

PERCEPTIONS

JOURNAL OF INTERNATIONAL AFFAIRS

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Book Reviews



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PERCEPTIONS - Spring 2013

Editorial

This is *Perceptions'* second volume in a special edition on Asia. The previous issue examined East Asia's dynamic regional affairs and international relations. We have aimed to be as inclusive as possible in terms of covering the various issues that pertain to Asia. However, two volumes cannot be all inclusive considering the number of international issues at stake in this region and the blossoming scholarship on these matters. We hope that the special edition of *Perceptions* will contribute to current scholarship on Asian foreign policy issues and will pave the way for further research in this critical area of study. This issue also has articles apart from the focus on Asia.

There are six articles on Asia in this second issue. Namrata Goswami touches upon the rise of China and its effects in the region. Goswami analyses the power shifts in Asia through the prism of two major international relations theories, realism and liberal institutionalism, and concludes that China will prioritise cooperation over conflict as it is the least costly option in terms of maintaining its current state of development. Ramon Pacheco Pardo scrutinises EU- East Asian relations and looks at how these relations

have evolved since the global financial and eurozone debt crises. The EU's economic, political and security domination has shifted with the turbulences witnessed in the global financial system, leading to a more balanced relationship between the EU and East Asia. G.V.C. Naidu discusses the "Look East Policy" put into practice by India towards East Asia, which has evolved into a comprehensive engagement underpinned by several political institutional mechanisms, strong economic association through a variety of agreements, and robust defence links and security cooperation, and then examines how it has resulted in India becoming an important part of the evolving East Asian economic and security order.

Brazil has undergone major changes in the last two decades. Due to the new domestic context of democracy, free markets, economic development, and social inclusion, the country has begun to be perceived as an emerging power and a regional leader. Alexandre Uehara and Guilherme Casarões analyse Brazil's relations with China, Japan, South Korea and North Korea. As the political dimension has come into prominence in trade and investment relations,

the authors maintain that stronger ties between Brazil and East Asia will become paramount in shaping a new global order. Suisheng Zhao critically examines China's rise as a great power and seeks to answer the question of whether the Chinese leadership has renounced its low-profile diplomacy by reorienting its foreign policy in a more aggressive direction, and if the country is ready to take a global leadership role and assume international responsibility as a great power. Sadık Ünay discusses China's re-engagement with the global political economy and its unprecedented ascendance as a major economic powerhouse since the mid-1990s, events which have triggered a radical re-evaluation concerning China's importance for the future of the world economy and global governance. Ünay argues that China's current growth capacity is based on a deep interdependence with Western interests and multinational corporations.

In addition to the articles focusing on East Asia, this issue contains two articles on Turkey's relations with Armenia and one on Turkish foreign policy. Hasan B. Yalçın evaluates Turkey's rejection of the US's demand to deploy American troops on its territory, also known as the "1 March Motion", and argues that Turkey had a proactive strategy of avoidance regarding the US's demands mainly because of its concerns of the possible

consequences of the instability that was expected as an outcome of a US war in Iraq. Zaur Shiriyev and Celia Davies analyse the domestic and regional impact of the Turkish-Armenian normalisation process from the Azerbaijani perspective, with a focus on the changing dynamic of Ankara-Baku relations in light of the outcome of the Zurich Protocols. Cory Welt maintains that after Turkey and Armenia signed the protocols on opening diplomatic relations and land borders, the prospects for Turkish-Armenian normalisation in the absence of progress on the Karabakh conflict have been slim. Welt proposes an unconditional opening of Turkish-Armenian diplomatic relations, followed by a retooling of the Basic Principles, accepting a linkage between the border opening and the withdrawal of Armenian forces from territory outside Nagorno-Karabakh.

Perceptions is the flagship publication of the Center for Strategic Research (SAM). SAM will continue to publish special editions as well as issues of mixed articles keeping its central focus on Turkish foreign policy and international relations in general. SAM also has Vision Papers and SAM Papers in the format of reports and policy papers. All publications are available on SAM's website, sam.gov.tr. Stay tuned for more!

Bülent ARAS
Editor-in-Chief

Power Shifts in East Asia: Balance of Power vs. Liberal Institutionalism

Namrata GOSWAMI*

Abstract

With the rise of China, the East Asian regional order, so long dominated by the U.S. presence and by Japan, is undergoing major power shifts. Increasingly, China is becoming aggressive over its maritime territorial claims in the East China and South China seas. China-Japan relations are antagonistic and tensions are on the rise. As a result, Japan, along with South Korea and Vietnam, is not only seeking increased security guarantees from the U.S., but also seeking to establish defence partnerships with India to maintain the balance vis-à-vis Chinese assertiveness. This article offers an explanation of these power shifts in East Asia in particular and Asia in general by interpreting empirical data from the perspectives of two contending international relations theories: realism and liberal institutionalism. From a purely realist perspective, China will become even more aggressive in East Asia. Consequently, it is critical to form a countervailing alliance against its rising power. Meanwhile, liberal institutionalism argues that the international order is flexible and that international institutions and major powers

will accommodate the rise of China. Thereby, China would prioritize cooperation rather than conflict, as the least costly option in order to maintain its current state of development. In conclusion, the author argues that there cannot be a single way of managing major power relations. Instead, engagement and balancing go hand in hand and are necessary policy tools for states to deal with the power shifts in East Asia.

Key Words

East Asia, China, Japan, India, Power, Realism, Liberalism, Conflict, Cooperation.

Introduction

The focus of the world today is on Asia and its rising prominence in the world. As a result, countries within the region are witnessing a great deal of economic dynamism and political changes. In 2012, India surpassed Japan to become the world's third largest economy in Gross Domestic Product (Purchasing

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Power Parity). China is already the world's second largest economy and is predicted to overtake the U.S. by 2030 as the world's largest economy. According to the National Intelligence Council's *Global Trends 2030*, Asia will surpass Europe and North America by 2030 in terms of GDP, population, technological innovations and military spending. The report also predicts that regional powers such as Turkey, Indonesia, Japan, Russia, etc., will play critical roles in shaping international politics in the next decade or so.

Engagement and balancing go hand in hand and are necessary policy tools for states to deal with the power shifts in East Asia.

East Asia, besides being one of the most vibrant economic regions in the world, faces the reality of declining Japanese economic power and increasing Chinese political and economic power.¹

This power shift dramatically changes the overall incentive structures and bargaining mechanisms in East Asia, given the fact the China and Japan have been historically antagonistic and have not resolved territorial disputes between them, especially over the Senkaku/

Diaoyu Islands in the East China Sea. The growing China-Japan tension is creating security dilemmas within the region. For one, it demands a larger and more visible security guarantee by the U.S. to its allies Japan and South Korea *vis-à-vis* Chinese power. For another, it increases the costs of visible military projections in East Asia by the U.S., as it results in rapid military modernisation by China to counter U.S. military presence, which in turn creates a security dilemma in East Asia. According to the *SIPRI Yearbook 2011*, China has already become the second largest military spender, with a total spending of US \$143 billion in 2011.² This has resulted in rapid changes within the People's Liberation Army (PLA), with a growing focus on rapid deployment and small military units based on the concept of 'jointness'.

The criticality of new alignments, regional tensions and changes in military strategy is highlighted in the 2010 Chinese *White Paper on National Defence*, which states that:

International strategic competition centering on international order, comprehensive national strength and geopolitics has intensified. Contradictions continue to surface between developed and developing countries and between traditional and emerging powers, while local conflicts and regional flashpoints are a recurrent theme... major powers are stepping up the realignment of their security and military strategies, accelerating military

reform, and vigorously developing new and more sophisticated military technologies.³

China is testing the regional reactions to its territorial claims over areas that are clearly disputed or within another country's sovereign territory.

Most significantly, the White Paper states that the PLA has undergone massive modernisation with a focus on joint operations and information warfare. The White Paper also states that border security is one of the most important tasks of the PLA and the Peoples' Liberation Army Air-force (PLAAF) under the supervision of the State Council and Central Military Commission. The stress here is on joint operational and logistical training by the military, police and civilian actors in the border areas.⁴ It is important to note that border security, territorial integrity and social stability are the most recurring themes in the official pronouncements of the Chinese regime.⁵ Internal stability, territorial integrity, harmony and unity (including reintegration of historically claimed Chinese territories) are intricately woven together throughout the Chinese National Papers on Defence.⁶

In East Asia these aspects of border security and territorial integrity have

played out in recent years. Given its growing power, China has become more aggressive and assertive about its claim over the islands disputed with Japan. Since September 2012 Chinese war ships and law enforcement boats have continued to cruise close to and patrol the disputed islands.⁷ The deployment of the Chinese navy, and most recently its air force loaded with air surveillance and radar flying low over the islands, signals a Chinese strategy of aggression in taking over the islands. These Chinese moves also openly challenge Japan's effective administration of the islands, which itself took a provocative dimension when in 2012 the Japanese government bought parts of the islands from a Japanese family.⁸ This move by Japan resulted in China's sending two Marine Surveillance Vehicles to the islands.⁹ China's navy then conducted military exercises in the East China Sea with 11 ships, and eight aircraft with marine surveillance equipment.¹⁰ Significantly, the Japanese narrative over the islands, which it unilaterally occupied in 1895, is that China started making claims to the islands only in the 1970s when it was discovered that the seabeds might hold rich oil and gas deposits. In effect, Japan argues that it has always held administrative sway over the islands.

These power shifts along with China's rise in East Asia is clearly reflected by

the fact that in November 2012, China's new microchip-equipped passports printed a map which showed the entire South China Sea, some areas in Taiwan, two regions in India, notably Arunachal Pradesh and Akshai Chin, as Chinese territory. This resulted in diplomatic tensions with the Philippines, Vietnam and India.¹¹ This act of provocation by China indicates that it is testing the regional reactions to its territorial claims over areas that are clearly disputed or within another country's sovereign territory.

Japanese provocations, by threatening to set up permanent Japanese coast guard bases on the disputed islands, could result in an aggressive Chinese response.

The dispute over territory, especially in the maritime domain, could lead to East Asian regional instability. The latest dispute with Japan, unlike the earlier disputes over Japanese prime ministers visiting Yasukuni Shrine, or over revisionist Japanese textbooks, is about a core Chinese interest: territorial integrity. Japanese provocations, by threatening to set up permanent Japanese coast guard bases on the disputed islands, could result in an aggressive Chinese response.¹²

Moreover, the most significant trend in East Asia is the growing nationalistic politics of Japan, which under a hawkish prime minister, Shinzo Abe, and the Governor of Tokyo, Shintaro Ishihara, who wanted to purchase the disputed islands himself, could lead to a more aggressive Japanese policy towards China over the disputed islands. There could also be growing Japanese domestic pressure on revising Japan's China policy, which so far has been accommodative of China's rise, to one of aggression. This could lead to conflict escalation, as both Japan and China are becoming increasingly nationalistic when it comes to issues of territorial integrity and sovereignty over the disputed islands.¹³

Against this backdrop, this article details the theoretical debates in international relations that throw light on this unfolding power shift taking place in East Asia in particular and Asia in general. These changes are occurring within an East Asian order that continues to be dominated by the United States. While there have been significant arguments that the United States is in decline and will limit its presence in Asia,¹⁴ skeptics are not too sure that the U.S. will decline in the near future.¹⁵ Still others argue that the United States' decline hypothesis is unwarranted.¹⁶ In fact, how the U.S. plays its role as the world's pre-eminent

power will determine the direction of international politics in the next 15 to 20 years.¹⁷ Already, the U.S.'s re-balance to Asia policy and its focus on the rise of China and its implications for Asia is the corner stone of U.S. policy towards the Asia-Pacific.¹⁸ However, while the U.S. will remain the most powerful nation, its dominance will decrease, especially in the economic and military spheres, and instead India and, especially, China 'is poised to have more impact over the world in the next 20 years than any other country'.¹⁹ These power shifts will play out in the East Asian regional order, thereby changing the strategic landscape to a large extent.

The Rise of New Powers

Indeed, the rise of new major powers such as China and India has ignited the realm of theoretical debate, with realism, liberal institutionalism and interdependency theories jostling for preeminence as the most plausible explanation to policymakers of the emerging reality. Classical realism and structural/defensive realism both argue that the most apt response to the rise of new powers is maximising security through a balance of power.²⁰ Alternatively, 'offensive realism' argues that states must maximise relative power through a policy of containment

and perhaps preventive war.²¹ The fear projected is that if China becomes an economic power, this would translate into military power. Great powers fear each other and always compete with each other for power. The overriding goal of each state is to maximize its share of world power, which means gaining power at the expense of other states; their ultimate aim is to be the hegemon—the only great power in the system.²² The logic follows that the U.S. wants no peer competitor. China's rise as a potential regional hegemon is therefore disconcerting to the U.S.²³ Meanwhile, liberal institutionalism argues that despite the anarchic nature of world politics among habitually self-serving states, international institutions and norms play a crucial role in mitigating warlike tendencies of states, due to the overarching principle of uncertainty, by providing a platform for exchange of views and for building a certain level of transparency with regard to a state's capabilities as well as its intentions.²⁴ Concurrently, an interdependency theory approach, based on institutional and economic interrelationships between major powers in an age of globalisation, argues that a win-win situation is possible by managing conflict and tense power relations.²⁵ Despite the unending quarrel between the contending theoretical schools of international politics regarding

matters of ideology and epistemology, facts demand an explanation to enable time-pressed policymakers to deal with a rapidly changing international reality. It is, therefore, pertinent for an assessment to be made of the present international scenario, especially in East Asia in particular and Asia in general, through the lenses of two contending schools- realism and liberalism- in order to make some sense of the bewildering and complex world around us.

Realism

International politics is dominated by the rule of 'self-help'. Unless states take care of themselves and maximise their power and/or security, being dominated by other more powerful states in the system is always a possibility. The systemic level of world politics is dominated by anarchy and power balancing. Though changes have occurred *in* the system, especially with the end of the Cold War, with the ushering in of a new world order dominated by U.S. primacy, if not hegemony, systemic qualities such as anarchy and self-help have yet remained constant. Since most changes are not *of* the system, but *within* the system, the international political system remains unaltered. Even the advent of nuclear weapons has not altered the anarchic nature of international politics.²⁶ Indeed,

neo-realism is a dominant stream of international relations theory, which has influenced both mainstream academic and policy debates on issues relating to power transitions and shifts in the global balance of power.

States rely for their security both on their own internal efforts as well as on alliances with others. Competition in multipolar systems is, however, more complex than in bipolar ones, and uncertainties²⁷ over the capabilities of coalitions are even more intense. Though it is often argued that realism is being transformed as democracy is spreading rapidly, and interdependency theory based on constructivist and liberal ideas holds sway, realists fault the democratic peace thesis, that liberal democracies do not fight each other, by suggesting that it does not pass the test of history.²⁸ The Wilhelmine German Empire appeared to be a model democracy, with universal male suffrage free press and elections, yet in 1914 it unleashed one of the most brutal wars on democratic France and the UK. Realists argue also that democracies had not fought each other earlier, not because of their democratic character, but because of the existence of a third party. For instance, France and the UK did not fight over Fashoda in 1898 due to Germany's balancing influence.²⁹ The structure of international politics is not changed by

internal changes within states. According to the realist school, due to the absence of an external supra-authority, a state cannot be sure that today's ally will not be tomorrow's adversary. Peace depends on a precarious balance of power, be it a circle of democratic or non-democratic states.

Neo-realism is a dominant stream of international relations theory, which has influenced both mainstream academic and policy debates on issues relating to power transitions and shifts in the global balance of power.

Realists also fault the liberal idea that economic interdependence has the power to mitigate conflict. Despite being economically interdependent, Germany and Britain fought a long and bloody war. In fact, interdependence sometimes multiplies the occasion for conflict by creating misunderstanding and misperceptions. There also exists an asymmetric interdependence, with one state more dependent on the other than *vice versa*.³⁰ Interdependence, as with other aspects of international and national politics, creates a false sense of equality. The truth of the matter is that it is based on inequalities. Strong states such as the U.S. use it as an ideology to

hide the greater leverage it enjoys in any relationship. A key proposition derived from realist theory is that international politics reflect the distribution of national capabilities; another is that balance of power is always recurring, making it a constant feature. Unipolarity is just a temporary phase in international politics; it will soon be replaced by a balance of power. In the meantime, the realist points out that the most inevitable shift from unipolarity to multipolarity is taking place in Asia. The internal developments and external policies of China and Japan are steadily raising both countries' status to that of great powers in East Asia. 'China will emerge as a great power even without trying too hard so long as it remains politically united and competent'.³¹

Historically, states have been wary of changing power relations between themselves. Japan is currently experiencing increasing unease due to the steady rise of China and the modernisation of its three million strong army; as mentioned earlier, China and Japan also are conflicting over the Senkaku (in Japanese) or Diaoyu (in Chinese) Islands. Consequently, to alter the balance in its favour, Japan is being hard-pressed to enlarge its conventional forces and to add nuclear forces if necessary (offensive realism), to protect its interests and maintain a

relative power parity with China. In Asia, India, Pakistan, China, Israel, and perhaps North Korea already possess nuclear weapons capable of deterring others from harming their national interest. Balancing, however, is at times inexplicit among these states and the U.S. might play the role of a powerful offshore balancer to tip the balance in favour of its allies, most notably Japan in East Asia. Realists, however, fear that Russia might join the Chinese alliance buildup to balance the West's expansion into its earlier territorial domain in Eastern Europe. Structural theory and the theory of balance of power conclude determinedly that balancing is a strategy of survival in an anarchic international order. Balancing does not mean uniform behaviour among the states. Rather, it indicates a strong tendency of major states in the system, or in regional sub-systems, to resort to balancing when they have to offset a threat emanating from the external structure.

The internal developments and external policies of China and Japan are steadily raising both countries' status to that of great powers in East Asia.

In this context, a few pertinent questions arise: What will be the nature

of relations amongst the emerging Asian nations? Will they emulate the fratricidal killings and devastating conflicts of an emerging Europe in the early to mid-twentieth century? There are deep-rooted fears that international politics is unchanging and that conflicts will always plague humankind.³² Despite arguments about the cultural differences of Asia in comparison with Europe, and the evolved informal networks between people in Asia creating situations for negotiation and compromise,³³ there is no historical metaphor to prove that the Asian century will be peaceful.³⁴ Unfortunately, the steps taken by each state to bolster its security, such as increasing defence expenditure, often lead to further insecurity. For instance, when China makes steady progress in modernising its armed forces, the U.S. views it as a threat to its predominant position in East Asia. Consequently, it raises its military support to South Korea and Japan. Japan also interprets Chinese behaviour as belligerent and modernises its conventional forces, including its air and sea military capabilities. This in turn creates paranoia in China about encirclement and motivates it to upgrade further its military capacity. It's the classic case of a 'security dilemma'. As a result, inter-state relations are often plagued by high levels of distrust, mutual suspicion, competition and conflict. Realists expect

that instability and distrust are the norms of international politics. However, the power transitional period is understood to be the most dangerous. This aspect was also referred to by the NIC *Global Trends 2025* report when it argued that the 'next 20 years of transition to a new system are fraught with risks'.³⁵ This is because periods of accelerated economic growth and technological development typically result in major shifts in the military distribution of power. Fast rising powers such as China, realists argue, would inevitably challenge the legitimacy of treaties, international institutions in whose making it had no role, territorial settlements, and hierarchies of prestige. Worse still, policies of rapidly growing states such as China also appear threatening to other weaker states in the system, when in reality they might not have malicious intentions. As a result, they seek to counterbalance and contain a rising power.³⁶ Realists are extremely pessimistic about Asia's rise because they regard this rise as being based on instability and conflict. Though great power conflicts on the scale of the World Wars may not be inevitable, shifting alliances, competitive diplomacy, arms races, and limited military engagement might occur to disrupt the peace.

There is also the realist assertion that China is dissatisfied with the present international order and, therefore, once

capable, intends to overturn it, by force if necessary. Significantly, China's active diplomacy and economic growth are already transforming East Asia. The conclusions drawn from the rise in Chinese power are simple: first, China will reshape international institutions to its liking and to serve its national interests. Consequently, the present dominant powers in international institutions, such as the U.S. and Europe, will come to see China's assertion as a threat to their position of primacy. According to power transition theory, the end result of such tensions will be increased distrust and, ultimately, conflict. China is usually seen as an outsider to the present international order dominated by liberal capitalist democracies; therefore, China is like an outsider attempting to break in by force, and on its own terms. The insiders either accept that or risk war in a nuclearised world order.

Since World War II, the U.S. has been able to establish universal institutions which not only facilitate existing great powers but also have enough room for rising powers to join them.

A caveat to such assertions is in order here. Realist predictions such as these tend to forget that it was the U.S.

President, Franklin D. Roosevelt, who supported China's membership in the UN Security Council in 1944-45 as one of the big five permanent members, despite the opposition by the British premier Winston Churchill.³⁷ It was also the U.S. who created favourable conditions in 1972 for China to have the veto power in the UN Security Council, replacing Taiwan. The famous Henry Kissinger visit to China in 1971 and President Nixon's visit in 1972 are viewed as historic moments, which brought China back into the fold of the international system. The world may forget these incidents, but China is unlikely to do so for a long time.³⁸ In an interesting article, John Ikenberry argues that the rise of China in the present international order need not release tectonic shifts, as the order is flexible, open and integrative, and is not like impenetrable billiard balls.³⁹ Furthermore, nuclear weapons have made wars between states very difficult. Indeed, the promise of nuclear weapons is deterrence. Therefore, power transitions occurring in a nuclear dominated world order need not necessarily be conflicting or ravaged by war. It is also argued that since World War II, the U.S. has been able to establish universal institutions which not only facilitate existing great powers but also have enough room for rising powers to join them. Interestingly,

the U.S. is in a position to maneuver the international system in which China and India can make important strategic choices.⁴⁰ Scholars such as Paul Kennedy have also observed that world politics is marked by the succession of powerful states capable of organising the international system according to their preferences.⁴¹ However, offensive realists such as Mearsheimer are very doubtful of U.S. magnanimity with regard to China's rise. He argues that 'If China continues its impressive economic growth over the next few decades', 'the United States and China are likely to engage in an intense security competition with considerable potential for war.'⁴²

Realists also support strengthened Indian relations with Vietnam, Burma, Taiwan, Japan, South Korea and the ASEAN states as a balancer to the rise of China.

With regard to the rise of India, the country is a dynamic economy, which at present is the third largest in the world.⁴³ Significantly, in a major strategic gesture, India signed a civilian nuclear deal with the U.S. in July 2005, signaling a *de facto* recognition of India as a nuclear weapons state. In relation to its immediate neighbourhood, India has maintained

sustained influence in South Asia and has sought to counterbalance Chinese inroads right up to its borders in North East India by linking its strategic interests with the U.S. India faces vulnerable neighbourhoods, unlike China with economically vibrant neighbours, and therefore has a harder task.⁴⁴ Given India's growing clout, the U.S. is also looking towards India for a larger role in regional security matters. India has also been quite forthcoming in its China policy by aiming to build new strategic roadways in its eastern sector, especially in Arunachal Pradesh, and declared 2006 as the India-China friendship year. The year 2007 was declared as the India-China year of tourism.⁴⁵ Yet when it comes to India-China political relations, the balancing of convergent interests can sometimes get tricky. For instance, on the eve of President Hu Jintao's state visit to India in November 2006, the Chinese ambassador to India, Sun Yuxi, suddenly announced that China claimed the whole of Arunachal Pradesh, describing it as Southern Tibet. Although its rhetoric was toned down later, it is interesting to witness how Chinese assertiveness was wrapped around the extended hand of friendship to India. In May 2007, controversy reared its head again when an Indian Administrative Officer of the Arunachal Pradesh cadre was denied a Chinese visa on the basis that his

Arunachal roots rendered him a Chinese citizen. India consequently cancelled the visit of all 107 IAS officers to China for a mid-career training programme. Since 1 July 2006 India has had added concerns over Chinese road/train linkages from Qinghai leading right up to Lhasa, and its plans to build roads to the border of Nepal. Chinese road-building and military modernisation⁴⁶ have made India uneasy and has led to its forces in the eastern sector being augmented. China may also have hoped to tip India's balance, after the U.S. declared India as a responsible nuclear power with advanced nuclear technology, by creating problems in its eastern sector concerning Arunachal Pradesh.⁴⁷ When one reviews India's grand strategic thought, what emerges is that the realist school of thought in India, as well as those studying power transitions, argue that in an anarchic international order states have to take care of themselves. Moreover, interest, power and violence are intrinsic to international politics. Therefore, India with regard to China must rise to the reality of threat and counter-threat.⁴⁸ The lack of a supranational authority also forestalls the tragedy of balance of power, deterrence and war. The only way, therefore, to secure oneself is accumulation of military power and the use of force. Realists would argue against the possibilities of institutional

cooperation and economic exchange mitigating India-China differences. The only way to do so is through nuclear deterrence and military means. It must therefore try to encircle China through building alliances, most notably with the U.S.⁴⁹ Realists also support strengthened Indian relations with Vietnam, Burma, Taiwan, Japan, South Korea and the ASEAN states as a balancer to the rise of China. Realists also desire a strong Indian naval presence in the South China Sea and the East China Sea.

