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NATIONAL SECURITY NEWSLETTER

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National Security Investment Reviews

Issue 1: Contagion and Conflict – Globalization as a National Security Challenge

Source: <https://www.linkedin.com/feed/update/urn:li:activity:7085297502714810369/>

BLUF: Nations must account for factors of both stability and change within the constructivist elements of the dynamic national security environment. This includes evaluating how economic security is a component of national security, how innovation warfare will be part of a coordinated national interest strategy, and how technology policy may be utilized to properly preserve and expand incentives for a robust domestic ecosystem which encourages, facilitates, and promotes innovation in key national security industries. However, governments must also evaluate the positive and negative externalities on domestic industry that global competition creates by recognizing that placing limitations on the ability of companies to compete on a global scale directly impacts these same policies relative to national security, technology, and economics.

Issue: The link between economic security and national security is established through global economic competition and broader geopolitical grand strategy. The U.S. has long benefitted from this link as it facilitated wide ranging dominant influence in the global economy through international institutions (such as the World Trade Organization) and developing a strong domestic innovation incubator. However, economic interdependence can result in asymmetric or unstable relationships and influence over economic partners, creating distributional issues and negative externalities resulting from globalization.

National Security Contagion: In evaluating the impact of economics, and national security foreign investment review processes, there must be a consideration of the framework for which these decisions are based, as well as appropriate checks and balances on governmental authorities. This includes whether the concept of consequentialism (e.g., the end justifies the means) is the appropriate model for international relations.

The Key Question: In considering whether consequentialism is the appropriate model for ethical decision making in the context of “national security” there must be criteria to: (a) reasonably predict the outcome, and (b) objectively evaluate the outcome (i.e., was the decision correct based on the outcome). What is the outcome that the government is seeking to achieve in enforcement actions driven by national security investment reviews? Is the outcome consistent with an objective review of national security considerations and performed in a manner that is consistent with the regulatory framework?

Issue 2: ‘Mystery Company’ Buys \$800M Worth of Land Near Travis AFB, Raising Concerns About National Security

Source: <https://abc7news-com.cdn.ampproject.org/c/s/abc7news.com/amp/travis-afb-air-force-base-flannery-associates-llc-john-garamendi/13527836/>

A company called Flannery Associates LLC has spent approximately \$800 million buying roughly 52,000 acres of land since 2018 around Travis Air Force Base in California. The land acquisitions caught the attention of Rep. John Garamendi, who asked the Air Force to investigate the matter. The nationality nor intentions of the buyer have been made clear to justify the above market price paid for the land.

Issue 3: U.S. Falling Behind China in Tech Advancements

Source: <https://www.defensenews.com/industry/2023/07/17/us-falling-behind-china-in-tech-advancements-govini-report-finds/>

China's rapid technological growth poses a threat to the U.S. defense industrial base, according to a new report from data analytics firm Govini.

The report, released Monday, details the U.S. federal government's nearly \$200 billion in fiscal 2022 spending on critical technologies — but warns China is still outpacing the United States.

This difference in the pace of technological advancement between the U.S. and China is largely due to accessibility to patents, according to Govini. Over the last five years, the report finds, the number of patents associated with critical technology areas and issued to U.S.-based companies has stagnated, while the number for Chinese companies has steadily increased.

Additionally, Govini's new report finds some U.S. contractors focused on critical technologies are still relying heavily on Chinese suppliers and investors. Tara Murphy Dougherty, Govini's chief executive, noted Monday all 12 critical technologies in the report are highly dependent on Chinese supplies.

Issue 4: Scientific and Technological Flows Between the United States and China

Source: https://www.rand.org/pubs/research_reports/RRA2308-1.html

Specifically in this report, the researchers investigated three types of flows between the United States and China: the inflow of U.S. technology inputs into Chinese military technology, the bilateral movement of scientific researchers between the United States and China, and scientific collaboration between researchers based in the United States and those based in China.

Key Findings:

- U.S.-Chinese scientific research collaboration poses potential risks and offers potential benefits.
 - Publications produced via U.S.-Chinese collaboration have, on average, higher impact and are more interdisciplinary.
- Scientific research flows between the United States and China vary in nature and volume.
 - U.S.-based researchers tended to migrate to a Chinese affiliation rather than leaving and returning to the United States. Chinese-based researchers more often returned to China after a period in the United States.

- U.S.-Chinese collaboration on aerospace engineering research poses potential threats and benefits.
 - In terms of threats, U.S.-based organizations have coauthored more aerospace engineering publications with Chinese organizations with links to the PLA in recent years than in the past.

Issue 5: U.S. Security Officials Scrutinize Abu Dhabi's \$3bn Fortress Takeover

Source: <https://www.ft.com/content/f85a0c7e-597e-41d3-8e73-1486484b1a62> and <https://www.bloomberg.com/press-releases/2023-05-22/fortress-management-and-mubadala-to-acquire-fortress-investment-group>

Abu Dhabi's Mubadala Investment Co will acquire a majority stake in New York-based asset manager Fortress Investment Group from Japan's SoftBank Group Corp. US national security officials are scrutinizing the Abu Dhabi sovereign wealth fund's planned \$3bn takeover over amid concerns in Washington over the UAE's ties to China, people close to the situation told the Financial Times.

- › After the completion of the deal, Fortress' management will own a 30% stake in the company, while Mubadala Capital will hold the rest, according to the statement. Mubadala already owns 10% of Fortress. Fortress management will hold a class of equity that entails it to appoint a majority of seats on the board.
- › Under the new joint ownership, Fortress is expected to generate significant value for its stakeholders by further establishing itself in the alternative investment space, particularly in credit and real estate across public and private markets, where it currently manages \$46 billion of assets on behalf of more than 1,900 institutional investors and private clients. Fortress is expected to benefit from Mubadala Capital's global network and extensive portfolio of diversified assets, as well as its access to proprietary investment opportunities to support its growth and expansion.

Issue 6: Evaluating Europe's Economic Security Strategy

Source: <https://www.csis.org/analysis/evaluating-europes-economic-security-strategy>

The European Economic Security Strategy was drafted jointly by the European Commission and the high representative for foreign affairs; it is intended as a guide for the European Union to promote the competitiveness of its industry, protect itself from external threats, and forge partnerships with other countries.

The Economic Security Strategy does not entail the adoption of concrete measures. It is intended as the start of a conversation in which all member states, including those most reluctant to align blindly with Washington, will participate. It serves, overall, as an attempt to outline various categories of economic threats to the European Union, further underscoring that geopolitical risk has begun to bleed into almost every policy domain.

Although observers are quick to claim that the conspicuous absence of China in the Economic Security Strategy underscores a core weakness of the European Union, it more likely denotes a

fundamental difference in security considerations between the United States and European Union. Both are living in drastically different threat environments at the moment. The United States views China as an imminent economic and security threat—and a challenge to generations of hegemonic power and the Washington Consensus—but Brussels is confronted with a war at its doorstep and a Russia that has weaponized interdependencies and flagrantly violated international law.

Despite this key difference, overall, the Economic Security Strategy represents clearer alignment with the new economic doctrine of the Biden administration.

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