter form of security garners little concern for warring nation-states competing for resources and desired geographies.

An important but sometimes overlooked dimension of human security is the services, infrastructure, and supplies needed to protect state constituents from disease, crime, identity theft, hunger, poverty, and death, among other critical concerns. As noted in the proceedings from a U.S. defense contractor-sponsored “Asymmetric Threat” Symposium, “Given that annual U.S. spending on nuclear weapons exceeds the amount spent on public health, there is a clear imperative for changing budget priorities, so the U.S. can start right now having a savvier twenty-first-century definition of national security. Recognizing that human insecurities are the root cause of turmoil, instability, and threats, the power mindset should evolve to one of human security” (cited in CACI Int. “Asymmetric Threat Symposium” 2020). On June 4, 2012, formal debate on human security organized by the General Assembly of the United Nations held the rights of “people to freedom from fear and freedom from want, with an equal opportunity to enjoy all their rights and fully develop their human potential” (United Nations A/RES/66/290, article 3a 2012).

Natural disasters, violent conflicts, persistent poverty, epidemics, and economic downturns impose hardships on humans in every corner of the planet. In this context, human security is best understood through the drivers of insecurity: poor health and safety, injustice from the weak rule of law, a lack of economic opportunity, and breakdowns in society and community. For many Western policymakers, the American military keeps citizens free, safe, and prosperous, with such insecurities often relegated to the realm of international development instead of national security. Despite natural disasters, growing economic inequality, and the largest incarcerated population on the planet, it took the COVID-19 pandemic to shift elites’ focus away from “others” in the developing world towards domestic insecurities of this nature. Unlike other drivers of insecurity, pandemics, epidemics, and natural disasters cannot be shielded by wealth, status, or zip code. Fires burn wine country, riots disrupt High Street, cybercriminals attack consumers rich and poor, and disrupted supply chains hit earnings reports and 401(k)s.

Overlooking the non-discriminatory nature of a virus, countries like the United States can leverage flexible work arrangements, and whose citizens’ digital skills are

most widespread will fare better than competitors (Schwab 2020). That said, disparities in health outcomes, technology, and workforce opportunities result in widening inequality, and accelerate societal fragmentation (Schwab and Zahidi 2021). If these issues are not immediately addressed, human security will falter, and unrest will spread, leading to an even more divided government and a weaker country. With public health, (including vaccines and critical supplies required to protect humans and keep businesses open) fast becoming a new playing field for geopolitical rivalry, national security priorities must now be re-evaluated. In the post-COVID-19 era, human and business security should drive our national priorities, budgets, and the modern GPC. Given this new dynamic, governments will need to use innovative emergency powers that reorient national resources to protect humans and businesses, first and foremost.

The COVID-19 pandemic, exacerbated by increasing interdependency in global markets, has accelerated the de-coupling of traditional notions of defense policy from human and business security. Historically, great powers used military power to protect themselves and their allies' interests, granting states with large militaries greater leverage in geopolitical conflicts. However, conventional tools are now insufficient on their own for providing overall security, and therefore their power relative to other tools is reduced. Following this logic, the current analysis points to an imminent degradation of American national power.

Suppose the United States is to compete with great powers post-COVID-19. State security will remain essential on a tactical level, but its emphasis must shift from large conventional military strategies to disaggregated hybrid, grey-zone, or soft-power capabilities. Only then, can the U.S. counter misinformation operations, economic coercion, and the use of ambiguous forces, quarantines, and denial of access in both physical space and cyberspace. For better or worse, unlike conventional wars of the past, grey-zone conflicts are now being waged by businesses worldwide. The increase in this type of conflict will lead to a synergistic alignment of "state" and "business" security, culminating in greater public-private collaboration in the future. Politicians will need to shed their concerns with growing the government (as with the military-industrial complex) and grant human and business security the same bipartisan support; as traditional "state security."

Policymakers often miss the mark in their basic assumptions regarding what constitutes endurance in the contemporary international power struggle of the GPC. They view the battleground against the backdrop of a dominant economy and dollar that historically has leveraged its power with international institutions such as the UN,

bond markets, housing markets, and consumer spending are all driven by confidence. Confidence is based not on military prowess but also on trust and sustainable business and human security. After the financial crisis of 2008 and the West's recent unprepared response to COVID-19, it is debatable whether the world maintains confidence in the international systems implemented by the U.S. How much direct impact does U.S. conventional military force have on global economic recovery or human health? Without sufficient confidence in the international system or the global economy and people that underpin it, great power erodes quickly.