This realist strategy has been witnessed on the ground in East Asia and Southeast Asia. A three-year agreement on oil and natural gas exploration in the South China Sea was signed in October 2011 between India's state-run Oil and Natural Gas Corporation (ONGC) Videsh and Vietnam's PetroVietnam. In response, China's Foreign Ministry spokesperson, Jiang Yu stated that 'our consistent position is that we are opposed to any country engaging in oil and gas exploration and development activities in waters under Chinese jurisdiction'. She went on to stress that China enjoyed 'indisputable sovereignty' over the South China Sea and its islands. In fact, China's assertiveness with regard to the South China Sea was evident when it radioed an Indian Navy ship *INS Airavat* in July 2012 to leave 'Chinese waters' while the ship was making a trip in international waters near the South China Sea.⁵⁰

In response to this, India raised the ante by signing defence deals and establishing naval cooperation with countries such as Vietnam, South Korea, Japan and Australia, especially to guarantee 'freedom of navigation' in international waters. To be sure, China's recent assertiveness in India's eastern sector and the South China Sea is viewed by India as a display of Chinese power: a desire to maximise its share of world power, which means gaining power at the expense of other states in the system. Consequently, Indian prime minister Manmohan Singh and Vietnamese president Truong Tan Sang jointly committed to securing vital sea lanes of communication (SLOCs) [read South China Sea] during Sang's visit to India in October 2011.⁵¹ Vietnam's Deputy Chief of General Staff, Lieutenant General Pham Xuan Hung, also visited India in December 2011 and held talks with the Indian Chief of Naval Staff, Admiral Navin Kumar Verma, and the Chief of the Indian Army, General V. K. Singh.⁵² Most significantly, Vietnam has already accorded India the right to use its Nha Trang Port on the Western shore of the South China Sea.

India also decided to boost defence cooperation with Japan during the visit of its Defence Minister A. K. Antony to Tokyo in November 2011; ensuring the security of SLOCs was paramount in this

visit.⁵³ In 2012, Japan and India held the Japan-India Defence Policy Dialogue in Tokyo, in which the Japanese and Indian militaries participated in joint exercises. While joint naval exercises have been held in the past, this is the first time that the air forces of both countries held exercises.⁵⁴ Already, Japan is an integral part of the multilateral *Malabar Naval Exercise* in the Indian Ocean region between India, U.S., Australia and Singapore.

The most critical development between India and Japan was the first ever ‘Trilateral Dialogue’ held on 19 December 2011 in Washington D.C. between India, Japan and the U.S. to discuss a range of issues concerning the Asia Pacific.⁵⁵ This was a significant development for three specific reasons. Firstly, for the first time, it involves India, an Indian Ocean country, in Pacific affairs. Secondly, it indicates that concern over China’s assertiveness in the Asia Pacific is growing among the democracies in the region. Thirdly, it signals a shift in India’s policy from being wary of U.S. influence in Asia to directly engaging it in the format of a dialogue concerning Asia-Pacific issues.

To further cement that policy shift, India signed a five-year defence cooperation agreement with another East Asian country and a traditional U.S. ally,

South Korea, to enhance the ‘Strategic Partnership’ between them. This occurred during the ‘first ever’ visit of an Indian defence minister, A. K. Antony, to South Korea in September 2010.⁵⁶ The strategic partnership envisions exchange of military personnel, exchange visits of ships and aircrafts, and ensuring the safety of the SLOCs. Significantly, in December 2011, India and Australia committed themselves to ‘freedom of navigation’ in international waters, during the visit of the Australian defence minister, Stephen Smith, to India. Joint military exercises have been envisioned as well. In fact, the deepening India-Australia relations can be discerned from the fact that Australia briefed India on the U.S. plans to station 2,500 Marine Corps in Darwin, Australia, as part of the U.S. policy to re-engage in Asia.⁵⁷ All these strategic partnerships established by India with Japan, South Korea, Vietnam and Australia clearly indicate, from a realist perspective, a balancing strategy towards China in East Asia.

The Factor of ‘Power Transition’ in Realism

It must be noted here that power transitions need not necessarily be bloody. Take, for instance, the transition of power between the U.S. and the UK following the end of World War II: one

a rising power, the other at the end of its great power status. Moreover, a satisfied rising power would not question the international order facilitating its rise. It is indeed not surprising that the policy community is debating the possible consequences of the rise of new powerful nations, especially that of China. Adjudicating among the sternly defended positions in this ongoing debate is an impossible task, since academic and policy positions go well beyond existential facts to questions of political values and epistemology.

On the one hand, liberal institutionalists argue that China's rise is not going to disrupt the world order, as the existing international institutions are integrative and flexible. On the

other hand, pessimistic power transition theorists presume that China is dissatisfied with the present international order and therefore will be aggressive.⁵⁸ Thus, policy analysts recommend George Kennan's famous policy of 'containment' of China, while others recommend 'encirclement'. It is thereby taken as a *fait accompli* that when the capabilities of the current primary power decrease, due to imperial overreach or otherwise, rising powers will demand

more say at the systemic level, producing tensions that may lead to war.⁵⁹ The power transition model of Robert Gilpin argues that the rise of new powers vindicates a steady decline of American power due to rapid technology transfers, trade and investments to the rising powers, such as China or India. With the erosion of America's power domains by China, it will become increasingly difficult for the former to preserve the world order it created in Asia during its years of predominance.⁶⁰ The most

Unlike the European style of over-institutionalism, and structural and formal rules of communication, the East Asian way is to proceed more cautiously, informally, rather than in an institutional manner.

crucial phase for a fissure, therefore, is the 'crossover' stage during power transition. It is a dangerous stage when the present 'dominant' power may resort to preventive war to

stop peer competition; the rising peer competitor may also become aggressive in order to assert its growing power on the world stage. Whether this is the situation with regard to China and the U.S. is hard to tell. To date, the U.S. is far ahead of China in military spending and hardware, and it is of benefit to them and to the whole world that they manage their relations. China is also perhaps aware that in terms of military capability it is far behind the U.S. It is also now

coming to light that assessing a country's power based on its Gross Domestic Product (GDP) is a deceptive indicator of a country's actual power potential. For instance, in terms of GDP growth rate, the GDP gap between the U.S. and China has narrowed from a 15 times difference in 1990 to a mere 5.5 times difference in 2005.⁶¹ However, when one considers other indicators of power, such as GDP per capita, China was at US \$5,445 in 2011-2012 while the US was at US \$48,112 during the same period.⁶² In regard to defence expenditure, the gap between the U.S. and China is enormous. The U.S. spent US \$711 billion compared to China's US \$143 billion in 2011.⁶³ The U.S. also possesses 50 times more nuclear weaponry than does China and 25 times more inter-continental ballistic missiles.⁶⁴ Therefore, the reality is that China does not have the capacity to challenge the U.S. in the near future, even though it may intend to do so, as the realist school would have us believe.

Liberal Institutionalism

Most liberals are great advocates of the democratic peace thesis, arguing that the industrial and democratic revolutions of the late eighteenth and nineteenth century unleashed forces that have been transforming the

character of international relations. The liberal case for genuine optimism about Asia avoiding a similar fratricidal war, which plagued most of Europe during its transitional phase, rests on democratisation,⁶⁵ interdependence, and the rise of the trading state *vis-à-vis* the politico-military state.⁶⁶

Taiwan's independent forces, on the other hand, may try to use China's need for international economic cooperation to trigger an overt move for independence under the U.S. umbrella.

Increase in wealth due to market economy has brought about immense benefits, bolstered by capitalism and free trade. These developments have simultaneously been accompanied by political rights. Nations whose people benefit from cross-border trade will have a strong incentive to resist war. Deepening of intra-regional cross-border ties will also go a long way in countervailing any incentive for conflict. The cost of war has also risen tremendously, with it making little logical sense to go to war when peace is the least costly option benefiting a nation's growth in the present interdependent global era. Institutions also play a major role as facilitators of an atmosphere for dialogue,

negotiations, discussions and dispute resolution, and in helping to establish rules of acceptable behaviour promoting cooperation. While institutions may not be completely successful in removing competitive security environments, yet they could mitigate some of its more dangerous effects, such as all-out-war, by bringing conflicting parties to the table. The example of the European Union is most often cited as a case of institutional capacity created for removing distrust among the former warring European nations.

Given the rise of Asia and possible Western resistance to its rise, India must build in concert with China and other major Asian countries and ensure that they do not come into mutual conflict.

Now, with regard to East Asia, realists argue that smaller nations in East Asia, such as Japan or South Korea, have developed enormous conventional superiority by upgrading their conventional weapons status. They are fully capable of defending against coercion from a potential regional hegemon. Japan has the technological prowess and financial capacity to develop its own nuclear weapons

and also its own highly sophisticated conventional weaponry. It can also develop ballistic missile defense in the near future with the help of the U.S. Indeed, Japan's response to the 'rise of China' is noteworthy, buttressed by the so-called rise of Japanese nationalism. Though Japan had previously thrown in its lot with the U.S. in order to balance against China, realists argue that Japan is not a weak power- it is the fourth largest economy in the world and hence capable of balancing China on its own. However, there is another story about China and Japan, which lends credibility to the liberal thesis. It was Japan who first supported the entry of China into the World Trade Organization (WTO), the discourse about Japanese extremism during World War II in China and the Chinese humiliation thesis notwithstanding.⁶⁷ Japan perhaps realises that engaging China in international economic institutions serves its interest, as this leads to a prosperous and stable East Asia – a very high priority for the Japanese national interest. Liberal institutionalist frameworks also account for Asian diplomatic networks based on informal lines: personal contacts that are far less structured and non-bureaucratic. Unlike the European style of over-institutionalism, and structural and formal rules of communication, the East Asian way is to proceed more

cautiously, informally, rather than in an institutional manner. Nonetheless, this does not negate the fact that violent conflicts did take place in Asia and that countries such as China, Vietnam and Cambodia have been ravaged by internal conflicts. Nevertheless, liberal institutionalism argues that China will take an active part in building institutions capable of cooperation, such as the East Asia Summit (EAS) and the Shanghai Cooperation Organisation (SCO), for economic benefits in East and Central Asia, and to project itself as a responsible power.⁶⁸ In this regard, Robert Keohane offers thought-provoking support for liberal institutionalism. It is quite possible under conditions of anarchy that states may want to cooperate for mutual benefits instead of for maximising power. Institutions also guarantee to a large extent the possibility of more transparency of state behaviour in an anarchic world. In this context, China is benefitting from the present international order. Therefore, it would be eager to become further integrated if it sees no threat to its identity and existence as a state. The U.S. would also whole-heartedly support the integration of China into global

With internal institutions and practices, major powers aim to influence the processes of international institutions to reflect their choices and preferences.

institutions, as it would also benefit from China's economic rise. According to liberal institutionalism, China is going to show restraint and cooperate with global partners to resolve disputes in the South China Sea, East China Sea, North Korea and Taiwan. Likewise, despite its desire for a blue-water navy and to secure SLOCs, China is willing to alarm neither the U.S., whose Pacific Command is nearby, nor Japan or Indonesia, with overt military gestures.

Despite its aggressive assertion in 1992 that the Diaoyu Islands, Spratly Islands, Taiwan, etc., belonged to it, China changed its position in the mid-1990s and started

supporting institutional mechanisms for conflict resolution instead of doing it alone. Its relations with ASEAN have also improved since 1996, by supporting dialogue rather than confrontation. There are many skeptics about China's approach. It is often argued that China has been more accommodating because it lacks the capability to deter the U.S. militarily. It may be a strategy to 'buy time', and a stronger China may behave differently. The recent developments in China-Japan relations lend support to that perspective. However, according to

liberal institutionalists, this argument is merely speculative. With regard to Korea, the U.S. deployment in South Korea can be seen as a part of its game plan to be a balancer of sorts in the evolving strategic reality of East Asia. The realist theory would argue that the U.S. will try to maintain the *status quo* in East Asia, while China will try to change it. However, this is hyperbolic logic, according to liberal institutionalism. What is perhaps true is that, despite the U.S. playing the role of balancer, it will encourage economic cooperation between China, Japan and South Korea. It is also in China's interest to deter a nuclearised Korea, as that could lead to Japan going nuclear. Once North Korea goes nuclear, the dependence on the U.S. by nations such as Taiwan, Indonesia, Japan, etc. in the Pacific would increase. A peaceful Korea is also vital for economic cooperation, institutional growth and prosperity in East Asia. China's role in the four- and subsequently six- party talks over North Korea's de-nuclearisation, and the economic pressure it put on North Korea following the nuclear weapons explosion by the latter on 9 October 2006, are indicative of this aspect of China's interest. China has also shown astute diplomacy by developing ties with the Kuomintang (KMT) and People First Party (PFP) parties in Taiwan. According to Avery Goldstein, these could be steps

to develop within Taiwan favourable opinion of China. Taiwan's independent forces, on the other hand, may try to use China's need for international economic cooperation to trigger an overt move for independence under the U.S. umbrella. However, the U.S. has categorically stated that it does not support Taiwan's independence and even stalled efforts by President Chen for an independence referendum in March 2004.

Power is a zero-sum game, and any attempts to upgrade the standing of China and India would cost others some of their influence.

Interestingly, India's Nehruvian strategic thought falls in the category of liberal institutionalism. Despite believing in the anarchic nature of international politics, adherents of this school accept the proposition that international law, institutions, military restraint, negotiations, cooperation and free communication would mitigate conflicts. They argue that balance of power and war preparedness are futile, as they lead to the very conditions they aim to address, namely insecurity and conflict.⁶⁹ With regard to the rise of China, Nehruvians argue that China is not an imperial power and that it is

trying to come to terms with its hundred years of occupation in the 19th century following the Opium Wars. They also believe that China's desire to reunify Taiwan is justified, as it originally belonged to China. Given the fact that its Communist Regime has been able to uplift the Chinese people and elevate China to a great power status, China must be given its due share in the international order. With regard to India-China relations, Nehruvians argue that other areas of interaction must not be held hostage to the border issue. They state that since China and India do not have historical enmity, and are two great civilisations, there are many grounds for convergence. India and China's trade has increased considerably to US \$75.45 billion in 2012,⁷⁰ and both countries have a common interest in keeping Asia free of conflict. Given the rise of Asia and possible Western resistance to its rise, India must build in concert with China and other major Asian countries and ensure that they do not come into mutual conflict. With regard to ASEAN institutional convergence, New Delhi has signed a number of economic and military agreements with it. India is also an observer in the SCO, and a partner in the East Asian Summit and the African Union. The liberals argue that now, with the signing of a Free Trade Agreement with ASEAN,⁷¹ regional cooperation will

only contribute to mitigating tensions in Asia.

Limitations with Liberal Institutionalism and the Policy of Prestige

Major powers create institutions and international practices to suit their interests, which could be said to be major power practices to demonstrate their success as states. Similarly, with internal institutions and practices, major powers aim to influence the processes of international institutions to reflect their choices and preferences. They also dominate international institutions in order to control the flow of information and the outcomes of international policies. International institutions are also used to project their international images and further their own 'policy of prestige'.⁷² These are achieved by the projecting of military power, economic prowess, and value systems. Most international norms are born of major power discourses. Indeed, it is most likely that the present international order and institutions primarily project the prestige, values and preferences of the Western world. It appears that the European Union, which enjoys a privileged position in these institutions, is resisting the accommodation of India and China by global institutions, since

this would compromise most of its present decision-making powers. (Interestingly, there is a rule in the International Monetary Fund (IMF) charter that states its executive director must always be a European). Significantly, the 2006 National Security Strategy of the US reiterates that appropriate institutions, regional and global, must be built to make cooperation effective with rising powers. It goes on to argue that global institutions lose relevance when they do not correspond to present distributions of power. The UN Security Council is a case in point; the G7 is another. Power is, however, a zero-sum game, and any attempts to upgrade the standing of China and India would cost others some of their influence.⁷³ Unless international institutions accommodate new powers, the role of liberal institutionalism would perhaps be marginal in international politics.

States' Response to the Power Shifts

The dynamic shift in power status among the major powers, particularly in the 1990s, has created a situation of rapid changes in the systemic structure of international politics. Significantly, U.S. President Bill Clinton referred to China as a 'strategic partner' in his visit to China in 1998. This was

further intensified when the then U.S. Secretary of State, Colin L. Powell, while stating in January 2001 that China is a potential regional rival, did not fail to mention that as a trading partner of the U.S., China was willing to cooperate in areas where both countries' strategic interests overlapped. Perhaps the note has further changed with the strong influence of men such as Zbigniew Brzezinski who, unlike offensive realists such as John Mearsheimer who project China as a potential threat, argued to the contrary that China is neither a threat nor a strategic partner.⁷⁴ Indeed, in the emerging strategic context, powers such as Japan, the European Union, Russia, China, India, Brazil and South Africa have gradually but persistently pushed the world from a unipolar to a multipolar order.

Japan is also keen to improve relations with Russia to prevent both China and the U.S. from having too much influence in its policies.

Concerning how states respond, Japan is an interesting case. It has one of largest economies in the world in terms of GDP per capita growth. Japan's GDP per capita is US \$ 45,903.⁷⁵ Shifts in power relations have, however, put major emphasis on balancing and economic

integration as the state's two-faceted accommodation response. Though Japan and the U.S. view their alliance as a key point of their Asian policies since the 1952 U.S.-Japan treaty, the rise of China has complicated this relation. Each fears the other's getting too close to China. Chinese policy-makers have also become more sensitive to their own nationalist aspirations and historicity. The U.S. Japan Security Treaty of 1997 has also created enormous tensions, as the 'surrounding areas' definition is seen by China to include Taiwan. The Diaoyu/Senkaku Islands dispute between China and Japan is another bottleneck. The U.S. has tried to remain neutral, though historically it has supported Japan.⁷⁶ Notably, Japan is also keen to improve relations with Russia to prevent both China and the U.S. from having too much influence in its policies. Japan and Russia have more or less resolved their dispute over the northern four islands. Amidst all these bewildering games of balancing, China and Japan have also worked hard to relieve tensions through visits by heads of states, starting with the Chinese president Ziang Zemin's visit to Japan in November 1998, followed by Japan's prime minister Keizo Obuchi's

Russia is a strong swing state and not a rising power, and therefore not seen as a threat to the international order.

visit in July 1999. Sadly, though, both countries have yet to build up trust by gaining deeper understanding of each other's domestic profiles. China must assess its fears of growing Japanese militarism, and Japan must critically analyse its view on China as a military threat. China must also stop pretending to be the only victim of wars, as it itself has had a strong militarist and expansionist history. According to Measheimer, Japan is not only balancing China's military potential with its own conventional military strength, but is also 'buck-passing' to the U.S. with regard to

nuclear deterrence.⁷⁷

With regard to conventional weapons, Japan is carefully upgrading its conventional military capability by

having F-15s and anti-submarine warfare capability. Japan, therefore, has a policy of both engagement and balancing.⁷⁸ North Korean belligerence with regard to nuclear weapons has also motivated Japan to acquire interceptor missiles in 2003 for a Sea-Based Midcourse Defence (SMD) system. China fears that ships loaded with SMDs could be used to defend Taiwan from future Chinese missile attacks. Pairing off U.S. strategic nuclear forces and Japanese

SMD capabilities has the potential of compromising China's strategic nuclear deterrence.

Hence, 21st century geopolitics is indeed that of a multi-civilisational multipolar world; however, the clash of civilisations that Huntington spoke about is missing in practice.

China and Russia's relationship in the SCO is also significant. Russia perhaps fears the eastward extension of NATO, and thereby wants to secure itself through the China connection. Joint military exercises, border patrols and Chinese purchases of Russian military hardware are on the rise. Russia is, however, a strong swing state and not a rising power, and therefore not seen as a threat to the international order. Its population decline is enormous and its landmasses near the Chinese border are being gradually taken over by emigrant Chinese. Russian oil diplomacy may also be counterbalanced by Europe's growing African oil reserves and the U.S. shale gas revolution. In South America, despite Hugo Chavez's populist anti-Americanism, in real terms it is Brazil that is taking the lead in regional matters: it has a strategic alliance with China following the Cold War; it has joined India and South Africa for trade negotiations; it wants to build a Transoceanic Highway

through Peru to the Pacific Coast to facilitate Chinese ship tankers.⁷⁹ Chinese diplomatic sophistication has, however, been best seen with Iran, supporting sanctions against nuclearisation by the UN; establishing strong oil connections, as well as creating a path towards Iran's dependency, of sorts, on China by signing a multi-billion dollar contract for natural gas in Iran's North Pars Field, one in the Caspian Sea and another to develop Tehran's metro. Therefore, despite Western sanctions, Iran will survive because of China. As for America's own backyard, it appears that China is investing heavily in countries such as Canada, Cuba and Venezuela, and there is even talk of a pipeline from Brazil to China. Africa is also witnessing enormous Chinese investments. Interestingly, it is increasingly felt that given the current status of prosperity, no state in these economic zones wants a crisis. By extension, the realists' fear of global conflict is unwarranted.

According to liberal institutionalism, China's desire for a peaceful international environment is real. It has been increasing foreign direct investments and is establishing international arrangements all over the world. It has also promoted the concept of an East Asian community and improved relations with the European Union, Russia, and India. It has emphasised the role of the United Nations in international issues. Hence,

21st century geopolitics is indeed that of a multi-civilisational multipolar world; however, the clash of civilisations that Huntington spoke about is missing in practice. Rather, it is market logic that is riding the crest.

A Few Policy Pointers Based on the Theoretical Overview on Power Shifts

Realism's Policy Pointers

1. Continued U.S. presence in East Asia could lead to confrontation between the U.S. and China.
2. States in the region may join China's bandwagon, and not really balance, which could lead to peace. However, balancing seems the more plausible policy option for both weak and strong states in East Asia.
3. The intervention by the U.S. in 1996 at the Taiwan Straits and a strengthened U.S.-Japan alliance are a few such trigger points against balancing China.
4. States, especially in fearing a rising power's intent, may try to balance with help from an existing dominant power. These balancing alliances could include: Japan and South Korea along with the U.S. against China; Pakistan against India by forming an alliance with China and the U.S.;

India along with the U.S. against China, and notably against Pakistan; ASEAN along with the U.S. against China. These balances would also bring forth conflicting relationships, such as forming closer economic relations with China and balancing against too much U.S. influence by ASEAN. ASEAN will also try to upgrade its relationship with India for an economic and strategic balance against China in the region.

5. Russia would form an alliance with China against NATO's expansion and U.S. primacy. It would also form a partnership with India to minimise Chinese influence.
6. War or overt conflict is ruled out, despite the balancing acts, due to the presence of nuclear weapons. It is next to impossible for states to engage in such folly with nuclear countries such as China, India, Pakistan, Israel and the U.S. in the region.
7. There may be great power tensions in the future over scarce resources.

Liberal Institutionalism's Policy Pointers

1. The globalisation of the world economy based on neoliberal policies has changed the face of the world.
2. Interdependency in economic relations has made wars too costly.

3. Regional institutions, such as SCO, ASEAN, EU and EAS, etc., along with the UN, have the potential to mitigate conflicts.
4. Rising powers such as China and India will not become aggressive because they benefit from the international order.
5. The West led by the U.S. and an economically powerful EU will make provisions in international institutions to accommodate India and China, as such a move benefits their own national interests.
6. Liberal democracies do not fight each other.

Conclusion

Perhaps Asia enjoys political judgment as mentioned in Isaiah Berlin's famous essay where he argued: 'Obviously what matters is to understand a particular situation in its full uniqueness, the particular men and events and dangers, the particular hopes and fears which are actively at work in a particular place at a particular time: in Paris in 1791, in Petrograd in 1917, in Budapest in 1956, in Prague in 1968, or in Moscow in 1991.'⁸⁰ Therefore, what will matter are the particular men and women, events and dangers, hopes, and fears that

determine the course of events today. It is indeed tragic that, despite its wealth and prosperity, Europe nearly threw everything away in fratricidal killings and devastating ideologies, which arose out of progressive democracies such as the Wilhelmine Germany. There is, however, hope that the march of the present Asian century will not repeat the follies of Europe's past.⁸¹ But, can one possibly place so much trust in humankind's capacity to learn from past mistakes. Perhaps not! That is why the theoretical debates have serious consequences in policy making, since choices of foreign policy behaviour are made from these. Additionally, perceptions about a country's intentions and capacities matter in international politics, and foreign policies are mostly wrapped around them.⁸² Though offensive realism couched in zero-sum terms would argue that one power will inevitably rise at the cost of another, interdependency theory buttressed by liberal institutionalism indicates that great power relations can be managed without breaking out in devastating war. What is important in the end is that we do not have a singular way of managing great power relations; engagement, bandwagon and balance go hand in hand, and are necessary policy tools for states to deal with an ever more anarchic international order.

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EU- East Asia Relations: Effects of the Global Financial and Eurozone Debt Crises

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Abstract

Relations between the EU and East Asia have evolved as a result of the global financial and Eurozone debt crises. Throughout the 1990s, economic, political and security relations were dominated by the EU. As an increasing number of East Asian countries became more economically successful and diplomatically assertive throughout the 1990s, EU-East Asian relations became more balanced. With the onset of the global financial crisis, balanced relations fostered cooperation, while a degree of satisfaction spread over East Asia, one of the regions less affected by the crisis. The Eurozone debt crisis has accentuated both developments. Today, cooperation in economics, politics and security dominate EU-East Asian relations. Many leaders in East Asia seek to help their European counterparts while pointing out the superior performance of their domestic economies.

Key Words

European Union, East Asia, crisis, Cold War, 9/11, Global Financial Crisis, Eurozone Sovereign Debt Crisis.

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Introduction

Relations between the European Union (EU) and East Asia have evolved significantly since the end of the Cold War.¹ Before the early 1990s, the EU and most East Asian countries had already established diplomatic relations.² However, the EU and East Asia had limited links until the European Commission (hereafter Commission) launched the communication 'Towards a New Asia Strategy' in 1994. Until then, the EU had not displayed much interest in being involved in political and security affairs in East Asia. This was reciprocated by East Asian countries being more concerned about the role that the United States (U.S.) played in the region.

EU-East Asia relations were thus dominated by economic exchanges throughout the Cold War. However, trade and investment flows between both regions were relatively limited for most of this period. They would only start to grow during the 1990s. The only exceptions were flows between

Japan and the EU. As a result of Japan's impressive economic growth from the 1950s onwards, cash-rich Japanese companies started to invest in Europe,³ while European companies looked at the Japanese market for growth. By the 1980s, Japan and the EU were among each other's largest trading and investment partners.

With the onset of the global financial crisis, balanced relations fostered cooperation, while a degree of satisfaction spread over East Asia, one of the regions less affected by the crisis.

The fact that significant interactions between the EU and East Asia were first dominated by economics has affected relations between both regions ever since. Both elite and popular perceptions of the EU in East Asian countries still emphasise the role of the EU as a trade and economic giant.⁴ Meanwhile, perceptions of East Asian countries in the EU still seem to be dominated by images of the former as a group of relatively underdeveloped and unknown countries.⁵ These perceptions have only started to change slowly as a result of the global financial crisis (hereafter GFC) and the Eurozone sovereign debt crisis (hereafter ESDC). But they have affected

relations between both for the past two decades.

Notwithstanding the dominance of economic factors in shaping relations between the EU and East Asia, political and security aspects have become increasingly important to the interactions between both regions. The rise in prominence of non-traditional diplomatic and security conundrums after the end of the Cold War, coupled with growing emphasis on multilateralisation of their resolution, has affected EU-East Asia relations. This article will explain the extent to which the GFC and the ESDC have affected the political and security aspects of the relationship between the EU and East Asia, as well as the effect of both crises on their economic interactions.

In order to assess the changes in EU-East Asia relations as a result of the GFC and ESDC, the article will be divided as follows. In section two, relations from the end of the Cold War until the onset of these crises will be analysed. The third section will delve into how the GFC affected their relationship. The subsequent section will explain the extent to which the ESDC has influenced relations between East Asian countries and the EU. A concluding section will summarise the main findings of this article.

EU-East Asia Relations before the Global Financial Crisis

Following the release of the ‘Towards a New Asia Strategy’ communication by the Commission in 1994, the EU began to develop a more structured strategy towards relations with Asia as a whole, and East Asia in particular. This strategy was based on the idea that the EU should support the development of East Asia.⁶ Implicit was the idea that this development should follow a Western economic and political model. The rationale was that this would benefit both East Asian countries and the EU. But the strategy also implied that the European or Western model was superior and, therefore, preferable for East Asia.

The Commission issued a second Asia-related communication in 2001. Entitled ‘Europe and Asia: A Strategic Framework for Enhanced Partnerships’, this communication implicitly acknowledged the failure of the previous strategy and emphasised a reciprocal relationship in which East Asian countries and the EU learnt from each other.⁷ Human rights, democracy, good governance and the rule of law were still central to this strategy, as these correspond to the EU’s self-identity as a ‘normative power’.⁸ However, mutually

beneficial economic partnerships and global partnerships in multilateral fora were also emphasised.

These two communications expressed clearly the evolution in EU thinking regarding East Asia. Equally important, they also signalled the rise of many countries in the latter. High rates of economic growth and deeper involvement in global governance made East Asian countries more assertive when dealing with the EU. An examination of economic and political and security interactions between both regions makes clear the evolution of interactions between them in the years prior to the GFC.

Economic Relations

Throughout the 1990s, the EU did not see East Asia so much as an economic partner as a region in need of ‘modernisation’. With the exception of Japan and Hong Kong, the rest of East Asia’s economies were perceived as relatively backward. The East Asian financial crisis that spread throughout the region further exacerbated this perception. Many Western analysts argued that East Asian economies were unprepared to operate as ‘modern’ economies, with the Asian model of capitalism being solely blamed for the crisis.⁹ The International Monetary Fund

(IMF) sought to overhaul East Asian economies, perceived to be corrupt and inefficient.¹⁰

The turn of the century consolidated a significant shift in EU-East Asia economic interactions already visible in the previous years.

Therefore, interactions between the EU and East Asia throughout the 1990s were marked by a Confucian-style relationship. The EU was the teacher and East Asia was the learner with regard to how a free market economy should operate. Following principles enshrined through the Washington Consensus,¹¹ East Asian countries were encouraged to liberalise, privatise and deregulate, as were countries in other regions such as Latin America and sub-Saharan Africa. Many did, with South Korea and Thailand as prime examples of East Asian countries that rapidly opened up their capital markets.

This teacher-to-student relationship in the economic area was arguably clearest in negotiations regarding China's accession to the World Trade Organisation (WTO). The EU was initially opposed to China's membership to the WTO when the organisation was launched in

1995. Then followed a period of six years in which the EU demanded a long list of concessions from China for the country to be admitted to the WTO.¹² Certainly, there was an element of protectionism and mercantilism in Brussels' position. However, at the same time, there was a belief that China should 'modernise' its economy. Indeed, the EU's refusal to give China a 'Market Economy Status' relates, to a large extent, to the belief that Beijing needs to introduce changes that will help to further modernise the Chinese economy.¹³

Concurrently, EU-East Asian economic interactions throughout the 1990s could be said to have been dominated by European countries insofar as they dictated trade and investment patterns. Trade flows were dominated by the export of low value added goods from East Asia to the EU, and the export of high value added goods and services in the opposite direction. Meanwhile, foreign direct investment (FDI) was basically unidirectional, with East Asian countries receiving large flows from European companies. Japan and South Korea were the only countries in East Asia with high levels of outward FDI towards the EU.¹⁴ This exception did not prevent the EU from having a dominant position in bilateral economic interactions.

A new century, a new economic dynamic

The turn of the century consolidated a significant shift in EU-East Asia economic interactions already visible in the previous years. The dynamism and exponential economic growth of most East Asian countries changed third-party perceptions. This was manifested in the Commission's 'Europe and Asia: A Strategic Framework for Enhanced Partnerships' 2001 communication. The EU acknowledged that East Asia had become an economic partner.¹⁵ Meanwhile, East Asian countries became more self-assured after a swift recovery from the East Asian financial crisis. The perception in East Asia was that the region had a different economic model from the EU, in which the government played a more central role.

East Asian countries began to deal with the EU as their economic equal. The creation of regional structures, most notably the Chiang Mai Initiative and the Asian Bond Markets Initiative, increased regional integration and decreased dependence on foreign capital and market developments, at least for the more developed countries in the region.¹⁶ Meanwhile, the consolidation of the ASEAN+3 framework strengthened regional integration. Therefore, East

Asian countries became more assertive in their relationship with the EU. This was best symbolised by ASEAN's refusal to proceed with region-to-region free trade agreement (FTA) negotiations with the EU due to Brussels' insistence on excluding Myanmar from the process.¹⁷

Market dynamics also shifted throughout the 2000s. The growth in intra-regional trade and investment flows made East Asian countries less dependent on American and European markets and FDI. China was at the centre of economic regionalisation in East Asia. With the growth in Sino-European trade, a relationship of mutual dependence ensued. This strengthened the position of East Asia as a whole *vis-à-vis* the EU. Moreover, the growth in greenfield investment from Japanese and South Korean companies in the rest of East Asia further regionalised East Asia's economy, reducing the market share of European companies.

As a result of these dynamics, EU-East Asia economic relations became more legalistic. The WTO's dispute settlement body became the main arbitrator of disputes between East Asian countries and the EU. Brussels was especially active in initiating proceedings against Japan and South Korea, two direct competitors in high-end manufacture.¹⁸ South Korea and Thailand were equally

active in taking the EU to the dispute-settlement body.¹⁹ Meanwhile, the EU also denounced the alleged malpractices of East Asian governments, most notably China, and protectionism rose in certain member states reluctant to accept the acquisition of assets by companies from less developed East Asian countries.

Political and Security Relations

Similarly to EU-East Asia relations in the economic area, in the 1990s the EU considered East Asia a region in need of political 'modernisation'. Few East Asian countries were liberal democracies in the first half of the decade. With the third wave of democratisation having already reached the Philippines in 1986 and South Korea in 1987, the EU expected other East Asian countries to follow suit. Brussels stood ready to support their transformation into fully fledged democracies respectful of human rights.²⁰ However, by the end of the decade only Cambodia and Indonesia had joined the other East Asian democracies. Therefore, throughout the 1990s the EU publicly criticised a perceived lack of political freedom in East Asia.

Brussels also criticised East Asia's 'imperfect' integration, with particular emphasis on ASEAN.²¹ The EU saw itself as a model of integration for East Asia. Replicating the Confucian-style,

teacher-to-student approach taken in the area of economics, the Commission and the European Parliament sent delegations to ASEAN to share their experience. Many articles and reports were written on how the experience of the EU with integration could serve as an example for ASEAN. However, ASEAN seemed to be wary of following the European example. Thus, the term 'ASEAN Way' was coined to describe a model of integration based on the principles of non-interference in the domestic affairs of each other, pacific settlement of disputes, respect for the independence of each other, and respect for the territorial integrity of each other.²²

Political differences between both regions and a lack of bilateral security problems made the EU and East Asia launch a region-to-region dialogue as the most effective means to deal with each other.

Political differences between both regions and a lack of bilateral security problems made the EU and East Asia launch a region-to-region dialogue as the most effective means to deal with each other. The Asia-Europe Meeting (ASEM) was launched in 1996 as a forum for

both regions to interact. Region-to-region dialogue was seen as a way to strengthen discussion of shared problems and negotiate and reach agreements.²³ However, it proved ineffective. Thus, bilateral dialogues between the EU and ASEAN, China, Japan and South Korea respectively, became the preferred mechanism for engagement between the EU and East Asia.

The absence of bilateral security problems following the end of Cold War divisions meant that security interactions between the EU and East Asia were limited. However, the Maastricht Treaty established a Common Foreign and Security Policy (CFSP) for the EU in 1993. The EU enhanced its security profile, and East Asia became one of the regions in which Brussels sought to become more actively involved. The EU joined the only East Asia-wide security initiative, the ASEAN Regional Forum. More importantly, the EU became an executive board member of the Korea Energy Development Organisation, an essential component of the Agreed Framework that put an end to the first North Korean nuclear crisis of 1993-94. The EU was therefore exercising its normative power by being involved in initiatives aimed at solving security problems through dialogue and cooperation.

Changed security paradigms after 9/11

The terrorist attacks of 9/11 and subsequent Al Qaeda-induced terrorist actions in Bali, London and Madrid had a profound effect in the EU and East Asia. The 9/11 attack led to greater coordination at the global level to counter the threat of terrorism. The attacks in the EU and East Asia made countries in both regions realise their vulnerability. Therefore, initiatives and dialogues to promote cooperation between East Asian countries and the EU gained prominence as the 21st century advanced.

Bilateral rather than region-to-region relations were the main conduits for discussions of enhanced cooperation. Japan and the EU launched a new Action Plan in 2001, South Korea and the EU held their first ever summit in 2002, and China and the EU signed a strategic partnership in 2003. These three countries and the EU discussed security matters, such as counterterrorism and non-proliferation, at a bilateral level. This improved coordination between each of them and the EU. However, ASEM's importance declined. In the aftermath of 9/11, ASEM actually drove a process of inter-regional cooperation on counterterrorism and related security matters.²⁴ However, this process quickly

lost momentum as Brussels and its East Asian counterparts made clear their preference for a network of bilateral relations to enhance security cooperation.

Concurrently, political and security relations improved at the global level. East Asian countries became increasingly involved in global governance structures such as the United Nations institutional network or the International Atomic Energy Agency. This enhanced cooperation between the EU and East Asia. It also moved relations between them towards a dialogue among equals.

East Asia's rise reduced the need for the EU to be involved in the resolution of regional problems. The EU was invited to lead the Aceh Monitoring Mission, established to demilitarise the Free Aceh Movement while providing greater autonomy to this Indonesian region. This showed that 'normative power Europe' could serve as a powerful device to make the EU involved in regional politico-security affairs. Its soft power allowed Brussels to become involved in the resolution of a long-standing conflict in East Asia.²⁵ However, the EU was excluded from negotiations to put an end to the second North Korean nuclear crisis. This exclusion demonstrated that East Asian countries would only accept the intervention of the EU in regional affairs when it suited them.

EU-East Asia Relations during the Global Financial Crisis

The GFC of 2007-08 was global in name but did not affect different parts of the world to the same extent. The crisis began in the U.S. and swiftly extended to the EU, a result of the degree of financial interdependence between them. During the first months of the crisis, East Asia was relatively unaffected by the economic malaise engulfing the U.S. and the EU. Some commentators even talked about a decoupling between East Asian economies and the West, an issue already under discussion before the crisis.²⁶ This implied that EU-East Asia economic relations were not as close as they had been before.

The economic model proposed by the EU was not considered more 'modern' or superior; it was simply deemed a different model, neither better nor worse than East Asia's.

Nevertheless, the GFC eventually affected the economies of East Asia as well. The first half of 2008 was especially negative for countries in this region. This created a sense that the economic

destinies of the West and East Asia were intertwined. Moreover, given that electorates affected by the crisis going to the polls were ejecting incumbent governments, there probably was a sense also that the future of political leaders rested upon a swift resolution of the crisis.

The GFC therefore had a profound impact on EU-East Asia relations. On the one hand, there was a perception that this was a crisis created by a Western economic model based on liberalisation and deregulation. East Asia could not be blamed for it. On the other hand, there was a sense that the crisis could only be solved through cooperation at the global level. East Asian and European leaders, representing the two biggest economies in the world, needed to work together to solve the crisis. Economic, political and security dynamics show how the GFC fundamentally transformed EU-East Asia relations.

Economic Relations

The evolution of economic relations between the EU and East Asia that had been seen before 2007 was consolidated during the GFC. East Asian countries considered themselves at least equal to the EU in terms of economic importance. They became assured of the validity of their economic model. Therefore,

the economic model proposed by the EU was not considered more 'modern' or superior; it was simply deemed a different model, neither better nor worse than East Asia's. Meanwhile, the EU sought to make the most of East Asia's economic growth, definitely leaving behind criticism of it or calls for its 'modernisation' along a Western model.

The mutual perception as peers in the area of economics led to entrenchment of a legalistic approach to managing relations. Throughout the GFC, the WTO dispute settlement body received EU complaints about China and Thailand, as well as Japanese complaints about the EU.²⁷ Concurrently, a reform of the IMF voting quotas gave a larger voting share to most East Asian countries, while reducing the share of EU member states.²⁸ This was a means to legally enshrine the decreasing differences between the EU and East Asia in terms of economic development.

This decrease was reflected in market interactions between both regions. Bilateral trade flows between all East Asian countries declined and growth slowed down in 2008. But there was a significant change in FDI flows, with cash-rich East Asian companies acquiring depressed European assets. Japanese financial holding Nomura's acquisition of Lehman Brothers investment banking

and equities businesses in Europe symbolised this change. Equally relevant, sovereign wealth funds from China, Malaysia, Singapore or South Korea also invested heavily on European companies whose market values had plunged as a result of the GFC. In general, EU member states welcomed this investment and did not seek to curtail it with protectionist measures.²⁹

Arguably, the most significant long-term economic trend that will result from the crisis will be the entrenchment of East Asian countries in global financial and economic governance. Changes to the IMF quota system signalled this. Better known is the upgrading of the G20 to the main forum for government leaders to discuss economic and financial governance. The G8, which only included one East Asian country, Japan, was rendered obsolete by the GFC. The G20, including the four East Asian countries of China, Indonesia, Japan and South Korea, *de facto* replaced the smaller grouping. More relevant but less discussed in the media was the process behind the negotiation of the Basel III Accord on capital adequacy requirements. East Asian central bankers, most notably China's, were actively involved in the negotiation process. This marked a big contrast with the Basel I and II accords, which were the result of negotiations between the U.S. and some European

countries. Indeed, the regulation of financial activities prior to the GFC had been a transatlantic affair.³⁰ The fact that East Asian countries proved willing to be central players in the negotiation of a new accord means that the EU ought to discuss financial governance with them.

Political and Security Relations

The effects of the GFC went beyond the area of economics. Indeed, EU-East Asia interactions in the area of politics and security were also affected by the crisis. Before 2007, East Asian countries and the EU were discussing politico-security issues on a bilateral basis. However, there was an acknowledgement that shared threats necessitated cooperation among a large number of actors to be dealt with. These threats did not disappear, but the GFC made the EU and East Asia increase joint operations at the global level. Bilateral dialogue was used to discuss these issues, with resolution being implemented on a multilateral basis.

The resilience or emergence of new shared security threats consolidated cooperation between the EU and East Asia in multilateral initiatives. The Proliferation Security Initiative launched by the U.S. in May 2003 had already become a quasi-permanent institution to fight against the proliferation of weapons

of mass destruction. All EU member states and most East Asian countries were part of it, therefore participating in joint training sessions and sharing information.³¹ In June 2008, a new multilateral initiative was launched when the United Nations Security Council passed a resolution to fight piracy off the coast of Somalia. The EU launched Operation Atalanta to implement this resolution. Many East Asian countries also sent their navies to the waters off the Somali coast. East Asian and European navies joined the U.S. and other countries under Combined Task Force 150,³² therefore being part of the same coalition. Partly as a result of the GFC, the EU and East Asia were cooperating on tackling shared threats to reduce costs while increasing effectiveness.

Strengthening of political cooperation between the EU and East Asia was another effect of the GFC. Similarly to security cooperation, region-to-region relations were displaced by cooperation in multilateral fora. EU and the East Asian countries discussed politico-economic issues, such as regulatory reform of the credit rating agencies sector or new disclosure requirements for tax havens, in multilateral fora, most notably the G20 but also the Organisation for Economic Co-operation and Development or the Bank for International Settlements. The relevance of ASEM as a forum for the

EU and East Asia to engage in a dialogue about political issues therefore decreased further.

Beyond theoretical discussions about the rise of East Asia and the decline of the EU, there are objective indicators that economic power is moving from West to East.

Notwithstanding the increasing cooperation in multilateral fora, the GFC made clear the importance of regional channels of cooperation. Therefore, countries in each region reinforced mechanisms to find regional solutions to shared problems. In the case of East Asia, China, Japan and South Korea launched a trilateral Leaders Summit in December 2008.³³ The summit built on regular meetings the three countries have been holding since 1999 within the ASEAN+3 framework. Concurrently, ASEAN+3 sectoral dialogues and meetings kept increasing in number and scope. In the case of the EU, the GFC and negotiations on the Lisbon Treaty reignited the debate over the need for greater political integration, especially among Eurozone member states.³⁴ Both the EU and East Asia refrained from commenting on these political processes in each other's states.

EU-East Asia relations during the Eurozone Sovereign Debt Crisis

The ESDC began to unfold in 2009. Following the victory of George Papandreou's Socialist party in the Greek presidential election that took place in October of that year, the new government admitted a debt burden much higher than previously thought. In January 2010, the EU announced that Greek authorities had been misrepresenting economic figures, with Greece's budget deficit for 2009 more than trebled to 12.7%. In May 2010, Eurozone countries and the IMF provided a €110bn bailout for Greece. With Greece sovereign debt problems not disappearing, concern spread to other Eurozone countries. In November 2010, Ireland received an €85bn bailout, with Portugal following suit in May 2011 with a €78bn bailout. At the time of writing, Greece has received a second bailout, banks in several EU countries have also been rescued, the European Central Bank is buying Italian and Spanish sovereign debt, and the expectation is that the crisis will not be solved until 2014 at the earliest.³⁵

In sharp contrast, East Asian economies resumed growth in late 2009 and have been expanding rapidly since

then. The only exception has been Japan, which suffered one of the most powerful earthquakes in the last century anywhere in the world, along with a destructive tsunami, in March 2011. The contrast between the economic dynamism of East Asia on the one hand, and the slow recovery in the U.S. and the ongoing crisis in the Eurozone, on the other, has prompted talks of a shift in economic and political power from West to East.³⁶ China and other East Asian countries are now seen as major voices in an increasing number of issues.

Eurozone member states have been courting investment from East Asia by sending trade delegations and receiving political and business leaders.

The different directions of the EU's and East Asia's economies as a result of the ESDC have reinforced dynamics already visible during the GFC. Greater engagement at the global level is clearly evident, and a rebalancing of bilateral relations is noticeable as well. At the same time, East Asian countries, in particular China, have become increasingly assertive in their dealings with the EU.³⁷ The effects of the ESDC on EU-East Asia interactions therefore go beyond a new economic relationship.

Economic Relations

Economic relations between the EU and East Asia have been undergoing deep changes since the early years of the 21st century, if not before. The ESDC has consolidated these changes. Countries in East Asia do not consider their economic model inferior to the West's. If anything, they consider it superior. Their good economic performance since the onset of the GFC has strengthened this belief. Coupled with the contrast between their swift recovery from the East Asian financial crisis and the EU's problems to put an end to the ESDC, East Asian elites now seem to be content with an economic model in which the state plays a central role in conducting growth and stability. In contrast, the European model based on a generous welfare state seems to be in doubt even within the EU.³⁸

Beyond theoretical discussions about the rise of East Asia and the decline of the EU, there are objective indicators that economic power is moving from West to East. In October 2010, a second IMF reform was agreed. European countries agreed to give up two of their eight seats on the 24-member board, and over six percent of voting power was transferred to non-Western countries.³⁹ Meanwhile, China, Hong Kong, Indonesia, South Korea and Singapore joined the 2009

Basel Committee on Banking Supervision (BCBS).⁴⁰ Entrusted to set up guidelines and standards in a number of areas, the BCBS has produced the Basel III Accord on capital adequacy requirements, which should be one of the main tools to avoid future financial crises as deep as that of 2007-08. East Asian bankers had already been involved in Basel III negotiations before they joined the BCBS; being part of this committee signals their increasing clout.

The evolution of trade and FDI flows between the EU and East Asia has followed the path initiated even before the GFC. Bilateral trade flows between individual East Asian countries and the EU have followed their long-term growth trajectory following the decrease in 2008. Meanwhile, FDI flows from East Asia into the EU have increased. Cash-rich East Asian companies and sovereign wealth funds have been investing heavily in the EU. Most notably, Eurozone member states have been courting investment from East Asia by sending trade delegations and receiving political and business leaders. The protectionism that existed prior to the crisis has disappeared. Moreover, European companies suffering from slow growth in the EU have become increasingly active in East Asia to offset decreasing sales at home.

The growth in bilateral trade and FDI has led to a significant change in the economic strategy of the EU towards East Asia: a move towards bilateral FTAs with selected countries in the region. In 2011, the first ever bilateral FTA between the EU and an East Asian country, South Korea, entered into force. Negotiations on the FTA had only started the year before. Meanwhile, Malaysia, Singapore and Vietnam have launched negotiations for their own bilateral FTAs with the EU.⁴¹ In 2012 Japan and the EU began to discuss the possibility of launching similar negotiations.⁴² These developments demonstrate that region-to-region relations in the area of economics have been abandoned.

Political and Security Relations

Economic relations have had an impact on EU-East Asia political and security relations since both regions started interacting. Due to historical factors, the EU at first saw its role in bilateral political relations as that of a model for East Asia's 'modernisation'. East Asian leaders, however, thought differently. As a result, EU-East Asia political and security interactions have been increasingly characterised as dialogues between equals. The ESDC has underlined this dynamic. However, developments within each region have also highlighted the limits of region-

to-region or even country-to-country cooperation. Moreover, shared security challenges have not disappeared, even though responses have been regionalised.