Given this shifting security context, the most significant influence on the fabric of society today is not military force but rather the power of the global economy and its potential rewards in terms of exchanges of goods, ideas, energy, bits, bytes, and data. Although businesses, like states, are undoubtedly concerned with the "defense" of their products and core business segments, we see little reference to the impacts of conventional war in current SEC filings and presentations. On the other hand, COVID-19 is front and center on many U.S.-based quarterly earnings statements such as General Motors and Alcoa (GM 2020; Alcoa 2020). If conventional war no longer has a significant impact on business returns, then, by and large, businesses' interests are no longer aligned with state security. This growing disparity has primarily resulted from profuse trends in shareholder capitalism and has been exacerbated by global co-dependence.

Conversely, foreign adversaries are increasingly influenced by the mere threat of diplomatic, business and economic pressures. The frequency and scale of such threats have grown steadily in recent years. Indeed, our global interdependence is now so ingrained into business performance that governments often remain mired in an unhealthy cycle of interventions and pullbacks, leading to vulnerabilities and a growing lack of confidence in both governance and free markets. The United States should not reduce its defense budget; instead, the U.S. should re-orient that budget towards long-term investments in innovation and technologies geared toward business and human security. Such investment would be better tailored to the current moment, as conventional forces that predominantly support state security alone fail to increase domestic and foreign confidence.

Throughout most of the last five centuries, European powers have used their technological and military might to field "great" armies and navies to protect their empires

Instead of expanding empire by fiat, policymakers created inclusive global institutions and frameworks to govern and regulate the future of competition among great powers. The establishment of the United Nations, various agreements on tariffs and trade, and the formation of NATO, IMF, and WB, among others, were all intended to stabilize the new world order and secure the U.S.'s preeminence within it.

This period represented a significant shift in the great power competition. In the postwar period, under a type of Pax Americana, competition among great powers became less militarily kinetic and more economical—meaning, driven by the aim of exerting influence over others via soft or non-military-based hard power. Capitalism and the growth of global trade resulted in the integration of markets to such an extent that businesses exerted influence over them. They became reliant on other great powers—the more significant the competing power, the bigger its market and potential for business growth. Gaining power thus necessitated sharing it. The extent to which this power sharing occurred has been veiled, hidden by stock market gains and consumerism. Shareholder returns, cheap consumer goods, and a general culture of excess have obfuscated just how much U.S. national power is now distributed among and interdependent on global competitors.

Enduring economic security throughout the middle of the twentieth century meant that American citizens enjoyed the best healthcare, roads, airports, telecommunications infrastructure, jobs, and schools in the world, as well as stable food sources, well-funded local governments, and with some exceptions, a just rule of law. U.S. politics were generally left untouched by more remedial concerns. However, since the second half of the twentieth century, crises that are more fundamental have emerged within an interdependent global eco-system. Oil embargos, trade wars, demographic changes, and financial crises in once—“faraway” lands are now impacting humans and businesses right at home in the U.S.

Decades of power, a strong economy, and relatively weak competition have resulted in the U.S. political machine investing in only a handful of essential industry segments, mainly financial markets and defense, to bolster narrow political platforms. Yet, shareholder capitalism has put even those sectors at risk by shifting critical national attention from government and public interests to profit interests, allowing only a small number of global elites to thrive while diminishing the overall growth in human security. To avoid the inevitable outcome of shareholder politics, many developing countries have turned away from free-market capitalism towards post-modern state capitalism, including a combination of traditional state economic planning and elements of free-market competition. The World Economic Forum (WEF) data shows that globalization measured by trade openness is in decline for the first time since the interwar era of 1918–1939 (Sault 2021).



In a post-COVID-19 world, as the U.S.'s industrial, military, and financial strength are deteriorating relative to competitors, shareholder capitalism further weakens the United States comparable to those with state capitalist economies. While shareholder capitalism transfers power from the state to the corporation, state capitalism does the opposite. For instance, corporations that are interdependent with, and often owned by sovereign states, transfer large amounts of U.S. wealth to foreign competitors. State capitalism has the advantage of quickly and efficiently consolidating state power in the face of a crisis; in addition, state capitalist governments incur less risk of interdependence in strategic industrial sectors because the state itself essentially owns them. Conversely, under shareholder capitalism, corporations have little incentive to support states or people's needs if unaligned with short-term profits. COVID-19 demonstrated the advantage that state capitalism gave to China in dealing with a global crisis. The hybridized Chinese state-capitalist system allows the state to respond both quickly and efficiently in mobilizing all aspects of the economy while also being able to reap the benefits of a free market by selling its goods around the world with increased diplomatic goodwill. Throughout the pandemic, Chinese businesses, both public and private, benefited from this situation across multiple sectors. In the mining sector, Jiangxi Copper, Zijin Mining, and Chalco Ltd all met or exceeded their 2020 Q1 or Q2 production targets despite the negative impact of COVID-19 as compared to those of Western competitors (Chalco 2020; Jiangxi 2020; Zijin 2020). Earnings statements from Newmont Goldcorp, Barrick Gold, Southern Copper, Alcoa, and Freeport McMoran, all noted considerable headwinds when the pandemic caused operational downtime at mining sites in "care and maintenance," contract cancellation costs, and employee separation costs (Newmont Goldcorp 2020; Barrick Gold 2020; Southern Copper 2020; Alcoa 2020; Freeport McMoran 2020).

The COVID-19 pandemic presents an opportunity for the United States to shift its geoeconomic policy away from emphasizing state security under shareholder capitalism to one of human and business security under stakeholder capitalism fueled by interstate *cooperation*. U.S.-based pharmaceutical companies Pfizer and Johnson & Johnson are two entities that are well positioned to spearhead an increase in U.S. power and influence through stakeholder capitalism. Despite declining revenues due to COVID-19, both companies solidified their market position with Chinese consumers and saw earnings outperform as a result (J&J 2020; Pfizer 2020). In the long term, the trust these companies build with Chinese consumers and other stakeholder partners to supply medicines will enable them to exert tremendous advantage over international affairs. COVID-19 may, in this way, ultimately serve as a trigger for policymakers to align bipartisan support with human and business security, as the new normal in a war on COVID that precipitates the shift away from conventional military budgets and capabilities. Additionally, as the U.S. becomes increasingly globally interdependent, the country can act in its own best interest when competitors have a reliable infrastructure and can add value to our businesses.

While extraordinary government intervention mitigates some business risks in the short term, the globally integrated nature of business operations and supply chains means inter-governmental coordination and collaboration are even more critical to sustaining a post-pandemic “wartime” footing in the twenty-first century. Wartime economic production no longer relies solely on national enterprise but rather on international enterprises and foreign nation-states—perhaps even rivals. In some cases, foreign corporations and their associated foreign supply chains can even be the critical infrastructure for state security.

Further, the international hunt for new global consumers and markets will present dominant American businesses with the added leverage to demand that foreign governments invest in education, protect workers and human rights, abide by deum.893896(foreign





Given the interdependence of foreign actors to fight future challenges like pandemics, climate change, and terrorism, conventional war, and even the preparation for it









process, and strong governance. While the percentage of Chinese PPPs using foreign capital has increased exponentially since the 1990s, the number remains below 50% (Sugden 2016). Western institutions hold a distinct advantage in attracting private investment into PPPs and have more experience in procuring and administering such

circuit boards, and the risk of dependence on sole-source vendors, weaken industrial resiliency. Additionally, the report calls out short-term shareholder earnings as potentially “damaging” (OSD 2021).

Meanwhile, foreign investors buying into strategic industries bolster share prices. The Chinese are investing in American technology companies, systematically targeting U.S. greenfield investments like technology, R&D networks, and advanced manufacturing. China’s strategic investment in the U.S. increased some 800% between 2009 and 2015, reaching roughly \$45.6 billion by 2016 (Stoller and Kunce 2021).

There are too many complex systems, procurements, and facilities to maintain or manage industrial defense policy and acquisitions effectively. Among these systems are lasers, railguns, hypervelocity projectiles, intelligence, surveillance, reconnaissance capabilities, military space capabilities, electronic warfare capabilities, military cyber capabilities, hypersonic weapons, military robotics, autonomous unmanned vehicles, quantum technology, artificial intelligence (AI), stealth bombers, fighters, submarines, tanks, rifles, fuel, and massive operations and maintenance and aging infrastructure costs. This list constitutes only a fraction of the weapon systems, gear, equipment, facilities, and general items that the Pentagon procures from businesses, small, medium, and large. The more complex the weapon system, the more complex its supply chain (Renewed Great Power Competition). The globalization of supply chains and the reliance on components, subcomponents, materials, and software from other countries is concerning. The pandemic has shown that the United States lacks sufficient investment in the most basic industrial supply chains like personal protective equipment, all while continuing to burden itself and its military with ever more complex supply chains that will surely also be under-resourced and at risk.