Similarly to developments in the area of economic relations, Brussels and its East Asian counterparts now consider themselves equals. This can be seen as beneficial insofar as region-to-region relations under the ASEM framework did not produce the results expected when this initiative was launched, back in 1996. The Strategic Partnership between China and the EU, signed in 2003, had already deepened and widened the dialogue between them prior to the GFC. Throughout the ESDC, the EU has sought to implement similar mechanisms with other East Asian countries. Thus, Seoul and Brussels reached a bilateral Framework Agreement in 2010. The agreement upgraded the relationship and should serve to strengthen political relations between the EU and East Asia, while allowing South Korea to deal with the former on an equal footing. In the meantime, Japan and the EU are negotiating a similar agreement which would replace the Action Plan signed in 2001,⁴³ now seen as insufficiently ambitious. Several Southeast Asian countries and the EU are also in the process of negotiating upgraded agreements or implementing newly signed ones.

Joint work in multilateral fora to deal with political and security issues has not been weakened as a result of the ESDC. On the contrary, cooperation at the multilateral level seems to be strengthening, due to the ongoing decrease in inter-state conflicts since the end of the Cold War. Nonetheless, developments taking place at the same time as the ESDC have further highlighted the limits to cooperation at the global level. In the case of the EU, the Lisbon Treaty entered into force in December 2009. The treaty should eventually lead to greater cooperation among member states, thus consolidating the process of European integration. This means that the EU will pursue domestic initiatives regardless of whether they are agreed upon with third parties or not. Arguably more relevant, considering that the EU used to be involved in East Asian security matters, is the launch of the ASEAN Defence Ministers' Meeting Plus in 2010. This is an annual meeting involving defence ministers of ASEAN+3 plus a selected number of countries, most notably the U.S. The meeting has rapidly become the most high-profile security institution in East Asia. But Brussels is not a part of it. Countries in the region have therefore demonstrated that the EU is not welcome to deal with East Asian hard security matters.

Relations are now driven by, on the one hand, bilateralism between the different countries in East Asia and the EU, and on the other, interactions at the multilateral level.

Furthermore, the ESDC has led to a new development in the form of open political pressure on the EU from East Asian countries on matters of their concern. China has been the most vocal country in this respect. Beijing authorities first called for the EU to sort out its economic situation. They have subsequently criticised Brussels on other unrelated matters. Most notably, the Ministry of Foreign Affairs released a statement in January 2012 arguing that 'to blindly pressure and impose sanctions on Iran are not constructive approaches', thus openly chiding the EU for its unilateralism on the Iran issue.⁴⁴ Even other countries hitherto not known for their open criticism of third parties have criticised the EU in public. In November 2012, the Japanese prime minister Noda Yoshihiko scolded the EU for the delay in solving its economic situation, and demanded that EU member states agree to allow bilateral FTA negotiations to begin.⁴⁵

Conclusion

EU-East Asia relations have undergone dramatic changes since the collapse of the Soviet Union and the subsequent end of the Cold War. Foremost, relations are now driven by, on the one hand, bilateralism between the different countries in East Asia and the EU, and on the other, interactions at the multilateral level. Region-to-region relations are now an afterthought. ASEM has failed to drive EU-East Asia relations and is unlikely to do so in the near future. Two factors explain this move towards bilateralism and multilateralism in EU-East Asia relations: firstly, the rise of East Asian countries, which want to be treated individually, forces third parties to have to consider their views on global issues; and secondly, the recognition on the part of the EU that only by dealing with East Asian countries on a bilateral basis will it be able to have a degree of influence in the region.

Another relevant change to EU-East Asia relations is the shift towards a relationship between equals. Gone are past European pretensions of providing a blueprint for East Asia's 'modernisation' and integration. Today it is recognised that the EU and East Asia have different economic and integration models, with their similarities and differences.

Furthermore, countries in East Asia have made it clear that their political systems are a domestic issue. Brussels has shown its willingness to treat East Asian countries on an equal basis, engaging them bilaterally or at the global level when necessary. The aforementioned factors help to explain why the EU and East Asia see each other as equals. Another factor is enhanced cooperation, which reinforces the process of EU-East Asia relations being more equal.

In addition, EU-East Asia relations have become more institutionalised. Interactions now are governed by the rules and regulations set up by multilateral institutions such as the WTO, as well as by the decision-making mechanisms of others such as the BCBS or the IMF. Concurrently, bilateral documents such as the EU-Korea FTA or the EU-China Strategic Partnership are also making the relationship more institutionalised. These are signs of a more mature and predictable relationship, governed by agreed rules. The main factor behind the institutionalisation of EU-East Asia relations is that both global governance and regional relations in each of them have become increasingly institutionalised since the end of the Cold War as well. East Asian countries and EU member states are more used to institutionalisation, which is reflected in their interactions.

These characteristics of the relationship between the EU and East Asia are unlikely to change once the ESDC is over. They have been bolstered both by this crisis and the earlier GFC. However, they are the result of decades-long dynamics that will probably continue

for the foreseeable future. Thus it is to be expected that the EU and East Asia will increase cooperation on issues of mutual concern or from which both can benefit, while respecting each other's independence in dealing with internal matters.

Endnotes

- 1 East Asia is understood in this article to include all the countries that are part of ASEAN+3. The author acknowledges that there is an ongoing debate regarding which countries are part of East Asia. However, circumscribing the article's analysis to ASEAN+3 serves the analytical purposes of this article.
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India and East Asia: The Look East Policy

G. V. C. NAIDU*

Abstract

The global centre of gravity is shifting to East Asia, due to its remarkable economic dynamism, but the rise of new power centres and their assertive attitudes also brings huge security challenges. India is renewing its age-old links with East Asia; after a long hiatus it is looking to East Asia once again to engage with it more purposely. Compelled by political and economic imperatives, New Delhi launched the 'Look East' policy in the early 1990s, which, despite its slow take-off, has evolved into a comprehensive engagement underpinned by several political-institutional mechanisms, strong economic association through a variety of comprehensive cooperation agreements, and robust defence links and security cooperation. As a result, India has now become an inalienable part of the evolving East Asian economic and security order. While India closely collaborates with the U.S., Japan and a few ASEAN countries in the management of regional security, India's relations with China are undergoing major changes as they become increasingly complex.

Key Words

India, East Asia, Look East policy, India-U.S., India-China.

Introduction

Until as recently as a decade ago, most assessments of East Asia¹ tended to ignore India as a factor in regional economic or security affairs, but that has changed remarkably, and today there is hardly any discourse that fails to make reference to India. This fundamental shift has come about in part due to the 'Look East' policy which New Delhi launched in the early 1990s in the aftermath of the Cold War, driven by economic imperatives and political expediency. The success story of India's engagement with East Asia would not have been as dramatic if it were not for the fact that the East Asian region itself has been witnessing unprecedented developments whereby many countries found it useful to involve India in regional affairs. While the

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unparalleled economic dynamism that is sweeping the region is its most visible feature, serious security problems also beset the region, which could undermine peace and stability and seriously affect economic vibrancy. Evidently, the rapidly increasing economic interdependence, both in terms of intra-regional trade and investments, does not seem to have translated into the much anticipated political dividends. The complexity of the regional environment is further compounded by the recent resurgence of new global power centres- most prominently China and India.

While the unparalleled economic dynamism that is sweeping the region is its most visible feature, serious security problems also beset the region, which could undermine peace and stability and seriously affect economic vibrancy.

It must be kept in mind that today East Asia's ascent is represented not only by China and India, but by the rise of the entire region. Consequently, its overall weight in global affairs is also increasing significantly, and hence developments here will have major implications for the rest of the world. With a combined GDP

of around US \$28 trillion in PPP terms, East Asia is already nearly as large as the United States and the European Union combined (and is set to overtake them by 2013). Besides it is being home to nearly half of the global population, the world's fastest and largest growing markets are located in this region. Now that talks are going to begin in early 2013 for a Regional Comprehensive Economic Partnership (RCEP), it will become the single largest free trade area in the world. At the same time, the regional security order is also undergoing tectonic changes. The regional great powers, China, India and Japan, are redefining their roles and are increasingly becoming more assertive- this is likely to become a major enduring feature of East Asia in the coming years, which will play a key role in any new regional order that may come about. The post-Cold War unipolarity is transiting towards an East Asian multipolarity. This transition is unnerving because one is not sure if it is going to be smooth and free of conflicts and tensions, so that regional peace and stability remain unaffected- a precondition for continued economic dynamism and development. In any case, there is no question that the East Asian region is under global focus.²

Against this backdrop, where India emerges as a major economic power with a formidable military, many countries, especially the Association of Southeast

Asian Nations (ASEAN) and Japan, have found it useful to involve India in regional affairs, not only to take advantage of its economic potential, but also for its potential to contribute to regional security. Consequently, today India is an indispensable part of East Asia and its role and interests are steadily expanding within the region. That, in a way, also signifies the profound and fundamental shifts the region is witnessing.

While the roots of India's engagement with East Asia can be traced back to ancient times (nearly 2500 years ago), recent relations are a post-Cold War phenomenon, what is popularly called the Look East policy. What began as an attempt to improve bilateral relations, to partake in the regional economic dynamism and carve out political space for itself, over the years has evolved into one of the most successful foreign policy initiatives that India has undertaken. It now encompasses a range of political, economic, strategic and cultural activities and interactions. The following article, in addition to providing a brief backdrop to East Asia, its growing significance and principal features, explicates the contours of India's relations with East Asia, especially the evolution of the Look East policy, its various phases and the current status.

Backdrop

In order to gain a perspective on the current rise of East Asia and India's role in it, it must be kept in mind that the global center of gravity has been shifting from time to time. For nearly two millennia, the Indian and the West Pacific Oceans dominated global politics, with China and India at one point controlling nearly two-thirds of the world's GDP, before the European industrial revolution and their voyages in search of resources and markets eventually led to the colonisation of the majority of today's global south. This marked the major rise of the Atlantic and thus the global focus on that region. The first sign of the re-ascend of the Pacific appeared with the emergence of the U.S. as a formidable power in the late nineteenth century, especially following the defeat of Spain in the 1898 Spanish-American War. This was followed on the other side of the Pacific by Japan's meteoric rise and the defeat of the mighty Czarist Russia in 1905, which signaled the first sign of Asia's resurgence. Japan's phenomenal post-war recovery in the aftermath of the Second World War was soon followed by the emergence of the four Asian economic tigers, and then several Southeast Asian countries, such as Malaysia and Thailand, joined the ranks of the tigers. Asia's rise was complete,

firstly, with the success of China's famous 'four modernisations' program, launched in the late 1970s, and then with India's recent emergence consequent upon the liberalisation of its economy in the early 1990s. With this, the Pacific once again hogged the limelight, and now the Indian Ocean region's economic and geostrategic significance is increasing because of its huge resources (notably oil and gas), which are fuelling the phenomenal growth in East Asia, and the rising economic opportunities present in the Indian Ocean rim region.

Today three out of four of the world's largest economies are located in East Asia. By several estimates China is likely to become the largest economy by 2035-40, and India is already the third largest in PPP terms. By 2008, China had emerged as the largest manufacturing nation, surpassing the U.S., and is now the largest trading nation in the world. Despite considerable slowdown in the last couple of decades, Japan continues to be an economic powerhouse. The Asian economic tigers, followed by Southeast Asia and China, were the biggest beneficiaries of Japanese aid, investments and technologies. However, ever since its asset bubble burst in the early 1990s, the Japanese economy has gone into a tailspin, battered relentlessly by the twin problems of deflation and of growth at a snail's pace. On top of this

Japan is saddled with a runaway public debt, which by 2012 was nearly two and a half times the economy, as well as an ageing and declining population. It is a laggard compared to the rest of the region; however, it would be imprudent to underestimate its strengths: aside from huge personal financial assets at around US \$17 trillion (as of December 2012), it is the third largest economy, with a GDP of over US \$5 trillion. More importantly, it is still a leader in several niche advanced technologies.

Unlike in the past, when their fortunes were dependent on the U.S. and Western Europe because of heavy reliance on their markets, the East Asian countries are coming of age economically.

Others, such as South Korea, Singapore, Hong Kong and Taiwan, have emerged as major capital surplus countries, and their economic roles are rapidly expanding. Of the nearly US \$7 trillion total foreign exchange reserves held by the East Asian countries, the above four countries alone have nearly US \$1.5 trillion. In addition, virtually the entire ASEAN region is faring exceptionally well economically. Though a latecomer, Vietnam too has joined the league of high performers,

and Myanmar's story is beginning to unfold. Added to the above list is India, a relatively new entrant. With its huge human resources base, a demographic advantage, and a stronghold on certain niche areas, such as information technology, pharmaceuticals, etc., India is forecast to emerge in the coming years as a major economic growth driver for the region.

Unlike in the past, when their fortunes were dependent on the U.S. and Western Europe because of heavy reliance on their markets, the East Asian countries are coming of age economically. They have exhibited remarkable resilience in the wake of the 2008 economic crisis in the U.S. and more recently in the Eurozone. The intra-Asian trade- at nearly 59 % in 2011- is growing faster within, rather than outside of, the region. Similarly, East Asian investments are increasingly bound within the region. These indicate not merely the declining importance of traditional markets, such as the U.S. and Europe, but also the growing opportunities and expanding markets in East Asia. Under the Chiang Mai Initiative, which came about in the aftermath of the 1997 financial crisis, a reserve pooling of \$240bn (by 2012) is in operation, which is meant to ensure that the region does not suffer a similar crisis.

Much of the above mentioned economic dynamism is market-driven. To take advantage of the trend in the region, which increasingly is interacting within itself, and of the continued buoyant economic conditions, earnest attempts are being made to provide the necessary political momentum. These are numerous bilateral and multilateral free trade agreements and regional cooperation arrangements. As of September 2012 'there were 103 FTAs in effect involving one or more countries from the region, most of them bilateral. There are another 26 signed FTAs, 64 under negotiation and 60 more proposed.'³ These, in fact, are not simply attempts to promote trade, but are far more wide-reaching and are aimed at regional integration. As a result, every country has entered into several of these arrangements. The most prominent are those led by ASEAN, such as the Framework Agreements on Comprehensive Economic Cooperation with China, India, Japan, South Korea, etc. Additionally, there are several regional multilateral mechanisms to promote economic cooperation, such as the Asia Pacific Economic Cooperation (APEC), ASEAN Dialogue and Summit Partnership Meetings, ASEAN Plus Three (APT), East Asia Summit (EAS), etc. Among these, the newly agreed upon Regional Comprehensive Economic

Cooperation (RCEP), involving the ten ASEAN nations, China, Japan, India, South Korea, Australia and New Zealand, will be a mega FTA. The first round of talks is scheduled for February 2013, with the expectation that it will be operational by 2015. If this is realised, it would create the world's largest free trading region, consisting of nearly half of the global population and some of the most dynamic and largest economies of the world. It will catapult the East Asian region into a commanding position in global economic affairs. Despite some scepticism, especially in view of China's dominant position in manufacturing, all see major advantages in the creation of a mammoth market. The first test of whether such a mega market can be achieved would be the successful realisation of the ASEAN Economic Community by 2015, although the EU style of integration, in particular in the political and defence spheres, is an unlikely eventuality, given the region's complex security environment and persistent historical vestiges.

Although the economic scenario presents a bright picture, with a huge reservoir of untapped potential, the region is not without its problems on the political and security front. In fact, at times they appear to be so unnerving that they might derail the region's

economic juggernaut. Besides having several flashpoints, the region is home to the world's largest (and probably the most intractable) unsettled territorial and maritime boundary issues. There is not a single country that is free from one of these disputes. Some of them are minor, but many are major and politically highly contested. (For instance, the boundary dispute between India and China involves some 95,000 km²) Most of these disputes have remained dormant for a long time, but they have become highly contentious recently for two reasons. One is the 1982 UN Convention on the Law of the Sea, which provides extensive benefits by way of exclusive economic zones for exploitation of resources, and the other is the growing realisation that the seas are going to be major sources for food as well as natural resources. Some of them, such as the Senkakus in the East China Sea and the Spratly and Paracel Islands in the South China Sea, also offer major geostrategic advantages. Unlike in other regions, some of these in East Asia have become highly contentious, such as the dispute over islands in the South China Sea with claims in part or full by China, Vietnam, Malaysia, the Philippines, Brunei, and Taiwan, and the Senkakus/Daioyu between Japan and China- so much so that they are seriously threatening to disrupt bilateral

relations. Intensified conflict can also lead to greater military modernisation, especially naval.

The other dimension of regional security is the relations among great powers. As the post-Cold War order led by the U.S. unipolarity collapses with the rise of new power centres, the current order is characterised by fluidity and uncertainty. A lack of classic balance of power is adding to the anxiety of many small and medium countries. If history is any guide, it is unavoidable that rising new powers not only disturb the status quo but also constantly strive to expand their strategic space at the cost of other existing dominant powers, which inevitably leads to clashes of interest and tensions, and quite often to wars. It constitutes a major part of the discourse on Asian security whether or not it too will go through the same trajectory as such other regions as Europe. Meanwhile, there are others who argue that 19th and early 20th century Europe is not necessarily the best guide to the future of East Asia, especially because of the massive globalisation process and the unprecedented economic interdependence, which will make the costs of conflicts too much to bear. Japan and China have been experiencing tense relations in the recent past, but to what extent economic imperatives will restrain them from boiling over needs to be seen.

The unexpected closure of U.S. military bases in the Philippines in 1992, and the contest in the South China Sea becoming heated with China beginning to assert its claims aggressively, prompted ASEAN to revisit the issue of a regional platform to discuss security issues.

The East Asian region, nonetheless, is witnessing some significant trends. One of them is the steady increase in defence spending across the region, as most nations are equipping themselves with advanced weaponry, particularly in the naval field. Secondly, both China and India, which had traditionally been continental powers, are emerging as major maritime powers with the acquisition of blue-water naval capacities with power projection capabilities. Moreover, both seem to be looking beyond their traditional areas of interests, i.e., their immediate vicinities: China in the Pacific and India in the Indian Ocean. With its growing interests and stakes, India wants to be a significant factor in the Western Pacific region, while China, due to the critical dependence for its trade on the sea lanes of communication in the Indian Ocean, is exploring ways to have a military presence in that region.

Another dimension of the East Asian security is security multilateralism. It was originally conceived and proposed by Japan to replicate the European example, the Conference on Security Cooperation in Europe, to deal with post-Cold War uncertainties in Asia. Whereas Tokyo had its own vested interest to enhance its political role in East Asia through a multilateral framework, many countries, including ASEAN and China, initially had reservations for different reasons. However, the unexpected closure of U.S. military bases in the Philippines in 1992, and the contest in the South China Sea becoming heated with China beginning to assert its claims aggressively, prompted ASEAN to revisit the issue of a regional platform to discuss security issues. It eventually took shape in the form of ASEAN Regional Forum (ARF) launched in 1993. A major objective was to engage China in the ASEAN strategy of 'enmeshment' through multilateral institutions. By 1995, ASEAN put out an ambitious Concept Paper that laid down a roadmap, beginning with confidence-building measures, followed by preventive diplomacy initiatives, intended finally to emerge as a conflict resolution mechanism. Despite considerable initial enthusiasm, over the years it has failed to live up to its expectations. A few others have also been created, such as the Six-Party Talks to address the North Korean nuclear

issue (2003), ASEAN Defence Ministers Meeting Plus Eight⁴ (2010). Even the East Asia Summit (2005) purported to deal with security issues. The jury is still out as to whether these can play a role in shaping the regional security.

India and East Asia in the Aftermath of the Cold War

It is against the above backdrop that India's evolving policies and relations must be assessed. In some aspects, India was eager to renew its relations with East Asia in the early 1990s; however, it had always enjoyed vibrant and enduring relations for several centuries before the onset of colonialism, which not only disrupted these links but in fact severed them, as they were unsuitable for colonial masters who wanted to have exclusive monopoly. As is evident from a flood of scholarly works that came at the height of India's independence movement, awareness of India's strong influence was acute; there was not a single country in the entire East Asian region that was not influenced by India in one way or another. This played a key role among enlightened Indian nationalist leaders, especially from the early 20th century, in generating interest about developments in the region. That could be said to be the beginning of the first phase of India looking east.

India's interest in East Asia was reflected in a series of events that took place from the late 1940s onwards. The most prominent was the convening of the famed Asian Relations Conference in New Delhi in March 1947, before India formally gained independence later in August the same year. It was the first ever attempt to bring together Asian countries on a platform to express solidarity with each other and to evolve a common strategy to fight colonialism and imperialism. As part of this approach, India had also organised a special conference on Indonesia in January 1949 in support of its fight against the Dutch colonialists. Prime Minister Nehru also extended strong support to other independence movements, especially in Vietnam, and enthusiastically welcomed the emergence of the People's Republic of China under the communist party leadership. India also contributed troops for UN peacekeeping operations in Korea. Because of its neutral position and political standing in the newly unfolding Cold War atmosphere and its active participation in East Asian regional affairs, India was made the Chairman of the International Control Commission, which was set up under the 1954 Geneva Accord to ensure the smooth transfer of power in Vietnam. India's pro-active policy was most visible in the convening of the Afro-Asian Conference (also called

the Bandung Conference) in April 1955. As a result, India's initial foreign policy was heavily influenced by developments in East Asia. This could be considered another phase of the Look East policy. Unfortunately, with the Cold War taking deeper roots, engulfing virtually the entire region, India's role began to diminish. Compelled by a series of wars from the early 1960s onwards that it had to fight with China (1962) and Pakistan (1965 and 1971), India had to abandon its earlier activist policy. While India was busy strengthening its defence forces, leading eventually to the signing of a Friendship Treaty with the Soviet Union in 1971, the pro and anti-communist divide was nearly total in East Asia. But for a short while India came under scrutiny due to its recognition of the regime that Vietnam propped up after its military intervened to remove the dreaded Pol Pot in the 1970s (the only non-communist country to do so), and India's marginalisation from regional affairs, both politically and economically, was nearly total. The image persisted that it belonged to the Soviet camp and that its economic policies were inimical to most countries in East Asia, which promoted foreign direct investments, liberal economic policies, export promotion, etc., and was fairly deep seated, corroborated by the fact that even China shed its socialist path to join

others, whereas India remained stuck with what was called the 'Hindu rate of growth'.

Economic exigencies and political compulsions later became added incentives to look at East Asia afresh.

India, however, shot into prominence in the 1980s for entirely different reasons due to the rapid expansion of its navy. Since this took place mostly, although not entirely, owing to generous Soviet support, many drew two inferences. One was that the Indian Navy was being equipped with power projection capabilities and that Southeast Asia would be a prime target, and secondly, that India in concert with the Soviet Union and Vietnam would try to checkmate Chinese and American influences in Southeast Asia, especially in view of the ongoing Cambodian conflict, particularly after the Soviet Union gained a foothold at the Cam Ranh Bay naval base in Vietnam.

True, the Indian Navy underwent a major spurt in its capabilities in the 1980s, which included the acquisition of a second aircraft carrier from the U.K., HDW diesel-electric submarines from Germany, a nuclear submarine (on a

three-year lease) and advanced Kilo-class submarines, along with a variety of surface combatants from the Soviet Union and through indigenous production. The expansion of base facilities at Port Blair, called Fortress Andaman (FORTAN), in the Bay of Bengal close to the crucial Malacca Strait, lent further credence to concerns in Southeast Asia and beyond. Indonesia even protested against these plans and criticism of the Indian Navy became increasingly strident towards the late 1980s.⁵

A series of events, such as the end of the Cold War, the establishment of a new government under the leadership of P.V. Narasimha Rao, and the opening up of an economy that had been limping, served to put in place a new policy framework. Although Rao has been credited with the Look East policy, one can trace the roots of this policy to the initiatives the Indian Navy took in the late 1980s to re-establish links with its counterparts in Southeast Asia, especially Indonesia and Malaysia. Economic exigencies and political compulsions later became added incentives to look at East Asia afresh. Concerns remained in respect to India competing for influence with China and Japan, once it became clear that both superpowers, which had maintained huge military presences in Southeast Asia, were winding down their bases. Under these circumstances, refurbishing India's

image as a responsible major power, and in particular convincing ASEAN that it had greater stakes in peace and stability than in extending its influence to fill the so-called power vacuum in the region, assumed the utmost priority.

India was a potential countervailing force against a fast-rising China, which could also offer huge economic opportunities once its market reforms took roots in the same way as in China.

A series of developments between 1992 and 1995 had a dramatic impact on India's relations with East Asia. Among them, three were notable. Firstly, the sudden military withdrawal by the U.S. and Soviet Union created considerable anxiety about the future of regional security at a time when both China and Japan were looking for ways to enhance their roles. Secondly, the dispute over islands in the South China Sea shot into prominence as conflict intensified over their sovereignty. In particular, Beijing's passing of the Law on the Territorial Sea in February 1992, stipulating China's absolute sovereignty over both the Paracels and the Spratly islands began to ring alarm bells that led ASEAN to issue the Declaration on the South China Sea in 1992. Thirdly, many countries

had begun to digest the implications of China's rise, not just as an economic power but also as a military power. These developments enabled ASEAN to re-evaluate their attitude toward India, a big country with formidable military might, but with a benign image of never interfering or intervening in the region in any way, unlike the other great powers. For many, India was a potential countervailing force against a fast-rising China, which could also offer huge economic opportunities once its market reforms took roots in the same way as in China.