Managing and executing federal contracts is expensive for both the buyer and seller. On the seller side, facility clearances, cybersecurity, approved accounting and purchasing systems, significant compliance requirements, and often unpredictable and lengthy procurement cycles are barriers to market entry and often limit competition to a few entrenched firms. Furthermore, lowest-price type acquisitions with short performance periods give industries little assurance of a future need and lead to weak supply chains and poor services. On the other hand, well-funded and well-thought-out procurements that seek the development of innovative products and services that have no immediate commercial application but may significantly advance science or technology domains in the future are essential. Suppose non-traditional industries, including many tech startups, emerge as the tools of a future battlespace. In that case, simplifying the barriers to working with the federal government will help foster a more collaborative public-private partnership.

On the buyer side, contracting shops remain buried in paperwork and wholly removed from the supporting programs. Complex appropriations and an over-reliance on continuing budget resolutions lead to truncated and shoddy procurements; last-minute execution of option years leads to uncertainty in the market, and end-of-year “sweep” money splashed out in a “use it or lose it” fashion leads to waste. The U.S. acquisition engine must contend with too many complex problems and obligations that leave little to no oxygen for the country to respond to new requirements in times

of crisis. Additionally, those existing programs require vast and complex globally integrated supply chains that collectively drain the surge capacity of the industrial base. Without drastic reductions in the sheer quantity of systems procured, the surge capacity of the U.S. industrial base will falter in a crisis (Cancian and Sauer, 2020). In the unlikely event of a large-scale peer-to-peer conflict, tanks, armored personnel carriers, helicopters, jets, and drones will not be quickly replaced, even in a total-war-production environment. If, on the other hand, the government buys commercial products and services that happen to protect national stakeholders, then the U.S. acquisition cycle can be streamlined.

Continuing to focus on the "aerospace and defense" sector as a stand-alone pillar of industrial policy is counterproductive in the long term. As national leaders claim, if the U.S. is currently at war with COVID-19, then human and business security is the new battleground; quite possibly, traditional industrial aerospace and defense sector companies will not fight wars of the future. Industries with commercial appli-

today's needs within the framework of the modern GPC. Private industry would deter emerging competitors with the strength of their balance sheet, the skills of their workforce, and the benefits they provide to stakeholders. In turn, governments would hold new fiduciary responsibilities to adequately invest in and protect commercial networks critical to functioning business, effectively deterring harm to private industry that may arise from newly emerging threats.

The great power competition would no longer be among warring states or large armies but among small, medium, and large businesses. Great power policies would need to provide businesses with the ability to compete and win by aligning national security to the basic needs of commercial enterprises and their employees. In these conditions, the great powers would promote individual freedom and the rule of law, the enforcement of property rights, neutral arbitration of disputes, and government accountability while investing sufficiently in infrastructure.

Modest U.S. investments in education, healthcare, information, and communications technology and digitization would lead to significant gains in global competitiveness while also growing U.S. jobs. To make these investments, great powers would need to identify new ways to develop effective tax structures that reflect the realities of the "Fourth Industrial Revolution." The U.S. should lead efforts to construct an international agreement on the taxation of digital activity. Further, companies and research institutions in like-minded countries should explore ways to bring together their technological strengths and ideas to benefit stakeholders and start priming the positive feedback cycle of human security that interconnected stakeholders reap from each other.

Stakeholder capitalism that aligns state and human security presents U.S. businesses with an opportunity to outcompete their great power rivals by fostering effective PPPs domestically and globally. People, not capital, drive economic growth, and social cooperation is fundamental to state power. More than any other commodity, trust is the most valuable asset in a stakeholder economy. Western economies remain the most trusted in the world; however, despite outperforming China, the U.S. still has work to do to get back on top of the rankings (D2020). A renewed focus on human security would support such an ascent. Business innovation could fulfill human needs, and investments in innovation could be returned to stakeholders in kind. However, when state-capitalist economies do not protect human interests, the corporations that rely on foreign stakeholders will be forced to take action to put their interests above the state. No amount of government concessions and protectionist policies will be powerful enough to reverse such stakeholder pressure. Despite the short-term crisis, the COVID-19 pandemic demonstrates that U.S. businesses are better positioned to compete for stakeholder trust than our great power rival, China.

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