Meanwhile, the Indian Navy took the lead in assuaging Southeast Asian concerns about its modernisation by initiating a series of measures to build confidence- primarily joint exercises and invitations to senior naval officers to the Andaman facility for first-hand assessment. This had a major impact on East Asian security perceptions of India. These simple initial steps later on turned out to be a major dimension of foreign policy toward East Asia, as explained below.

India and East Asia: The Look East Policy

India's much celebrated Look East policy was never articulated officially;

there were no pronouncements nor any white papers issued. While the Indian Navy was taking its own initiatives, compelled by the 1991 foreign exchange crisis, the newly established government under Prime Minister Rao had little option but to resort to drastic measures by freeing the economy from the earlier socialist shackles. As part of the drive to attract investments, Japan was one of the first countries that India turned to, not only for it to help bail it out of acute shortage of foreign exchange reserves, but also to invest liberally in the same way as it did in the rest of East Asia. From New Delhi's point of view, the Japanese response was disappointing as it failed to show much enthusiasm. New Delhi then turned its attention to Southeast Asia, a region with which its ties had historically been cordial. It soon became obvious that in order for India to be involved in regional affairs at a time when profound changes were occurring in East Asia, it was imperative to evolve an ASEAN-centric policy. It was aimed at serving two objectives: firstly, India could never become a factor in regional affairs unless it secured membership in several of the multilateral frameworks which had started sprouting both

In the initial phase of India's Look East policy, much of the emphasis was on establishing institutional links with ASEAN and other ASEAN-led mechanisms.

for economic and security purposes. Invariably ASEAN played a prominent role in all of these. Secondly, concerned about its future, ASEAN was finding ways to remain a significant player in regional political affairs. For India, befriending ASEAN was the best way to enhance its engagement with East Asia. Thus, for the first time, Prime Minister Rao sketched some details about the Look East policy in his famous speech *India and the Asia-Pacific: Forging a New Relationship* in Singapore, 1994. It was only in the 1995 Annual Report of the Indian Ministry of External Affairs that the expression 'Look East policy' was used for the first time. It is thus pretty obvious that New Delhi did not have much clue as to what it was looking for, except for the broad goal of increased interactions with East Asia.

In the initial phase of India's Look East policy, much of the emphasis was on establishing institutional links with ASEAN and other ASEAN-led mechanisms. Concurrently, taking measures to qualitatively improve bilateral relations with select countries such as Singapore, Malaysia, South Korea and Thailand. These resulted in India becoming a Sectoral Dialogue

Partner with ASEAN in 1992 (limited to certain economic sectors), which was later elevated to full Dialogue Partnership in 1995. India was also offered ASEAN Regional Forum (ARF) membership in 1996. As relations consolidated, India and ASEAN became summit partners in 2002. Despite Chinese objections, when the East Asian Summit was launched in 2005, India could no longer be ignored.⁶ A distinct feature of India's political engagement with East Asia is that, as with ASEAN, a variety of institutional arrangements have been created to ensure that interactions constantly take place at various levels and relations get strengthened continuously.

Economic Links

On the economic front, India was no match either for Japan or China, and many countries were disappointed with the pace of economic reforms, the extensive bureaucratic red tape and poor infrastructure. Despite concerted efforts, economic interactions remained sluggish in the initial phase. The 1997-98 financial crisis, which snowballed into a major economic crisis afflicting most countries of East Asia, was a setback for India's attempts. By the early 2000s, India's growth story became well known, and by then East Asian countries also had recovered from the crisis,

setting off a major spurt in economic relations. India's trade with East Asia, which constituted 30.42 % (US \$242 billion of total trade volume of US \$795 billion) in 2011-12,⁷ has been growing the fastest compared to any other region, with major investors from East Asia, especially countries such as Japan, South Korea, Singapore, Malaysia, Taiwan, etc.

India has also entered into Comprehensive Economic Partnership or Comprehensive Economic Cooperation Agreements with Singapore, South Korea, Malaysia and Thailand and is negotiating similar agreements with most other countries of East Asia.

Although a relatively late entrant, Japan is emerging as India's crucial economic partner. India has been the largest recipient of Japanese ODA (despite substantial cuts in overseas aid, in the Indian case it has been steadily increasing) since 2005. Japan is also involved in several mega-projects such as the Delhi-Mumbai Industrial Corridor, the Rail Freight Corridors between Delhi, Mumbai and Kolkata, and the Chennai and Bangalore Corridor, entailing hundreds of billions of dollars in investments and technology transfer.

India-Japan bilateral trade is witnessing a major spurt since the signing of the Comprehensive Economic Partnership Agreement that came into effect in August 2011.

What began in the early 1990s as an effort to allay a few Southeast Asian countries' concerns over the Indian naval expansion, India's defence interactions with East Asian nations have witnessed remarkable transformation over the years.

India has also entered into Comprehensive Economic Partnership or Comprehensive Economic Cooperation Agreements with Singapore, South Korea, Malaysia and Thailand and is negotiating similar agreements with most other countries of East Asia. Notwithstanding some nagging problems, in particular the unresolved border issues, India's economic relations with China are on the upswing, with China emerging as the largest trading partner. In view of growing links, these two have launched the annual Strategic Economic Dialogue to further increase economic relations.

Among these what has received a lot of attention is the Framework Agreement for

Comprehensive Economic Cooperation between India and the ASEAN. Proposed in 2003, the first part, Trade in Goods, became operational in 2010, whereby import tariffs on more than 80 % of traded products between 2013 and 2016 will be removed. Already India-ASEAN bilateral trade has touched US \$80 billion, and the two-way flow of investments reached US \$43 billion by 2012 and is likely to rise to US \$100 billion by 2015. The talks on the other segments of the Framework Agreement, services and investments, have also been finalised and will come into effect in 2013.⁸ India will also be part of the talks slated for February 2013 to create the world's largest free trading area, the RCEP.

Defence Diplomacy

Through what began in the early 1990s as an effort to allay a few Southeast Asian countries' concerns over the Indian naval expansion, India's defence interactions with East Asian nations have witnessed remarkable transformation over the years. One can clearly see the beginning of a new activist policy that has never been seen before. In fact, defence and strategic links appear to be more robust than economic or political aspects of India's Look East policy, if one looks at the scale and degree of the agreements and interactions.

India's strategic engagement with East Asia is both multilateral and bilateral. At the multilateral level, apart from being a member of the regional security mechanism, the ARF, and the Regional Cooperation Agreement on Combating Piracy and Armed Robbery (ReCAAP), the Indian Navy undertook the unique initiative in 1995 to host biennial gatherings called the *Milan*, at Port Blair. What began as a confidence-building measure comprising just five littoral countries of the Bay of Bengal, now involves most countries of the East Indian Ocean and the island states of the Indian Ocean. It is spread over five days and involves an assortment of activities, with the intent to promote inter-operability, to build confidence, and to find ways to deal with threats to maritime security. Furthermore, relations at the bilateral level are extensive. In contrast with 1990, when Vietnam was the only country with which India had some strategic understanding (*sans* a formal agreement), a decade and a half later it had forged defence and strategic links of one kind or another with countries of the entire East Asian region, except North Korea. A measure of its success can be gauged from the fact that a section on 'Defence Relations with Foreign Countries' started to appear in the Annual Reports of the Ministry of Defence in 2003-04. Since the Indian navy was the trailblazer

in this endeavour, it created a separate directorate of foreign cooperation at its headquarters in 2004.

Under the rubric of defence cooperation, New Delhi has crafted a wide array of activities, such as security dialogues, joint exercises, training, and high-level visits. Among these, cooperation with two countries stand out, i.e., Singapore and Japan. Beginning in 1993 with simple passage exercises, those with Singapore have become extensive. India for the first time opened its facilities for submarine operations early on, and more recently the Singapore air force has been using facilities at Indian bases. With Japan the security cooperation is the most comprehensive. Starting with the 2008 Joint Declaration on Security Cooperation between India and Japan, which was issued during Prime Minister Singh's visit, current cooperation encompasses innumerable institutional arrangements and agreements, such as: the annual Strategic Dialogue at the foreign minister level; regular consultations between the National Security Advisor of India and the Japanese counterpart; the annual Subcabinet/Senior Officials 2+2 dialogue (the Ministry of Foreign Affairs and the Ministry of Defense of Japan/the Ministry of External Affairs and the Ministry of Defence of India); foreign secretary/vice minister level dialogues

(twice a year); the annual Foreign Office Consultation; the annual Comprehensive Security Dialogue at the level of the Joint Secretary, the Ministry of External Affairs (MEA) and the Ministry of Defence (MoD) of India/the Director General, Ministry of Foreign Affairs (MFA) and the Ministry of Defense (MoD) of Japan; the Maritime Security Dialogue; and

the annual Track 1.5 Strategic Dialogue.

India has emerged as the second most important strategic partner for Japan after the U.S. New Delhi's intensified strategic interaction with East Asia is

an indication of its rising aspirations, growing stakes and attempts to play a suitable role in the region.

India, China and East Asia

The discourse on India and East Asia is incomplete without a reference to China, the most important power, with which India has a different kind of relationship than with the other countries in the region. Almost as large, and aspiring to emerge as strong as China, India has nearly matching military strength but lags behind in economic strength. The 1962 war, nearly 95,000 km² of

disputed border, and a strong conviction that China's unstinting support has emboldened Pakistan to wage wars on India (not to mention the generous support to Pakistan's nuclear weapons program) and has supported terrorist activities, are serious issues that have affected bilateral relations. For China,

India has been working hand in glove with the U.S., Japan and a few other countries bent on containing China and undermining its interests. Yet, there is no question that bilateral relations are witnessing

an unprecedented transformation: they are becoming increasingly more complex and multifaceted. Economic links are booming and there are a number of issues that have emerged as areas of common interest. Both share and cooperate on evolving common positions in talks over climate change and WTO, as emerging economies both seek to promote cooperation as members of the BRICS (Brazil, Russia, India, China and South Africa), and have been strongly supporting regional multilateral institutions, from the Shanghai Cooperation Organisation to the East Asia Summit. Their competition,

India-China relations are broadening, from the earlier limited border problem and Pakistan to a vast array of issues, especially those spanning the vast Indian Ocean and East Asian regions.

nonetheless, is also soaring- for commodities, for energy sources, and for political influence across Asia. As a result, India-China relations are broadening, from the earlier limited border problem and Pakistan to a vast array of issues, especially those spanning the vast Indian Ocean and East Asian regions. It is true that on the face of it their rivalry is likely to intensify, but also, strongly underpinned by common interests, both will ensure that competition/rivalry will not degenerate into an open showdown. Nonetheless, India-China relations will be a major defining feature of the future of the East Asian security, in the same way as India-U.S., India-Japan and India-ASEAN are.

India, U.S. and East Asia

The other significant dimension of India's relations with East Asia is the U.S. Driven by commonality of interests and shared concerns, India and the U.S. have begun to cooperate closely in managing regional security. For the first time, India and the U.S. have become significant players in East Asia and, importantly, have more commonalities than differences. Fascinatingly, well before India realised its potential, it was the U.S., especially the George W. Bush Administration, which time and time again referred to India as an 'Asian' (not merely a South Asian) power. Washington may have

vested interests in incorporating India into its strategy, probably with a view to counterbalancing China, but there is no denying that India's interests were being advanced by its friendship with the U.S. India's relations, for instance, would not otherwise have seen such dramatic improvement with Japan and many of America's close political allies. Hence, it makes strategic sense for the U.S. and India to join hands, especially because there is no clash of interest between the two once the nuclear issue has been removed from the equation. As the Indian foreign minister stated, the India-U.S. bilateral and trilateral cooperation will aim at creating a 'peaceful and stable Asia, Pacific and Indian Ocean region, and the evolution of an open, balanced and inclusive architecture in the region. We will continue to work together, and with other countries, towards this goal through various mechanisms, such as our bilateral dialogue, the regional forums and our trilateral dialogue with Japan'.⁹

The rapidly strengthening India-U.S. cooperation in East Asia has to be seen in the context of the relative decline of the U.S. with the rise of Asian powers, and recognition that India is a significant factor in the emerging regional order. It is important to note that Washington has been recasting its overall strategy. The erosion in its predominant position is warranting a major review of American strategy. Instead of exclusive

dependence on bilateral alliances and forward deployment, Washington is increasingly trying to incorporate its strategic partners, and is also trying to make use of regional multilateralism in the management of regional economic and security order. Contrary to in the past, when the U.S. strategy rested on the backbone of bilateral alliances and forward deployments, now the emphasis is shifting from simple 'allies' to 'allies and friends', whereby India figures prominently in the new strategy (along with other countries such as Vietnam, Indonesia, etc.).

It makes strategic sense for the U.S. and India to join hands, especially because there is no clash of interest between the two once the nuclear issue has been removed from the equation.

The cooperation spans both traditional and non-traditional sectors- such as a number of issues in maritime security, terrorism, transnational crime and natural disasters- emerging regional balance of powers wherein three issues are of mutual interest to India and the U.S. Firstly, to ensure that a rapidly rising China will not get aggressively assertive either in settling the disputes, or in adversely impacting on the interests of others; secondly, to ensure that the

current transition in East Asia is peaceful so that economic prosperity of the region is not disrupted; and finally, to achieve the common objective of creating a genuine regional multipolarity, even if it is not to the liking of Beijing. To realise the above objectives, both seem to agree on a two-fold strategy. Firstly, to take advantage of regional multilateralism that meaningfully engages all great powers of the region, especially China, and secondly, to adopt the well-known 'hedging strategy' for unforeseen contingencies by constructing a viable regional balance of power. To what extent New Delhi will do Washington's bidding at the cost of its relations with Beijing is yet to be seen. New Delhi's consternation, for instance, was obvious when American Defense Secretary Leon Panetta claimed during a visit to Delhi that India was the linchpin of America's 'rebalancing strategy' in East Asia, for it might result in compromising the 'strategic autonomy' that it always cherished.

Consequently, the larger Indo-Pacific has emerged as the new strategic template,¹⁰ as has the American recognition of India's key role in it. These two have launched two important initiatives aimed at East Asia: the India-U.S. Dialogue on Asia-Pacific and the U.S.-India-Japan Trilateral.¹¹ By all indications, India and the U.S. are likely to forge closer relations, develop

common understanding and undertake some common initiatives in the coming years in close concert with Japan and a few other Southeast Asian nations.

India and Emerging East Asian Security Architecture

The above discussion clearly demonstrates the profound changes occurring in East Asia, in particular that its security is now in the midst of a fundamental shift. Despite growing economic interdependence, security challenges are mounting, as recent events suggest. China's belligerent attitude and growing assertive actions with respect to those of its territorial claims which are disputed by others, predominantly in the East and South China Seas, seem to have triggered newer attempts to find ways to deal with China. The paranoid and isolated North Korean regime continues to be a security nightmare with its perseverance in stockpiling weapons of mass destruction and ballistic missiles. The dangers posed by innumerable threats in the non-traditional security domain in East Asia are clear and present. Southeast Asia is seen as the second front in the fight against terrorism. East Asia is most prone to natural disasters- the 2004 tsunami and the 2011 Fukushima earthquake, followed by a tsunami and a nuclear accident, are best known- and hence, disaster management is a

major task, especially for large countries requiring close cooperation.

Despite growing economic interdependence, security challenges are mounting, as recent events suggest.

At the same time, much current anxiety about regional security is born of the fact that there is no classic balance of power. China continues to harbour ambitions to emerge as a predominant power in East Asia, whereas others want a regional multipolarity. That is also what India wants so that it can remain as one of the major players in the region in shaping its future economic and security order, where its stakes will continue to grow enormously. Now that Washington has announced its 'return to Asia' policy and a military 'rebalancing' strategy, one can expect a realignment of forces. China has interpreted them as attempts to contain it, and thus relations among great powers will be a critical element in evolving regional security.

Whither the role of regional multilateralism is a pending question. Can mechanisms meant to promote economic cooperation become so vital that countries will be forced not to become aggressive and find peaceful

ways to resolve disputes, moderate great power rivalry, and ensure that clashes of interests will not result in conflicts? In any case, the security related multilateral frameworks, such as the ARF and Six-Party Talks, have failed to make much headway so far, as they are beset with many problems. Hence, whether there is a need to create a more credible security framework is another issue to be debated. As a result, India's role in the emerging balance of power in East Asia has become very significant.

Conclusion

Until the late 1990s, India was out of East Asia's radar; however, it is now an indispensable part of it. Moreover, it is increasingly seen to be a key player in the emerging regional security architecture. For the first time in history, three regional powers- China, Japan and India- are emerging almost simultaneously as major actors. Undoubtedly the U.S. is the dominant and influential power, but there are uncertainties over its status and ability to influence developments in a significant way. The recent 'pivot to Asia' and reordering of its overseas force deployments signify its vital interests, but it will have to take into account the rise of China and the growing aspirations of other major actors. Even as China and India begin to exercise their sea power commensurately with

their rapidly rising interests and stakes, the contest will intensify in the maritime sphere. Russia is the other major power, despite its drastically diminished role, that is striving to carve a niche role through increased defence and energy links. Hence, the relations that govern them will be a principal determinant of regional economic and security order.

Given the slowdown in the U.S. and the problems the EU countries are facing, New Delhi has no option but to hitch its economic wagon to the dynamic East Asian region.

However, for the foreseeable future the spotlight will be firmly on China, whose inexorable rise both as economic and military power is unparalleled, and its assertive actions will be aimed at continuously enlarging its strategic space. (In the coming years the same could become true of India.) The ramifications of this are visible in growing tensions between China and Japan on the one hand, and between China and the U.S. on the other. It will be a challenge for the rest of the region to ensure that the current transition is peaceful and that China does not precipitate things. Added to the above are Japan's quest for a greater security role, and India's strong forays into East Asia. Consequently, a

new security and economic architecture is in the making.

India has taken full advantage of the current political flux and security fluidity and its record of non-intervention as a benign power to position itself as a key player.

India has evolved a multi-pronged strategy under the rubric of the Look East policy. It has created a variety of institutional mechanisms both at the multilateral and bilateral levels with select countries to ensure that relations remain strong. Although not comparable to China or Japan, its economic links are growing, with East Asia a critical region. Given the slowdown in the U.S. and the problems the EU countries are facing, New Delhi has no option but to hitch its economic wagon to the dynamic East Asian region. That is reflected in the large number of free trade and comprehensive economic cooperation agreements that it has entered into, and its enthusiastic support for the proposed RCEP proposal, despite concerns about its implications for its manufacturing industry.

Perhaps India's defense diplomacy towards East Asia is a major, but less known, dimension of the successful story

of the Look East policy. India is learning the art of applying military strength to advance diplomatic goals in the region. It has taken full advantage of the current political flux and security fluidity and its record of non-intervention as a benign power to position itself as a key player. In fact, most of New Delhi's Strategic Partnership agreements are with East Asian countries; in particular, the one with Japan is emerging as a key facet. Similarly, India's security cooperation with Indonesia and Vietnam is also strengthening. Rapidly increasing cooperation between India and the U.S. along with Japan in the management of regional security is a crucial development for the regional balance of power. As far as China is concerned, one can see the presence of both competitive and cooperative elements India-China relations; however, the bilateral relationship is more mature now and both seem to be conscious of the danger of crossing the red lines. In the final analysis, even as global affairs in the coming years are going to be dominated by developments in East Asia, India's relations with the region are poised to progress rapidly as it becomes an undeniable part of the region's destiny.

Endnotes

- 1 East Asia here includes India, Southeast Asia and Northeast Asia.
- 2 According to Kissinger, one of the three revolutions the world is witnessing is the “... shift in the centre of gravity of international affairs from Atlantic to Pacific and Indian Oceans”, see, Henry A. Kissinger, “The Three Revolutions”, *Washington Post*, 27 April 2008.
- 3 Jayant Menon, “How to Multilateralise Asian Regionalism”, *East Asia Forum*, at <http://www.eastasiaforum.org/2013/01/06/how-to-multilateralise-asian-regionalism/>, [last visited 20 January 2013].
- 4 The eight being Australia, China, India, Japan, New Zealand, Russia, South Korea and the United States.
- 5 For details, see, G.V.C. Naidu, *Indian Navy and Southeast Asia*, New Delhi, IDSA and Knowledge World, 2000.
- 6 India commemorated two decades of its dialogue partnership and a decade of summit partnership with ASEAN by convening a summit meeting with the Association’s heads of state in Delhi in December 2012.
- 7 Computed from Trade Data Bank of Ministry of Commerce and Industry, Government of India.
- 8 “India-ASEAN Conclude Free Trade Agreement in Services, Investments”, *Economic Times*, at http://articles.economictimes.indiatimes.com/2012-12-20/news/35933727_1_commemorative-summit-services-and-investments-asean-today [last visited 22 December 2012].
- 9 <http://www.mea.gov.in/mystart.php?id=100517854> [last visited 19 July 2011].
- 10 It was Prime Minister Shinzo Abe who, for the first time, talked about the growing interface and interdependence of the Indian and Pacific Oceans: ‘We are now at a point at which the Confluence of the Two Seas is coming into being. The Pacific and the Indian Oceans are now bringing about a dynamic coupling as seas of freedom and of prosperity.’ PM Shinzo Abe’s Address to the Indian Parliament, 22 August 2007.
- 11 The Trilateral was re-launched in 2011.

Brazil, East Asia, and the Shaping of World Politics

Alexandre UEHARA & Guilherme CASARÓES*

Abstract

In this article, we analyse the relationship between Brazil and East Asian countries—Japan, China, South Korea and North Korea. Even though most of these bilateral contacts are not new, they have been taken to a whole new level in the last two decades. While trade and investments have been the main element in these relations, they have assumed, especially under Brazilian President Lula da Silva, an important political dimension. Our hypothesis is that stronger ties between Brazil and East Asia, however difficult they will be to achieve, will become paramount in shaping a new global order, inasmuch as they may lead to a growing relevance of these countries in international politics. From a Brazilian perspective, East Asia may help the country attain its main foreign policy goals in the 21st century.

Key Words

Brazil, East Asia, Japan, South Korea, People's Republic of China, foreign policy, trade relations.

Introduction

It is no news that Brazil has already started to move onto the global stage. The last 20 years have been of paramount importance to Brazilian diplomacy, thanks to the new domestic context of democracy, free markets, economic development, and social inclusion. After a decade of economic stability and trade liberalisation under President Fernando Henrique Cardoso (1995-2002), the country has finally made its path towards sustainable growth, thus making it possible for the “tropical giant” to affirm its status as an emerging power and a regional leader. In the Lula da Silva years (2003-2010), with the growing interest of decision makers in Brasília in turning the country's greater political and economic weight into concrete diplomatic results, the country successfully diversified its

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partnerships, reached new markets in faraway regions, and demanded a bigger say in international institutions.

Asia was made one of the priorities of Brazilian diplomacy, owing to promising cooperation opportunities in the fields of science and technology, as well as to improved trade prospects.

The foreign policy strategy in the Lula years was neatly labelled “autonomy through diversification”.¹ While it lived up to the century-long tenets and traditions of Brazil’s foreign policy—pacifism, legalism and realism²—it also maintained the quest for autonomy that defines Brazil’s contemporary international relations. There was, however, an important break in how the country addressed the challenges imposed by the changing global context. Lula’s foreign policy guidelines went well beyond the desire to make Brazil a “global trader” and instead aimed at driving the country towards a more prominent international role so that it could become a “global player” in world affairs. Hence, the new strategy involved adhering to “international norms and principles by means of South-South alliances, including regional alliances, and through agreements with non-

traditional partners (China, the Asia-Pacific region, Africa, Eastern Europe, Middle East, etc.), trying to reduce asymmetries in external relations with powerful countries”.³

The “autonomy through diversification” strategy did not preclude the foreign policy principle that had prevailed the decade before, “autonomy through participation”, which was driven by values and towards the participation in international (liberal) regimes and multilateral structures.⁴ Nevertheless, this predominantly “Grotian”⁵ approach to world politics⁶ was replaced by a more “realist” one in which Western and liberal values played a lesser part and that gave way to a more nationalist and developmentalist rhetoric at home and abroad.

Relations with East Asia⁷ are, of course, an integral component of Brazil’s global strategy. With the end of East-West confrontation and the domestic changes in Brazilian society, such as the political opening and trade liberalisation of the late 1980s, the Brazilian Foreign Ministry (*Itamaraty*) has had to rethink the country’s foreign policy goals. East Asia has therefore become one of the regions that Brazil has started to look at. As early as 1993, Asia was made one of the priorities of Brazilian diplomacy, owing to promising cooperation opportunities

in the fields of science and technology, as well as to improved trade prospects.

Brazil's interest in Asia was twofold: first, at the economic level, expectations were high about getting closer to a region that was seen as a model of economic and scientific development. Secondly, at a more political level, Asian nations fulfilled the need for diverse strategic partnerships in the context of multilateralism. Therefore, regardless of party ideologies, Asia in general- and its Eastern sub-region in particular- has been a foreign policy priority since the 1990s. Yet while President Cardoso paid official visits to several countries, such as Japan, China, South Korea, Malaysia, Indonesia, and East Timor, President Lula struggled to take relations with the Asian giants to another level.⁸

The bottom line of relations with Asia is that foreign policy should be used as a tool to promote economic and social development. At a more immediate level, trade and investments should not just help boost the productivity of the Brazilian economy, but also supply some of our long-standing demands for technological and industrial autonomy. In the long run, however, the idea is that these ties should become the cornerstone of a new global order. This political ambition, from a Brazilian standpoint, should lead to a three-pronged strategy,

according to the foreign minister under Lula, Celso Amorim. First of all, it is necessary to “strengthen the elements of multipolarity of the international system”, towards which the forging of an alliance with emerging countries, as well as with African nations, was paramount. Secondly, it is indispensable to make South America- the administration's declared priority- “politically stable, socially just and economically prosperous”. Finally, it is crucial to “[r]estore confidence in the United Nations”, a goal for which Brazilian foreign policy would “defend the enlargement of the Security Council with the inclusion of developing countries among its permanent members, so as to reinforce its legitimacy and representativeness”.⁹

Brazil's growing demand for industrial goods, as well as its notable industrial capacity, may provide a handful of opportunities for Japanese and South Korean companies.

The main argument of this article is that all these goals are connected to the relationship with East Asia. Making the world less centred on American (and Western) power involves building bridges between Brazil and China, Japan and the Koreans. Due to its lack of material

capabilities, the *Itamaraty* has decided to invest in weak institutional strategies such as the BRIC (Brazil, Russia, India, and China) group- now BRICS, with the inclusion of South Africa in late 2010- with the goal of reducing the manoeuvring room of American foreign policy in global affairs. On the financial front, Brazilian and Chinese interests have converged into the G20 group, which also counts Japan- a member of the G8- and South Korea as members, and whose goal is to reshape the global economy in a less centralised (and more regulated) fashion. These are two examples of what some have called a *soft balancing* strategy,¹⁰ which is aimed, as Amorim puts it, at increasing, “if only by a margin, the degree of multipolarity in the world”.¹¹

Policies toward South America are to some extent shaped by this interaction between Brazil and East Asia. Over the last decade, the People’s Republic of China (PRC) has become the one of leading trading partners of such countries as Chile, Argentina and Peru.¹² Some Chinese industrial production competes directly against Brazilian exports to its neighbours. That is why the economic presence of China in the region has to be taken into account if Brazil wants to confirm itself as a leader- or, as some argue, a hegemonic power- in South America. Conversely, Brazil’s growing

demand for industrial goods, as well as its notable industrial capacity, may provide a handful of opportunities for Japanese and South Korean companies, insofar as Brazil could work as a hub for the surrounding markets.

While the Japanese supplied Brazil’s demand for a workforce and manufactured goods, the tropical abundance of primary products helped Japan overcome its scarcity of resources.

Finally, partnering up with East Asia may take Brazil closer to its long-standing aspiration for a permanent seat on the Security Council. The country has been working side by side with the Japanese government (along with Germany and India) to this end in the so-called G4. Even though it is quite likely that teamwork in this case may bring a number of practical problems- which range from coordination to political barriers, for some countries more than for others- it still seems reasonable to push this issue collectively. Deeper ties with China can also offer political leverage for the Brazilian bid, as long as they find common grounds in international security issues. Furthermore, the prospects of having the *Itamaraty* work as

a mediator on the Korean issue, however distant thus far, may give Brazil new and stronger credentials for its candidacy. In the next sections, we will look at the opportunities and misfortunes behind the relations with Japan, China, and the Koreas, respectively.

Brazil and Japan: Old Partners, New Interests

Relations between Brazil and Japan have gone through ebbs and flows in the past decade as a result of not only structural changes but also significant domestic transformations. What once was one of the most promising partnerships of the late 20th century, owing to the impressive rise of the two countries' economic and political weight, it has cooled down over the last 20 years. Today, bilateral contacts, while not negligible, rest basically on technical cooperation projects and on the 300,000 Japanese-Brazilians currently living in Japan (and, conversely, on the 1.5 million Brazilians of Japanese descent).¹³

One must not overlook, however, the historical clout of this relationship. It dates back to the late 19th century—more precisely to the years that followed the abolition of slavery in Brazil when demand for immigrant labour rose considerably— and was celebrated

through the Treaty of Friendship, Trade and Navigation of 1895.¹⁴ In spite of this diplomatic watershed, relations would only deepen a decade later, in 1908, when the first 781 Japanese migrants arrived in Port of Santos on the *Kasato Maru*.¹⁵ The relationship then flourished to become essentially complementary. While the Japanese supplied Brazil's demand for a workforce and manufactured goods, the tropical abundance of primary products helped Japan overcome its scarcity of resources. Such complementarity marked the first period of the two countries' bilateral ties, which lasted until the 1940s.

Indeed, close ties were retained until the outbreak of the Second World War, when relations were suspended as Brazil joined the allied forces due to US diplomatic pressure. After some years of interruption, relations were restored in the 1950s and brought two additional elements to the partnership: the increasing flow of Japanese direct investments in Brazil and a rise in bilateral trade. At the height of its economic reconstruction, post-war Japan was looking for sources of raw materials and commodities overseas. Its South American partner, on the other hand, was enjoying a prosperous economic moment led by Juscelino Kubitschek's developmentalist policies and was looking for new foreign investments and capital. The cornerstone

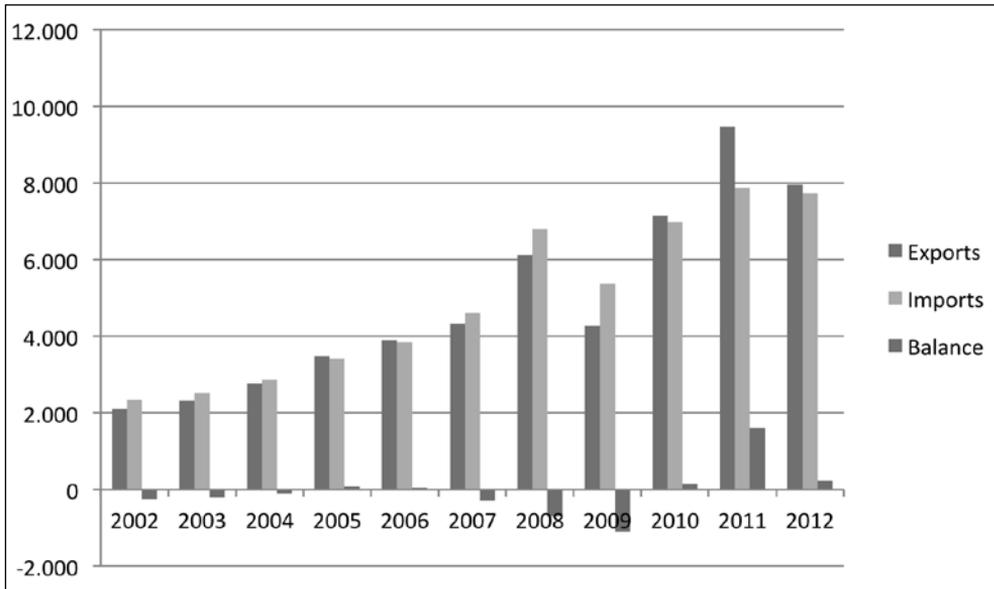
of this period was the construction of the Steel Company of Minas Gerais (*Usina Siderúrgica de Minas Gerais*, USIMINAS) between 1956 and 1961. In this period, the number of Japanese companies in Brazil rose from six to no less than 35, mostly in the fields of textiles, naval technology and auto parts.¹⁶

The next two decades saw a major increase in the two countries' economic relations, surpassing by far the consular agenda of the early century. Japanese foreign direct investments (FDI) in Brazil boomed in the 1970s- from US \$ 26 million in 1971 to US \$ 137 million in 1979- mostly due to the rapid growth of both economies and, of course, to the new role each one began playing on the world stage. Brasilia had become a leader of the Third World on its own, thanks to its successful import-substitution policy, and Tokyo had affirmed itself as one of the three centres of the global capitalist economy (together with the United States and West Germany). As a matter of fact, Brazil was among the greatest recipients of Japanese investments throughout the second period of their bilateral relations from the 1950s to the 1980s.¹⁷

The high expectations of those decades were nonetheless short-lived. In the 1980s, the Brazilian economy was struck by a debt crisis, which put growth in jeopardy and drove the country into a

deep recession. An inflationary spiral followed for a few years, and ended up scaring many Japanese investors away. It is no surprise, therefore, that the relative importance of one country to the other decreased over the course of this decade. Trade also went downhill as the prices of commodities and raw materials went to their lowest levels in decades.¹⁸ Japan, a superpower candidate by then,¹⁹ would naturally turn its eyes to the developed world in search of markets and investment opportunities. Brazil, overwhelmed by economic and political difficulties, had decided by the mid-1980s to partner up with Argentina and invest in regional integration as a new source of development.²⁰

With inflation under control and abundant economic opportunities from 1995 onwards, the Brazilian government was able to attract the attention of Japanese investments. The recovery of the Japanese economy has also favoured the improvement of bilateral ties. As a consequence, exports and imports have tended to increase since 2002 (see Figure 1), mostly thanks to the positive economic results up until the 2008 financial crisis, which interrupted the positive cycle of global economy for almost all nations. The year 2009 was therefore one of negative figures, even though both countries seem to be recovering at a moderate pace.²¹

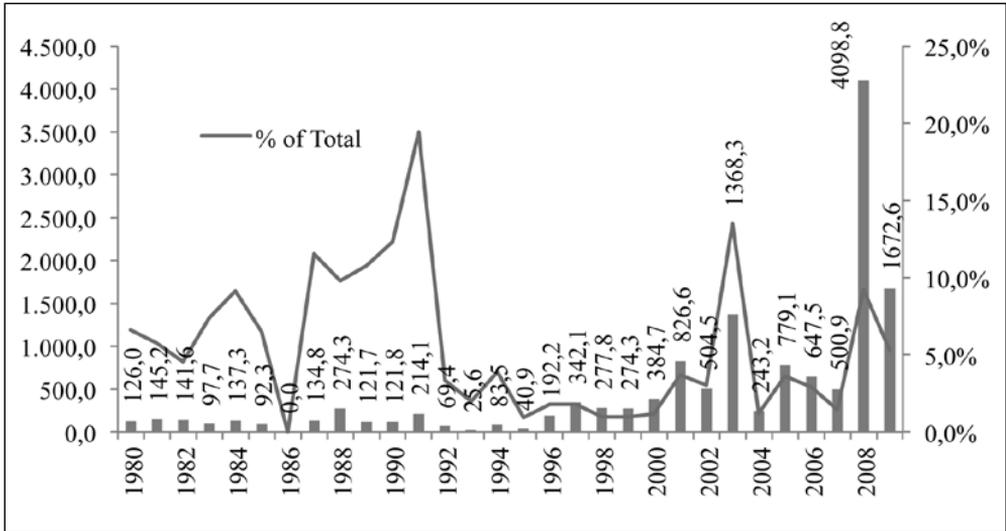
Figure 1: Brazilian Exports, Imports and Balance of Trade with Japan (in US \$ millions)

Source: Ministério do Desenvolvimento, “Indústria e Comércio Exterior”, at <http://www.mdic.gov.br> [last visited 22 January 2013].

When it comes to FDI, figures have also been positive, although flows have not been steady, as shown in Figure 2. After a peak in Japanese FDI in the early 1990s, investment levels were only restored after the economic stabilisation of the Brazilian economy, reaching more

consistent levels in the beginning of the Lula administration. With confidence re-established, new private interests have developed, which in turn have brought more trade opportunities and even more investment.

Figure 2: Japanese Foreign Direct Investment in Brazil, 1980-2010 (in US \$ millions)



Source: Banco Central, “Notas Para Imprensa (Vários) Anos”, at <http://www.bc.gov.br> [last visited 14 January 2013].

This positive scenario once again sheds light on the long-standing notion of economic complementarity. In the automotive sector, for instance, the Japanese presence in the Brazilian economy had been restricted for decades to the operations of Toyota, which date back to 1958.²² Investments and fiscal incentives in the last 10 years have helped increase the production of Japanese car manufacturers in Brazil. The figures are impressive, according to the Automotive Industry Yearbook. From 2000 to 2009, production has risen by:

- 542% for Honda Motor Co., from 22,058 to 132,122 total units,

- 418.7% for Mitsubishi Motors, from 6,252 to 32,429 total units;
- 405% for Nissan Motor Co., from 3,744 (2002) to 18,908 total units;
- 233.4% for Toyota, from 18,809 to 62,713 total units.

These numbers are related not just to the expansion of Brazil’s domestic market, but also to the fact that the country has been serving as a platform for the exports of Japanese multinational companies to the Latin-American markets. Some other recent operations are also worth mentioning due to the amount of resources involved:

- The acquisition of 40% in the Nacional Minérios S.A (Namisa) mining company by a consortium of Japanese giants, Nippon Steel, JFE Steel, Sumitomo Metal Industries, Kobe Steel, and Nisshin Steel, as well as by Itochu trading and South Korean iron and steel company Posco, for US \$ 3.08 billion in 2008;
- Insurance negotiations involving Tokyo Marine, which formed a joint-venture with Banco Real in 2005 after investing the sum of US \$897 million.²³

An increase in biofuel exports will surely boost FDI flows from Japanese companies into Brazil.

The fields of digital TV broadcasting and biofuels have also received large investments from Japanese companies. This is noteworthy because the Japanese business sector has traditionally been conservative when it comes to FDI in Brazilian markets. The development of a joint system for digital TV has been in the spotlight due to the bilateral technological cooperation involved, which has intensified in recent years. Besides the fact that the Japanese technology is considered by many as superior to the American or European

systems, one additional gain of such cooperation is that many Latin American countries, such as Argentina, Chile, Peru, Ecuador, Venezuela, Paraguay and Costa Rica, have also chosen the Asian system.²⁴ This will allow the Brazilian government and private sector to expand their businesses within the neighbourhood in the long term. As for Japan, the partnership with Brazil might eventually reduce production costs and help the country overcome some transaction barriers imposed by distance.

Projects in the biofuels sector have also gained momentum and involve joint efforts by Brazilian and Japanese companies. In 2007, Petrobras and Mitsui announced the construction of 40 ethanol producing plants in Brazil. Two years later, a deal was brokered between Cosan and Mitsubishi to promote ethanol exports to Japan. There is hope that the Japanese government will push up the demand for biofuels as it becomes more concerned about reducing the emission of greenhouse gases. An increase in biofuel exports will surely boost FDI flows from Japanese companies into Brazil.

Bilateral ties, however, are not just limited to international trade. The so-called “triangular relationship” – which takes place at the bilateral level but for the benefit of third parties- has also

visibly increased, inasmuch as technical cooperation is concerned. According to the Japanese International Cooperation Agency (JICA), the Brazilian government has been receiving Japanese international aid and technology since the mid-1950s, with Japan being the top donor to Brazil for the most part of the second half of the 20th century.

The Brazilian government has been receiving Japanese international aid and technology since the mid-1950s, with Japan being the top donor to Brazil for the most part of the second half of the 20th century.

If in the beginning the Brazilian interest in cooperation was to promote its own economic development, goals have been enlarged over time to become foreign policy instruments. Vaz and Inoue argue that, under President Lula da Silva,

The government has emphasized the concept of “international cooperation” rather than traditional concepts and terms such as “official aid for development” or “foreign aid”. Brazilian technical cooperation programmes in developing countries have been considered one of the cornerstones of the country’s foreign policy. According to the government, the main goal of such policies is to strengthen relations with developing nations.²⁵

Japan has also used international cooperation projects to advance its own interests as a foreign policy tool. Official development aid, according to Yasutomu, “is a visible measure to increase Japanese participation in international circles [... so as to] keep friendship bonds with all nations, raise the national prestige (by contributing to the solution of North-South problems), and show that Japan is a loyal ally, offering aid to nations which are key to securing Western interests”.²⁶

It is therefore possible to see that both countries have made use of international cooperation to advance their respective foreign policy goals. That is precisely why the possibilities of interaction may go beyond bilateral contacts. Currently, there are several Japanese-Brazilian initiatives in the fields of technical cooperation and financial aid aimed at developing third parties. Triangular cooperation occurs under the framework of the Japan-Brazil Partnership Programme and is sponsored by JICA and the Brazilian Cooperation Agency (ABC). Although there are projects worldwide, most have been directed to the Portuguese-speaking countries in Africa and Asia, considering that the cultural similarities are an asset in making cooperation work.²⁷

The strengthening of bilateral contacts and the joint use of resources

in international cooperation projects invites the analysis of yet another side of this relationship, namely the multilateral agenda of Japanese-Brazilian relations. As the interest for global issues grow stronger, as in the case of global warming, infectious diseases and food and energy security, cooperation between the two countries within the framework of international regimes becomes paramount.²⁸

The need to advance fresh ideas on the Security Council's contemporary challenges and responses may bring Brasilia and Tokyo together in devising creative solutions for new problems.

This new reality has opened up opportunities for bilateral and multilateral conversations between Brasilia and Tokyo. Besides the technical aspect of the many cooperation projects that have been implemented in the context of this relationship, there is also the need for an improved political agenda. The coalition of the four candidates for a permanent seat at the United Nations Security Council (G4)-Germany, Brazil, Japan and India- is perhaps the most significant demonstration of common interests in recent years. Although for different reasons, Brazilian and Japanese

diplomats alike seem eager to play a more active role at the multilateral level. While Brazil has been attempting to translate its recent economic growth into political clout in a range of international issues so as to become a "global player", Japan wishes to restore the status it has enjoyed (politically and economically) for the last three decades and which has been hampered by the rise of China.

With their eyes on the Security Council, both countries have also recently engaged in military operations. The Brazilian government has been conducting the UN Stabilisation Mission in Haiti (MINUSTAH) since June 2004. Not only does this account for the largest Brazilian military contingent sent abroad since the Second World War, it also represents a break in its long-standing tradition of mediation rather than the use of force in Brazilian diplomatic relations. Brazil has also assumed the command of the maritime task force of the United Nations Interim Force in Lebanon (UNIFIL) in 2011, having sent three frigates to the Lebanese coast thus far. Tokyo has also presented itself as a more active player in security affairs in the 21st century, especially under the Koizumi administration, which passed an authorisation to send the Japanese Self- Defence Forces to the Persian Gulf in support of the American troops in the Middle East.

Upon the outbreak of the 2008 financial crisis, the ever-growing Chinese economy surpassed the United States as Brazil's leading trading partner.

Nowadays, there seems to be a window of opportunity in Japanese-Brazilian diplomatic ties. A set of shared interests in matters of international security can help the countries rebuild their relationship on a new basis. The need to advance fresh ideas on the Security Council's contemporary challenges and responses may bring Brasilia and Tokyo together in devising creative solutions for new problems. The Brazilian concept of "Responsibility While Protecting" (RWP), launched in the context of the Arab Spring in late 2011, is but an example that some states are increasingly willing to play a larger role in global issues- issues that have been historically monopolised by a small group of nuclear powers.

Brazil and China: Political Alignment at an Economic Crossroads

Brazilian- Chinese relations have seen many common goals and interests over the course of the last few decades. Upon

the outbreak of the 2008 financial crisis, the ever-growing Chinese economy surpassed the United States as Brazil's leading trading partner. Political ties have been developing accordingly. Besides the two official visits paid by the respective presidents to their counterpart, Lula da Silva and Hu Jintao met no less than nine times between 2008 and 2009.²⁹ So far as the Brazilian narrative goes, after several years of fruitful relations, Brasilia and Beijing have become strategic partners as their relationship is helping to shape the world's new multi-polar era.³⁰

Their bilateral agenda, however, is perhaps less harmonious than one would expect by simply reading the official statements or following the major diplomatic initiatives of recent years, such as the BRICS or the financial G20. While it is undeniable that the two countries have converged lately, especially regarding trade relations, it also seems evident that such convergence is never perfect. The People's Republic of China (PRC), a great power on its own, has just entered the fourth decade of astonishing economic growth and rising political influence, thus affirming itself as Asia's centre of gravity. Although it has become commonplace to say that China's rise would make the world more dangerous, be it due to its long-standing authoritarian regime or to a future trade and military rivalry with America,

what we see today is a nation that has come to terms with multilateralism and international governance and repeatedly denies the label of “superpower”.³¹ Brazil, on the other hand, whereas it has indeed been considered a rising star by many, the lack of material resources (particularly in military terms) has prevented the country from advancing its interests abroad more emphatically. The southern giant’s power rests chiefly on its recent economic projection and on an almost universal empathy- or “soft power” using a more sophisticated term. And even though the two countries have been called “emerging powers”, they clearly belong to different realities in global affairs.

In hindsight, the bilateral relationship between Brazil and China has not been steady for most of its existence. Despite the century-old Trade and Navigation Agreement of 1881, contacts only deepened after the Second World War, with the visit of Chinese president Chiang Kai-Shek to Rio de Janeiro in 1946. As he and his Kuomintang party members fled to Taiwan after the establishment of the People’s Republic, however, bilateral relations were again interrupted.

Only in August 1961, at the height of the Cold War, would Brazil turn its eyes to communist China. It was a time

when relations between Brasilia and Washington had soured, and the former would reach out to faraway regions so as to affirm its “independent” foreign policy. This idea, however, would not survive domestic pressures. When João Goulart, then vice-president of Brazil, visited Beijing and proposed establishing a permanent trade office in each of the two countries, many (at home and abroad) understood this rapprochement as a dangerous move to the far left. This would ultimately lead the Brazilian military- with the political sympathy of the United States- to stage a coup d’état against Goulart in early 1964. The military regime which followed would decisively change Brazil’s perceptions about Beijing, and prevented relations from developing for the next decade.

Diplomatic relations between Brazil and the People’s Republic would only be re-established in August 1974, in the context of the Chinese-American rapprochement. With the economy crippled by the oil crisis that shook the capitalist economies the year before, Brasilia sought to diversify strategic partners in the fields of oil supply (such as with Nigeria, Libya and Iraq) and nuclear technology (West Germany), and pragmatically fostered trade with countries from the Third World and the Socialist bloc. China, having recently been accepted into the United Nations,

was also willing to broaden their partnerships outside the Soviet sphere. Pinheiro asserts that, throughout the 1970s, Brazil and China had at least three common political positions: they (1) advocated for more autonomy *vis-à-vis* the two superpowers, the United States and the Soviet Union; (2) favoured the creation of a nuclear weapons free zone, even if neither had signed the Nuclear Non-Proliferation Treaty (NPT); and (3) defended the extension of the exclusive economic zones to 200 nautical miles within the negotiations on the UN Convention on the Law of the Sea.³²

China was already being considered the most prominent emerging market in the world, having intensified its economic presence in regions such as Africa and South America.

The two countries also shared the same positions at the United Nations Conference on the Human Environment, held in 1972. They argued that environmental problems were not just caused by population growth, but also by economic underdevelopment. The idea that development should lead to a better environment would eventually become one of the principles of the Stockholm Declaration.

Having all these common aspects in mind, Brazilian Foreign Minister Azeredo da Silveira declared, upon the signing of the Joint Communiqué on the Establishment of Diplomatic Relations between Brazil and China in 1974, that

our governments bear distinct perspectives when conducting their respective national destinies. We both consider, however, that it is an inalienable right of each people to choose its own destiny [...]. Brazil and the People's Republic of China converge in this ideal. Our relationship rests on the principles of mutual respect to sovereignty and to the non-intervention in other countries' domestic affairs. These are the foundations of our friendship.³³

It seems quite evident that, during the later decades of the Cold War, Brazilian and Chinese interests converged in many aspects. Up until that moment, Japan was the main reference of Brazilian trade with Asia, especially because the relationship with the Chinese had very few concrete results at that time. Still, by the beginning of the 1990s, Brazil was already looking towards the PRC with growing interest. The mercurial administration of President Itamar Franco (1992-1994) had as one of its foreign policy guidelines the alignment with “potential peers of the international community (China, India, Russia, and South Africa)”.³⁴ The People's Republic, in return, launched its first “strategic partnership” with Brazil upon the visit

of President Jiang Zemin to Brasilia in November 1993.³⁵ The Chinese recognition of the Brazilian government as a high-level partner expressed the maturity of relations, for the meaning of “South-South cooperation” between Brazil and China had transcended the category of bilateral relations and reached a level of converging identities among two large developing nations.³⁶

Relations would only deepen in the early 2000s as Brazilian society began paying more attention to the opportunities (and pitfalls) from the growing trade flows between the two nations. At the turn of the new century, China was already being considered the most prominent emerging market in the world, having intensified its economic presence in regions such as Africa and South America. Brazil, a vibrant market and a regional ally in the southern hemisphere, was a natural gateway for trade and investment. One of the first partnerships established at the private sector level took place in 2001, when Brazil’s mining giant Vale do Rio Doce and Chinese iron and steel company Baosteel established a joint venture. Less than one year later, aircraft manufacturer Embraer and China’s AVIC 2 established an agreement to build the ERJ-145 airplane, therefore making the Brazilian technology more competitive abroad.³⁷

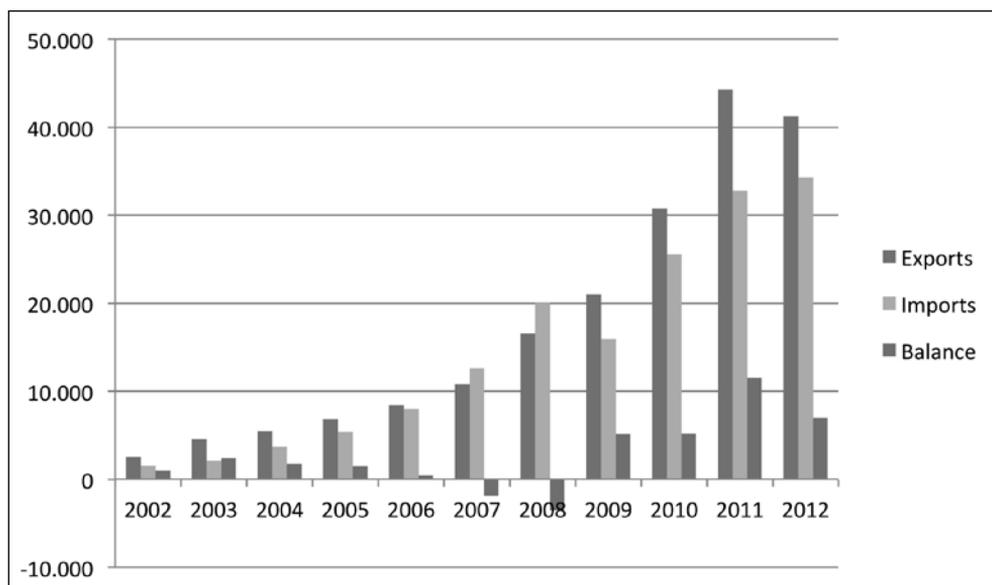
Stronger business ties and a more favourable international political environment led Lula to reinforce, in his inaugural speech, the need to develop closer ties with emerging nations in general, and with China in particular. Foreign Minister Celso Amorim did exactly the same in his inauguration address, and the People’s Republic also came first on the list. The last three presidents of Brazil- Cardoso, Lula and Dilma Rousseff- all paid official visits to China before travelling to Japan. However symbolic these words and deeds might seem at first, they point to a trend towards privileging relations with the Chinese government- at the expense, one might add, of other partnerships in the region. Moreover, the deepening of political alignment between the two countries, such as in the BRICS initiative or within the economic institutions, has helped make this trend apparently irreversible.

Although politics and investments do play a role in this change of priorities, trade seems to be the underlying reason behind the deeper ties with the PRC. A quick look at the trade balance numbers in Figure 3 shows the ever-growing centrality of the Chinese market to the Brazilian economy. The People’s Republic surpassed the United States as Brazil’s leading trading partner in 2009 after years of consistent expansion in

commercial relations. While part of the explanation rests on the pervasive effects of the global financial crisis, which has slowed down the chief economies of the West, perhaps the most important factor that has helped to improve Brazilian-Chinese trade was the boom in domestic consumption in both countries. Demand

for commodities and raw material has skyrocketed in China in recent years, and this demand has been partly supplied by Brazilian iron ore, soybeans and oil. The enlargement of the lower middle class in Brazil, for its part, has also created new demand for electronic components, textiles, and machinery from China.³⁸

Figure 3: Brazilian Exports, Imports and Balance of Trade with China (in US \$ millions)



Source: Ministério do Desenvolvimento, “Indústria e Comércio Exterior”, at <http://www.mdic.gov.br> [last visited 22 January 2013].

Government agencies and private groups in Brazil were all too enthusiastic about trade surpluses with China in the beginning of the 2000s. The perception within the business community has been changing about partnerships with Chinese companies as the growth in

exports has created new demands for some Brazilian industrial sectors. In May 2004, President Lula conducted a “heavyweight” official mission to the PRC- which he described as “the trip of the year”- and included six ministers and 500 businesspeople.³⁹ In his meetings

with Chinese President Hu Jintao, Lula da Silva underlined his commitment to acknowledge the People's Republic as a market economy. This represented an important step not only for bilateral relations, but also for the global acceptance of China's economic model and production structure. When the *Itamaraty* finally recognised the status of the Chinese economy later that year, it was saluted by China's Ministry of Foreign Affairs as having "enriched the content of the strategic partnership between the two countries and will undoubtedly strengthen and expand the trade and investment opportunities to a great extent".⁴⁰

What followed this diplomatic decision, however, was a reversal in the trend of trade surpluses with China. While Brazilian exports kept growing at a moderate rate, imports rose sharply until 2008 and ultimately led to two years of successive trade deficits in Brazil. The higher added value of Chinese exports, when compared to stagnating commodity prices, also contributed to this. The poor trade results have spurred criticism among businesspeople who are afraid that products made in China could threaten some sectors of the Brazilian economy, and they have been enraged by a political agreement that would "make industry vulnerable" when faced with unfair competitive standards.⁴¹ Escalating political pressure domestically

would eventually lead Brazil to raise barriers against some Chinese products, which restored bilateral trade surpluses in 2009.

Unpredictable trade flows with the PRC reveal the complexities behind the political and economic dynamics of Brazilian-Chinese relations. They must not fall into a simplistic dichotomy, as was warned by Barbosa and Mendes, in which one understands the role of China in Brazil's foreign policy strategy as either wholly positive (therefore naïve) or as a threat to Brazilian interests (therefore noxious).⁴²

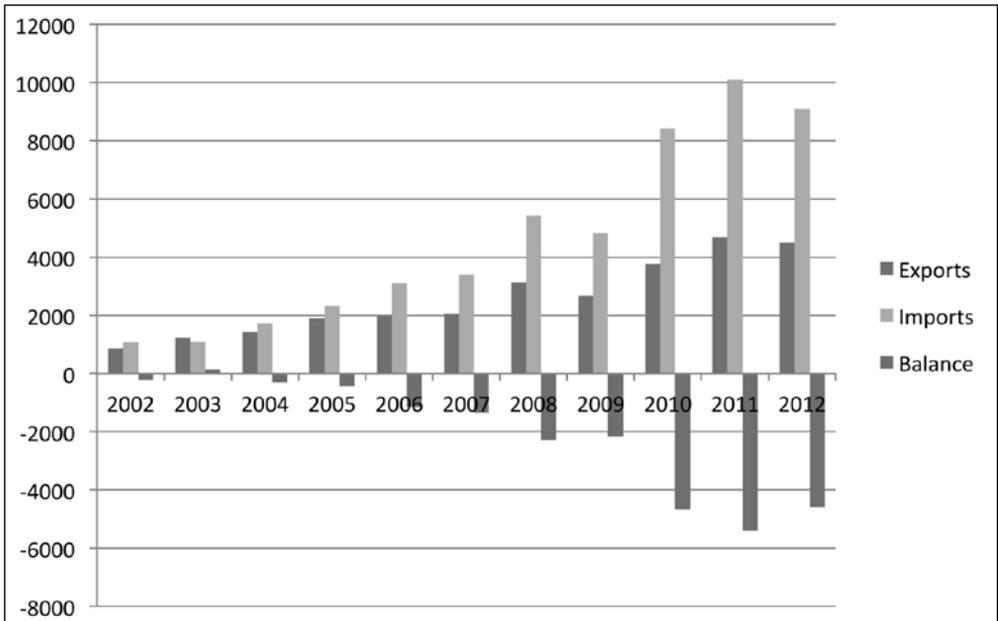
At the end of the day, there seems to be room for mutual gains. *Conselho Empresarial Brasil-China* (the Brazil-China Business Council) reports that Chinese investments exceeded US \$ 12.7 billion in 2011.⁴³ This FDI has been beneficial to the Brazilian economy as it helps consolidate the country as one of the leading natural resource suppliers to the Chinese market. As the key to this intricate equation, Brazil must establish clear resource allocation policies so as to guarantee the continuity of such investment and, at the same time, safeguard the national interests. If these interests seem to be more self-evident at the political level, when it comes to trade, cooperation involves finding a balance within a complex network of interests, both at home and abroad.

Brazil and the Koreas: Bridges are Still Far

Of the three major economies of East Asia, the relationship between Brazil and South Korea is not as intense as with the two regional giants. It enjoys neither the economic dynamism and the migratory bonds of the partnership with Japan, nor the trade volume and political interests of its ties with China. Nonetheless, contacts have become more intense over the past decade. At the political level, three South Korean presidents have paid official visits to Brasília- Kim Young-sam,

Roh Moo-hyun and Lee Myung-bak in 1996, 2004 and 2008, respectively. Presidents Cardoso and Lula da Silva, for their part, went to Seoul in 2001 and 2010, and while there signed, or created conditions for, agreements on several areas.⁴⁴ Economically speaking, trade has witnessed a sharp rise in the last 10 years. Over the course of the Lula administration, Brazilian exports have jumped more than four times, and imports have grown by eight times in the same period, which has led Brazil to have successive trade deficits with South Korea (see Figure 4).

Figure 4: Brazilian Exports, Imports and Balance of Trade with South Korea (in US \$ millions)



Source: Ministério do Desenvolvimento, “Indústria e Comércio Exterior”, at <http://www.mdic.gov.br> [last visited 22 January 2013].

Relations between Brazil and South Korea were established in 1949, a couple of years after the end of the provisional government run by the United States armed forces. Part of the incentive both countries had in getting closer to one another had to do with the recently established American hegemony over the entire Western capitalist system. The Brazilian government was the eighth nation worldwide and the second in South America (after Chile) to officially recognise South Korean sovereignty. Since 1950, Brazil has subscribed to the United Nations policies regarding the Korean War, opening up credit lines and sending medical and food supplies to the South. As a result of a long-standing tradition of peaceful foreign relations, however, Brazil refused to send troops to the peninsula, thus contradicting the US government's expectations of renewed continental solidarity. Still, all Brazilian administrations would cast favourable votes towards South Korea at the United Nations, from the end of the war up until today. As a consequence, the formal launch of diplomatic relations between the two countries took place in 1959.⁴⁵

The strategic value of trade of with Brazil led the South Korean government

to open up its first Latin American embassy in Rio de Janeiro in 1962. The growing number of Korean immigrants to settle in São Paulo- Brazil's biggest city and largest municipal economy- demanded the establishment of a Consulate General some years later. By that time, the Brazilian economy was more developed, and politics were more stable, than in its Asian counterpart. This helped attract thousands of Koreans to the tropics, especially between the early 1960s and early 1970s. Today, there is a dynamic community of some 50,000

The Brazilian government was the eighth nation worldwide and the second in South America (after Chile) to officially recognise South Korean sovereignty.

Korean-Brazilians in and around São Paulo.⁴⁶

The presence of Korean immigrants in Brazil is directly connected to the rise in bilateral trade over the last decades.

However, the trade flows have not been exactly steady, and they peaked in the first years of the 1970s- when a large number of Koreans migrated to Brazil- and in the 1980s as the Korean economy reached its industrial maturity and began demanding greater inflows of natural resources. Between 1991 and 1996, trade relations between the two countries surpassed Brazilian-Chinese trade as exports grew by 25% and imports by no less than 800%. The ever-growing Korean automotive industry accounted

for a large share of such imports, as sector leaders such as Hyundai Motors Co., Kia Motors Corp. and Ssangyong Motors Co. Ltd. started to sell their cars in the Brazilian market in 1992, followed by Daewoo Motors Co. Ltd. and Asia Motors Co. Ltd. some years later. More recently, South Korean electronics giants LG and Samsung have established businesses in Brazil, benefitting from a growth in domestic consumption.

Although Brazil has recently demonstrated some interest in building political bridges between the two Koreas, initiatives have thus far been elusive.

The impressive increase in trade between Brazil and South Korea may be the outcome of the reduction of tariffs and non-tariff barriers, the rise in demand caused by the valuation of local currencies against the dollar and the liberalisation of trade regimes and investments in Latin America. On the Korean side, besides the appreciation of the won, a handful of industrial sectors – such as textiles, electronics, automotives and steel- have benefited by the increase in production and hence by competitive advantages.

Many of the exports have been followed by FDI by Korean companies in Latin

American markets. Between 1980 and 1996, FDI by Korean companies grew by 15 times, from US \$ 4.6 million to US \$ 337 million, a fifth of which came directly to the Brazilian economy.⁴⁷ In 2012, South Korean investments reached the US \$ 1 billion mark in Brazil alone.⁴⁸

In political terms, relations between Brasilia and Seoul do not have much of a common ground. Although Brazil has recently demonstrated some interest in building political bridges between the two Koreas, initiatives have thus far been elusive. Moreover, unlike the Chinese and Japanese foreign policies, which have historically looked towards the West in search of commercial and political opportunities, the South Korean government has been confined to its own geographical surroundings. That is probably why bilateral contacts, besides trade and investments, remain within academic and cultural boundaries. In the words of Brazilian Ambassador Jerônimo Moscardo, “[South] Korea represents an admirable paradigm as a cultural power, which now turns up as one of the main world powers [...]. The Brazilian government has an extraordinary curiosity in finding out what is the secret behind Korea’s [success].”⁴⁹

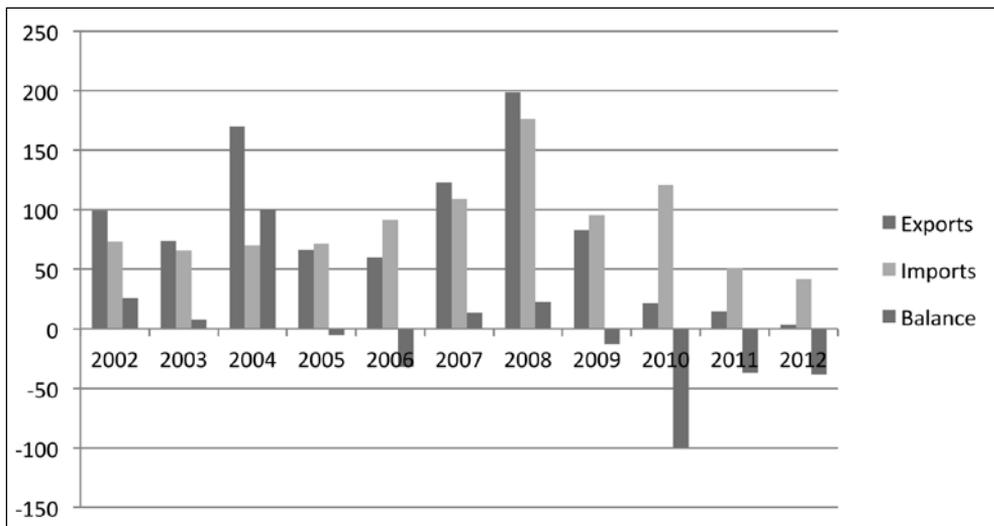
Relations with North Korea are much more recent, and therefore less developed, than the ones with other East Asian nations. Diplomatic ties were only established in 2001, in the context of the

growing importance of Asia to Brazil's foreign policy strategy. However, it took some time for embassies to be established in one another's capitals. The first ambassador of the Democratic People's Republic of Korea (DPRK) received his credentials in Brasilia in 2005, which was the country's second embassy in the Americas (after Cuba); four years later, the Brazilian government sent its first embassy to Pyongyang- making Brazil one of the 25 countries with a high-level diplomatic representation in that country.

This relationship has nonetheless remained limited up until today. Unlike the other ties Brazil has in East Asia, the one with North Korea is based mainly on

technical cooperation. In the last couple of years, the Brazilian government has sent missions to the DPRK to help the country improve soy production, and some North Korean researchers have visited the states of São Paulo and Paraná sponsored by the Brazilian Agricultural Research Corporation (EMBRAPA). An Agreement on Technical and Economic Cooperation was signed in 2010, thus opening new possibilities for bilateral ties in the field of agriculture.⁵⁰ Trade, for its part, has experienced ups and downs in the last decade, as seen in Figure 5. Although the figures are not irrelevant, they seem too unsteady and do not show specific trends when analysed in perspective.

Figure 5: Brazilian Exports, Imports and Balance of Trade with North Korea (in US \$ millions)



Source: Ministério do Desenvolvimento, “Indústria e Comércio Exterior”, at <http://www.mdic.gov.br> [last a visited 22 January 2013].

The more engaged the *Itamaraty* is in global politics, the more the country will turn eastward as part of its “diversification” agenda.

The permanent unease between North Korea and its neighbours has jeopardised more consistent diplomatic contacts with Brazil. The nuclear tests conducted by Pyongyang delayed the inauguration of the Brazilian embassy in the country for more than a month as Brasilia called back its representative after the nuclear crisis.⁵¹ The year 2010- the last year of the Lula administration- was marked by an attempt by the Brazilian government to reach out to the North Koreans on issues ranging from football to trade and to nuclear policies. According to Ambassador Arnaldo Carrilho, the idea was to play the role of a mediator in the Korean question, living up to the best diplomatic traditions of the *Itamaraty*, with an eye on a greater say in matters of international security.⁵² In return, the North Korean regime gave formal support to the candidacy of Brazilian agronomist José Graziano da Silva, a former minister of the Lula administration, as director-general of the Food and Agriculture Organisation (FAO) of the United Nations.⁵³ Despite some symbolical actions, however, there

seems to be a long road ahead if Brazil wants to build bridges between two countries that have been apart for 60 years, especially because it has fallen short of building political ties with either of them.

Conclusion

The relationship between Brazil and East Asia is not a novelty and the mutual interest dates back to the early days of the 20th century. Ties have nonetheless intensified as these countries have become politically relevant and economically vibrant. While relations with Japan have deepened since the mid-1950s, as part of a strategy of industrial development, China and South Korea only became important trade partners some decades later as their economies, and Brazil's, grew more open and mature. From the 1990s onward, Asia has been a permanent concern of Brazil's foreign policy. It is seen not just as a platform for trade, investment and markets, but is also a source of political opportunities. The more engaged the *Itamaraty* is in global politics, the more the country will turn eastward as part of its “diversification” agenda.

East Asia's three giant economies have, therefore, become more connected with the southern tropics in the last couple of decades. A quick look at the figures

reveals that trade and investment flows- both ways- would suffice to explain the relevance of Japan, China and South Korea to Brazil's "global trader" strategy. But there is more to these relations than commercial interests alone. At the political level, the Japanese bid for a reformed Security Council, as well for a greater say in international security issues, matches perfectly with the Brazilian goals on global governance. The rise of the Chinese dragon, for its part, has opened up a plethora of diplomatic possibilities for Brazil, insofar as both countries are decidedly willing to change international norms and institutions for their own benefit. Finally, while relations with the two Koreas are not politically dense, fruitful and cordial contacts may

turn the Brazilian government into a potential broker for peace- which is, of course, in the best interests of the three nations.

In a world where the mini-lateral arrangements of the few are replacing the multilateralism of the many, coalitions such as the G4, the BRICS or the financial G20 are but a sign that the international system is undergoing significant changes. In all of them, Brazil and East Asia are joining forces to shape the future of global politics. If it is true that these emerging powers are to become some of the leading forces in a post-American world, then everything indicates that they have got the message right.

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Chinese Foreign Policy as a Rising Power to find its Rightful Place

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Abstract

This article seeks answers to two related questions in the context of China's rise as a great power. Has the Chinese leadership abandoned Deng's low-profile diplomacy and reoriented Chinese foreign policy towards a more assertive or even aggressive direction, supported by its new quotient of wealth and power? Is China ready to take a global leadership role and assume international responsibility as a great power? Focusing on China's foreign policy after the beginning of the global downturn in 2008, this article finds that China has indeed become increasingly assertive in its defence of so-called 'core' national interests, reacting stridently to all perceived slights against its national pride and sovereignty. While China has built its national

strength to effectively defend its state sovereignty and wield significant global influence, it is still preoccupied by its immediate interests concerning daunting internal and external challenges to its regime survival, economic development and territorial integrity. Beijing's assertiveness in defending its core interests, therefore, is not accompanied by a broad vision as a rising global power, making China often reluctant to shoulder greater international responsibilities. In its search for its rightful place, China is still reluctant to meet expectations for it to play the leadership role of a great power.

Key Words

Chinese foreign policy, China's global power aspiration, China as a rising power, core national interests, global leadership and responsibility, Chinese nationalism, global financial meltdown.

Introduction

China's phenomenal rise as a great power has been accompanied by a change in its foreign policy behaviour, adopting a more confrontational position in relation to Western countries, as well

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as tougher actions, including repeated use of paramilitary forces, economic sanctions, fishing and oil ventures, and other intimidating means, to deal with territorial disputes in the South and East China Seas in the late 2000s and the early 2010s. This development has raised at least two related questions. One is whether the Chinese leadership has abandoned Deng's low-profile diplomacy and has reoriented Chinese foreign policy towards a more assertive or even aggressive direction, supported by its new quotient of wealth and power, as an increasing number of observers have suggested that China has emerged 'sooner and more assertively than was expected before the wrenching global financial crisis'.¹ A Western scholar even went so far as to argue that 'Beijing now asserts its interests- and its willingness to prevail- even at the expense of appearing the villain'.² Another Western observer believed that China was 'moving gingerly beyond the paradigm of developmental modesty'.³ The second question is whether China is ready to take a global leadership role and international responsibility as a great power in confronting problems such as climate change, genocide, and nuclear proliferation. In other words, is China prepared to play the positive leadership role of a great power in the 21st century?

Most of China's foreign policy decisions were made through the lenses of issues that were of sole importance to China, rather than on the basis of broader regional or global economic and security concerns.

Seeking an answer to these questions, this article focuses on China's foreign policy behaviour after the beginning of the global downturn in 2008. It finds that China has indeed become increasingly assertive in its defence of the so-called 'core' national interests, reacting stridently to all perceived slights against its national pride and sovereignty. These changes produced deleterious effects on China's foreign policy making, and led China into tension with both Western powers and its Asian neighbours, making China 'one of the loneliest rising powers in world history'.⁴ Despite the significant change, most of China's foreign policy decisions were made through the lenses of issues that were of sole importance to China, rather than on the basis of broader regional or global economic and security concerns. While China has built its national strength to defend effectively its state sovereignty and wield significant global influence, it is still preoccupied with its immediate interests concerning daunting internal and

external challenges to its regime survival, economic development and territorial integrity. Beijing's assertiveness in defending its core interests, therefore, is not accompanied by a broad vision as a rising global power, making China often reluctant to shoulder greater international responsibilities. Still in search of its rightful place in the 21st century world, China is still reluctant to meet expectations for it to play the leadership role of a great power. This article starts with an analysis of China's pursuit of its core interests during the global downturn and then goes on to explain its driving forces. The third section examines the implications of China's new assertiveness in pursuance of its core interests.

From *taoguangyanghui* to Assertively Pursuing Core Interests

For many years after the end of the Cold War, being aware that its circumscribed national strength and geostrategic position did not allow it to exert enough clout, China followed the *taoguangyanghui* policy- hiding its capabilities, focusing on national strength-building, and biding its time- set by Deng Xiaoping in the early 1990s, kept its head low and avoided confrontation with the U.S. and

other Western powers.⁵ China's low-profile policy was a response to China's vulnerability in the wake of the Western sanctions following the Tiananmen Square protests in 1989. As a result, Beijing devised a '*mulin zhengce*' [good neighbour policy] for relations with its Asian neighbors to create a peaceful regional environment conducive to its economic development. In its relations with major powers, Beijing made pragmatic accommodations to 'learn to live with the hegemon', i.e., make adaptations and policy adjustments to accord with the reality of U.S. dominance in the international system, and because the U.S. held the key to China's continuing modernisation efforts.⁶

China followed the *taoguangyanghui* policy- hiding its capabilities, focusing on national strength-building, and biding its time- set by Deng Xiaoping in the early 1990s.

After rapid economic growth over the past three decades, China weathered the global economic slowdown that started in 2008 better than many Western countries, and overtook Japan as the world's second-largest economy in 2010. China's foreign policy behaviour has,

therefore, shifted towards a more assertive direction. For one thing, China's core national interests, defined as 'the bottom-line of national survival' and essentially non-negotiable,⁷ suddenly became a fashionable term, appearing increasingly frequently in speeches of Chinese leaders and official publications. While some Chinese scholars have cautioned to be more ambiguous in listing China's core interests, to leave room for maneuver, Chinese leaders have made it clear that sovereignty and territorial integrity are among China's core national interests. Chosen obviously with the intent to signal the resolve of China's rising power aspirations, Chinese leaders have steadily included more and more controversial issues in the expanding list of China's core interests. Pursuing these core interests, China has reoriented its foreign policy in a more assertive direction, reacting stridently to all perceived slights against its national pride and sovereignty. These changes damaged China's relations with Western countries and many of its Asian-Pacific neighbours.

Fueled by rapid economic growth, China engaged for nearly two decades in a swift and wide-ranging military modernisation with an emphasis on building naval capacity.

In its relationship with Western countries, China no longer avoided appearing confrontational, 'berating American officials for the global economic crisis, stage-managing President Obama's visit to China in November, refusing to back a tougher climate change agreement in Copenhagen, and standing fast against American demands for tough new Security Council sanctions against Iran'.⁸ With Western economies floundering and Chinese economic and diplomatic clout rising, a perception of the U.S. in heavy debt to China, but still attempting to leverage its superiority to keep China down, has made Chinese leaders less willing to make adaptations and more ready to challenge the U.S. in defending what they call core interests. A battered West presented a gratifying target for pent-up contempt.

Raising the stakes with regard to the U.S. predictable arms sales to Taiwan, China ratcheted up the rhetoric in its dire-sounding warnings against the consequences of the arms sales as a serious challenge to China's core interests. Rear Admiral Yang Yi openly stated that it was time for China to sanction the U.S. defense firms behind the sales to "reshape the policy choices of the U.S."⁹ When the Obama Administration notified Congress of the US \$6.4 billion arms sale to Taiwan on 29 January, his administration was met

with unprecedented Chinese objections. In addition to what China did in the past by announcing the suspension of some military exchanges with the U.S. and unleashing a storm of bluster by various relevant government and military agencies, the Chinese Foreign Ministry spokesman, officially threatened for the first time to impose sanctions against American companies involved in the arms sales.¹⁰ In response to President Obama's meeting with the Dalai Lama in early 2010, instead of following the low-profile dictum, China reminded the West of the tough statement that Deng once made: "no one should expect China to swallow the bitter fruit that hurts its interests".¹¹

China's assertiveness *vis-à-vis* Europe, on issues involving its core interests, was even more apparent. Regularly punishing European countries when their leaders met the Dalai Lama in an official setting, China denounced German chancellor Angela Merkel over her meeting with the Tibetan spiritual leader. China also suspended ties with Denmark after its prime minister met the Dalai Lama and resumed them only after the Danish government issued a statement saying it would oppose Tibetan independence and consider Beijing's reaction before inviting him again. After French president Nicolas Sarkozy met with the Dalai Lama in his

capacity as the president of the European Union (EU), Beijing abruptly canceled the scheduled EU summit in December 2008 to show that, even amid the global economic crisis, it was ready to confront the leaders of its biggest trading partners.

In its relations with Asian-Pacific neighbours, Beijing asserted its core interests to prevail in maritime territorial disputes, even at the expense of appearing the villain. For many decades after the founding of the People's Republic of China (PRC), China pursued a delaying strategy, which maintained China's claim to the disputed territory but avoided using forces to escalate the conflicts because its military forces were mostly land-based and its naval capacity could rarely reach beyond its near seas. Fueled by rapid economic growth, China engaged for nearly two decades in a swift and wide-ranging military modernisation with an emphasis on building naval capacity. With enhanced military capacity, the People's Liberation Army Navy (PLAN)'s mission has expanded beyond primarily defending China's coastlines to securing the resources and sea lanes from the East China Sea along the Ryukyu Islands chain, through Taiwan and the Philippines, and to the Straits of Malacca in the South China Sea. Feeling it has more leverage and right to assert its core interests forcefully, and catering to popular nationalist demands, China

modified its long time-delaying strategy and embarked on a new pattern of aggressively asserting its suzerainty and sovereignty over the disputed maritime territories.

As a result, although China's official statements on core interest issues involving sovereignty and territorial integrity referred almost exclusively to the three issues of Taiwan, Tibet and Xinjiang: "where the secessionist momentum challenges not only China's territorial integrity, but also the legitimacy of the Chinese Communist Party as the ruling party of China",¹² Chinese leaders expanded the core interest issues in 2009 to include the maritime territorial claims in South China Sea, where China confronts a mosaic of disputes over islands and seas also claimed by Southeast Asian nations.¹³ Deploying more personnel and installing new equipment to carry out regular sea patrols and more frequent and forceful law enforcement in the South and East China Seas, China made strong reactions against a chain of incidents during 2009 to 2012, including China's repeated attempts to prevent Vietnamese and Philippine vessels from exploring oil and gas in disputed waters in the South China Sea, and China's punitive actions during the Sino-Japanese stand-off over Japan's detention of a Chinese trawler captain and the Japanese government's decision

to nationalise the disputed Senkaku/Diaoyu Islands in the East China Sea. These incidents provoked diplomatic crises during which China displayed its naval warships to support its sovereignty claims. As a result, China's relations with the Asia-Pacific countries have come to a low point not seen in many years.

It is a combination of confidence, frustration, and uncertainty that resulted in China's newfound assertiveness.

China's toughness also played out in the renewed dispute with India over what India claims to be its northeastern state of Arunachal Pradesh and China claims to be its territory of Southern Tibet. During the 1962 Sino-Indian Border War, China had advanced deep into this region and withdrew after a brief occupation. Although Arunachal Pradesh achieved statehood in 1987, China has continued to lay claim to this territory and objected to any Indian assertion of sovereignty over the area, expressing this in increasingly strident language in recent years. In the summer of 2009, for instance, China blocked the Asian Development Bank from making a US \$60 million multi-year loan because the loan was for infrastructure improvements in the state.¹⁴ India

then moved to fund the projects itself, prompting China to send more troops to the border. A trip by the Dalai Lama in November 2009 to the state led Sino-Indian relations to deteriorate even further. Beijing was angered because the Dalai Lama did not just visit Itanagar, the state capital, but Tawang, which is the main bone of contention between India and China and was described by Indian officials involved in the border negotiations with China as ‘the piece of Indian real estate that China covets the most in the border dispute’.¹⁵ In Indian eyes China has become increasingly provocative over their long-running territorial disputes in the Himalayas. As tensions intensified, India was awash with predictions over China’s impending attack by 2012.¹⁶

Sources of China’s Changing Foreign Policy Behaviour

There are many factors that help explain China’s changing foreign policy behaviour. One is China’s increasing confidence in its ability to deal with the West and the territorial disputes with its neighbours. The second factor is China’s frustration over the perceived anti-China forces trying to prevent China’s rise to its rightful place. This frustration sustained the nationalist sentiment to assert China’s core interests and prevail. The

third factor is that the possible slowdown of China’s economic growth and the ongoing leadership transition brought uneasiness among Chinese leaders, who had to meet any perceived threat to the regime’s legitimacy with an unusually harsh reaction. It is a combination of confidence, frustration, and uncertainty that resulted in China’s newfound assertiveness.

In parts of Asia, Africa and Latin America, the China model or ‘Beijing consensus’ became more popular than the previously dominant ‘Washington consensus’.

China’s confidence is derived mostly from its enhanced power capacity, particularly its relative success in shrugging off the global financial crisis and maintaining a strong growth trajectory. ‘Chinese leaders are in essence realists. Their making of Chinese foreign policy often starts from a careful assessment of China’s relative power in the world’.¹⁷ As a result of China’s perception of the global balance of power tilting in its favour, Chinese leaders became increasingly confident of its ability to deal with the West and settle territorial disputes on its own terms, and are more willing to shape proactively

the external environment rather than passively react to it, to safeguard forcefully China's national interests rather than compromise them.

For many years, the Chinese were on the receiving end of patronising lectures from Western leaders about the superiority of their brand of capitalism. Now the tables have been turned. At the April 2009 Boao Asia Forum, an annual high-level gathering of political and business leaders from Asia-Pacific countries held on China's Hainan Island, a Western journalist reported that "there seemed scarcely a moment when a top Chinese official wasn't ridiculing the world's financial institutions, demanding major concessions from the United States, proposing new Asia-centric international architecture, or threatening to turn off the taps of Chinese capital which the rest of the world so desperately needs".¹⁸ Indeed, the power transition from President George W. Bush to President Barack Obama, and political gridlock in Congress, delayed adoption of a stimulus bill until February 2009, shortly after President Obama took office, too late to prevent the deep economic contraction. In comparison, the Chinese government was much more effective in deploying its enormous state capacity to ward off the economic recession. After Lehman Brothers fell in September 2008, a two-day CCP (Political Consultative

Conference) Politburo meeting in early October 2008 was devoted to battling the global economic tsunami.¹⁹ After the meeting, the State Council announced a four-trillion-yuan (US \$586 billion) economic stimulus package on 9 November. Thereafter, state-run banks were busy pumping money throughout the economy. This huge fiscal stimulus package and expansion of state-owned bank lending quickly pushed China's economy out of the downturn. For the first time in history, Chinese spending, rather than the U.S. consumers, became the key to a global recovery. As a result, many Chinese were convinced that a 'China model' that could strike a balance between economic growth and political stability, and between a market-oriented economy and an authoritarian state, worked better for China than the Western model of modernisation. China's economic success made the China model an alternative to the Western model.²⁰ In parts of Asia, Africa and Latin America, the China model or 'Beijing consensus' became more popular than the previously dominant 'Washington consensus'. As many developing countries looked for a recipe for faster growth and greater stability than that offered by the neoliberal prescriptions of open markets and free elections, the China model became an intellectual symbol of national pride in China.

With increasing confidence in its rising power status, China became frustrated by what it perceived as anti-China forces seeking to prevent China from rising to its rightful place. A 'Middle Kingdom' for centuries, China began a steady decline in the late 19th century after it suffered defeats and humiliation at the hands of foreign imperial powers and was plunged into chaos, involving war, famine, isolation, and revolution. Struggling for national independence and modernisation, China was now rising to regain the glorious position it enjoyed over two centuries ago. This great power aspiration, however, was met with suspicion and resistance by the perceived anti-China forces in the West, serving as an uncomfortable reminder of the historical humiliation when China was weak. Committing to overcoming humiliation and restoring its great power status, 'the Chinese have sometimes used the term 'international status' as if it were their only foreign policy goal'²¹ and were therefore frustrated, at the least, by the following three perceived barriers to China's achievement of international status.

The first is the so-called structural conflict between China as a rising power and the United States as the sole superpower in the post-Cold War world. Beijing was therefore convinced that the U.S. would never give up the policy of

containing China. As a Chinese foreign policy analyst stated, 'with China's rapid rise, the nature of the (China-U.S.) bilateral ties may evolve from the "sole superpower against one of multiple other great powers" into "Number One and Number Two powers", and this may lead to a rise in tensions and conflicts'.²²

Obama's presidency during a deep financial meltdown provided an opportunity to test this thesis. Many Chinese assumed that a weakened U.S., heavily in debt to China, would have to make more concessions to China's core interests. This assumption seemed to be confirmed by the first overseas trip in late February 2009 of a duly penitent U.S. Secretary of State Hillary Clinton, who once boasted how strongly she had emphasised human rights during her 1995 visit to Beijing, but who now suggested that China's human rights records should not get in the way of cooperation on the financial crisis and security issues. As a Chinese scholar noted, after this visit, many Chinese thought that the U.S. 'should respond nicely to China' because China did 'favours for the U.S. on a couple of fronts – such as investing in its bonds and jointly stimulating the world economy'. These Chinese were, therefore, frustrated at the end of the year by 'the rigid U.S. position' that 'does not reflect the nature of the new Sino-U.S. symbiosis

and fails to recognise Beijing's growing international clout'.²³ For these Chinese, the troubled relationship with the Obama Administration once again confirmed that due to the structural conflict thesis, the U.S. engagement policy is simply another face to cover its hidden agenda of preventing China from rising as a peer power. Although many Americans cited China's illiberal political system as one of the main points of friction and pressed China on the issues of human rights and democracy, the Chinese have wondered whether or not conflict would remain and grow starker even if China became democratic, as the U.S. would not want to see China, democratic or not, to be richer and stronger.

Second, many Chinese policymakers were frustrated by what they perceived as a Western conspiracy to slow down China's rise by blocking China's global search for natural resources and acquisition of foreign assets. China's rapid economic growth brought about an unprecedented resource vulnerability. In 2003 China overtook Japan as the second largest oil consumer next to the U.S., and in 2004 overtook the United States as the world's biggest consumer of grain, meat, coal and steel. China, therefore, had to search for resources overseas to sustain its rise. Chinese policymakers, however, were frustrated by the perceived attempts by the U.S.

and other Western countries to block China in its global search for resources.

One of the most often cited examples is the failure of China National Offshore Oil Corporation (CNOOC)'s US \$18.5 billion business takeover bid for the California-based oil firm Unocal Corp in early 2005, because of unusual political intervention from the U.S. Congress, which considered that the CNOOC takeover of Unocal would make it a state-run entity, and constitute a threat to U.S. national security. As a result, the Chevron Corporation, the second largest U.S. petroleum company, acquired Unocal for US \$17 billion, US \$1.5 billion less than CNOOC's offer.²⁴ This setback, perceived as ignominious by the Chinese leadership, was repeated in 2009 when the Anglo-Australian mining giant Rio Tinto walked away from a tentative agreement reached in 2008 with China Aluminum Corp (Chinalco), which had offered to pay US \$19.5 billion to increase its stake in the global mining giant. The deal would have ranked as the largest-ever foreign corporate investment by a Chinese company. But to Beijing's frustration, Rio Tinto rejected the deal, citing fierce shareholder opposition and the skepticism of Australian regulators because "there are lots of Aussies in high political places who don't want [...] land and resources sold to China".²⁵ The rejection was 'a blow to China's

ambitions to buy access to raw materials crucial for its economic growth'.²⁶

Beijing was increasingly frustrated over whether China could match the heightened Western expectations, because positive responses could invite greater demands upon China to follow Western expectations that China could not or should not meet.

The third frustration was the intensified international scrutiny of many of China's awkward domestic and external challenges, such as human rights, media freedom, Tibet, Taiwan, pollution, and relationships with some allies in the Global South whom the West considered questionable. For example, when China was celebrating its success in preparing the showcase of the Beijing Olympics Games, the Chinese government was caught by surprise when in March 2008 angry Tibetans burned non-Tibetan businesses and attacked Han migrants. Seeing the riot as organised by foreign forces featherbedding China on human rights, including ethnic minority rights in Tibet, to embarrass China ahead of the Olympics, Beijing dispatched a large number of troops to suppress the protests. The suppression

spotlighted China's human rights and ethnic problems and led not only to wide Western media condemnation but also to demonstrations by international human rights groups and Tibetan exile communities that plagued the Olympic torch relay in London, Paris and San Francisco. The perception that much of the foreign media took a clear anti-China stance on the issue not only frustrated but also angered the Chinese government and the Chinese people.

The Chinese leaders were also embarrassed by the announcement by the Hollywood director Steven Spielberg of his quitting as an artistic consultant to the Olympic Games to protest Beijing's Sudan policy. This was followed by nine Nobel Peace Prize laureates who signed a letter to President Hu, urging China to uphold Olympic ideals by pressing Sudan to stop atrocities in Darfur. The international scrutiny of China's Sudan policy was related to the rising expectation of China's responsible behaviour in relations with many of its friends in the Global South. Many Western countries criticised China for undermining their efforts to promote transparency and human rights as China vied for energy resources in some of the most unstable parts of the world. They were particularly critical of China pursuing deals with countries such as Iran and Sudan that were off-limits to

Western companies because of sanctions, security concerns, or the threat of bad publicity. To respond to Western concerns, China joined the U.S. and voted to impose and tighten sanctions on Iran, supported the deployment of a UN-African Union force in Darfur and even sent its own military engineers in 2007 to join the force. But Beijing was increasingly frustrated over whether China could match the heightened Western expectations, because positive responses could invite greater demands upon China to follow Western expectations that China could not or should not meet. In an angry response to the intensified international scrutiny, Vice-President Xi Jinping, the heir-apparent to President Hu Jintao, used extraordinarily strong language at a meeting with representatives of the Chinese community during a visit to Mexico City in February 2009 to accuse 'well-fed foreigners with nothing better to do than keep pointing fingers at China, even though China is not exporting revolution, poverty, hunger, or making trouble for other countries. So, what else is there to say?'²⁷

This peculiar sense of frustration sustained a popular nationalist sentiment, which the Chinese government also exploited to compensate for the declining appeal of communism. With a deeply rooted suspicion of the United States

and other Western powers, and calling for the Chinese government to redeem the past humiliations and take back all 'lost territories', popular nationalists increasingly applied heavy pressures on the Chinese government to take a confrontational position against the Western powers and to adopt tougher measures to claim its maritime territories in the disputes with its Asian neighbours. Popular nationalism ran particularly high when the global economy sputtered in 2008-9, because a battered West presented a gratifying target for pent-up contempt.

The boiling Chinese nationalist rhetoric was suffused with a sense of China as the victim yearning for redress.

Claiming that the financial crisis could result in an envious West doing whatever it can to keep China down, whereby a showdown was anticipated, a popular nationalist book, *China is Not Happy*, tapped into what the authors believed to be a widespread public feeling of disgruntlement with the West and urged China to assert itself militarily, diplomatically and in every other way to grasp its great power for a place in history.²⁸ The book sold half a million copies within a few months of its release in

early 2009, not counting bootleg copies and online piracy, and immediately shot to the top of the bestseller list.²⁹ Colonel Dai Xu's popular book in late 2009 and his provocative speeches that were among the most popular videos on China's Internet claimed that China was encircled in a C-shape by hostile or wary countries beholden to the United States and could not escape the calamity of war in the not-too-distant future. Because the U.S. put a fire in China's backyard, he called for the Chinese leaders to light a fire in the U.S. backyard.³⁰ Senior Colonel Liu Mingfu's 2010 book, *The China Dream*, stood out for its boldness in the chorus of popular nationalist expressions. Reflecting on China's swelling nationalist ambitions, the book called for China to abandon modest foreign policy and build the world's strongest military to deter the wary U.S. from challenging China's rise while the West was still mired in an economic slowdown. If China cannot become the world's 'number one', it would inevitably become a straggler cast aside in the 21st century.³¹ Because Liu was teaching at the People's Liberation Army (PLA)'s National Defence University that trains officers, it was believed that 'the appearance of his book underscores calls for Beijing to take a hard stance against Washington, reaching beyond nationalist views on the Internet to include voices in

the military elite'.³² The boiling Chinese nationalist rhetoric was suffused with a sense of China as the victim yearning for redress. Seeking status, acceptance, and respect on the world stage, and holding high expectations for the government to fulfill its promise of safeguarding China's national interests, popular nationalists often accused the Chinese government of being too soft in dealing with Western powers.³³

Rapid economic growth not only created huge social, economic and political tensions but also raised expectations of the Chinese people for the government's performance.

The pressure, therefore, built upon the Chinese government to flex its muscles in defending its core interests.³⁴ Although China's authoritarian political system gives the state immense power to drive foreign policy, China is no longer headed by charismatic leaders, such as Mao Zedong or Deng Xiaoping, who had the authority to arbitrate disputes in the leadership or personally set the country's course. Current Chinese leaders must cater to a range of constituencies, and the power of the Chinese government has become more and more conditional on its ability to defend China's national

interests as Communist ideology has sputtered, and social controls loosened by market-oriented economic reform and nationalist appeals of prosperity and power have become the new bases for regime legitimacy. As the strongman politics gave way to a collective leadership that is more sensitive to popular views on issues involving China's vital national interests, political leaders understood that mishandling these sensitive issues could not only lead to social instability but also provide political competitors an avenue by which to undermine their political standing. This created a vague sense of 'boundary of permissible',³⁵ which led to the 'match' of who was tougher, or at least would not lose any ground, on issues that defined the game for political gains.

To prove their nationalist credentials, Chinese leaders had to take an assertive stance in defending China's core interests, where national pride and regime survival were seen to be at stake.

While China's assertiveness was primarily driven by growing confidence and frustration, the economic and political uncertainties at home also played an important part. Although China was a relatively bright spot in

the global downturn, rapid economic growth not only created huge social, economic and political tensions but also raised expectations of the Chinese people for the government's performance. The state faced serious challenges from growing public demands related to the government's policies on economic and social inequality, endemic corruption, epidemic pollution, emaciated healthcare, shredded social services, entrenched industrial overcapacity, swiftly aging population, ethnic conflict, etc. 'The Party leadership is terrified of their outsized expectations. People under the age of 40, the progeny of the one-child policy, did not live through Maoist poverty and upheaval. They are pampered, impatient and demanding. They consider exponential growth a basic benchmark of life, and access to information to be a civil right'.³⁶ While few Chinese people at present would want Western-style democracy, the leaders knew that their legitimacy depended on their ability to meet various demands from society.

When the global financial turmoil started, the Chinese leaders were not sure if it would batter China's economy and produce unrest in society. Their concern was not unfounded because, in addition to the high-profile riots in Tibet in 2008 and in the Muslim region of Xinjiang in 2009 that caught them by

surprise, they routinely had to deal with tens of thousands of civil and ethnic protests from those robbed of their land for development, laid-off workers and those suffering from the side-effects of environmental despoliation. As the financial meltdown swept across the globe, they did not know what would happen to the millions of migrant workers who lost their jobs as labor-intensive industries churning out cheap products for export put up their shutters, and to the many white-collar workers who were laid off or had their bonuses and wages cut. Attributing the financial meltdown entirely to 'economic mismanagement' by the Western countries, the Chinese government was able to avoid criticism if it also failed but could receive praise if it were effective in deploying its enormous state capacity to pull its economy out of the downturn. Out of anxiety over the political consequences of possible economic slowdown in the long run, the Chinese government's taking a more assertive position to defend China's core interests may not only avoid criticisms of its incompetence but also divert attention from domestic problems.

The leadership transition in the run-up to the 2012 Party Congress also brought political uncertainty. As the succession process geared up, hard-line nationalist policies were popular because they could become springboards for

power for ambitious and unscrupulous leaders during a caustic period. White-knuckling its way through their final two years in office before handing over power to the next generation of leaders, the Hu Jintao and Wen Jiabao leadership was very weak. Nervous about maintaining long-term regime legitimacy and social stability, the Hu-Wen leadership wanted to do their best to foster their reputation as protectors of national pride and domestic stability, avoid criticism along nationalist lines, and boost their support among the government officials and military officers. To prove their nationalist credentials, Chinese leaders had to take an assertive stance in defending China's core interests, where national pride and regime survival were seen to be at stake. The Chinese government, thus, displayed an unusually hawkish and nationalistic position in pursuing their core interests even at the risk of overplaying popular nationalism.

Core Interests versus the Global Power Responsibility

While a more powerful China has been more willing to leverage its growing capabilities to shift the global power balance in its favour and vigorously pursue its core interests, China is not ready to take on the role of global leadership and assume more

international responsibilities as a rising global power. At the first China-U.S. Strategic & Economic Dialogue in Washington D. C. in July 2009, State Councilor Dai Binguo told his American interlocutors that China's three core interests were to maintain its fundamental system and state security, state sovereignty and territorial integrity, and the continued stable development of its economy and society.³⁷ These are narrowly defined interests having more to do with the Chinese leaders' preoccupation with regime survival and national security than with China's great power aspirations. The survival of the Chinese Communist Party (CCP) regime is the first core interest because, given the authoritarian nature of the Chinese political system, challenges to its regime legitimacy would always be a concern for the CCP. A combination of foreign forces with domestic discontents could seriously threaten the CCP regime.³⁸ The second core interest of state sovereignty and territorial integration refers almost exclusively to the Taiwan and Tibet issues and has become increasingly sensitive in the context of rising nationalist sentiment among the Chinese people. Continued economic development and social stability becomes the third core interest because it is the foundation of the CCP's performance legitimacy to justify its continued rule in China.

Former U.S. Deputy Secretary of State Robert Zoellick urged China to become 'a responsible stakeholder' in the international system that had enabled its success.³⁹ While the Chinese leadership generally welcomed the 'responsible stakeholder' call because, as a *China Daily* commentary suggested, it was an indication of the U.S. government seeing China as a 'strategic partner',⁴⁰ China is still reluctant and very selective in taking on global and regional responsibilities, instead concentrating mostly on its core interests in a fairly narrow sense. One Chinese scholar even suggested that the Western call for China to take greater responsibility was to dictate China's international performance, which was another version of the 'China threat' view.⁴¹ In this case, China's participation in international affairs is not simply to meet the expectation for its responsibility as a rising great power in an increasingly interdependent world but most often is based on the calculation of its core interests. As one American scholar criticised, China's approach towards the international regime is guided by the 'maxi-mini-principle- maximisation of rights and minimisation of responsibilities'.⁴² Another observer believed that 'China has been a reluctant follower, not a leader'.⁴³ Yet another observer even suggested that China's policies reflected a 'me first' notion.⁴⁴

One Chinese scholar rebutted the Western criticism as a distortion of China's international responsibility, which, according to him, follows two principles. One is to make commitments according to its ability [*liangli erxing*] and the other is to combine China's interests with the common interests of the international society.⁴⁵ An official *Outlook Weekly* article, 'Hu Jintao's Viewpoints about the Times', proposed a concept of 'shared responsibility', which sets two important parameters of Beijing's international responsibility for many sensitive global and regional issues. First, China's contributions to the global commonwealth cannot adversely affect China's core interests. Second, China's international commitments are conditional upon the inputs of other states, especially developed countries and regions such as the United States and the European Union.⁴⁶ Based upon this logic, China opposed mandatory emission reductions for developing countries while pressing developed countries for deep carbon reduction commitments, as well as for financial assistance to poorer nations, at the Copenhagen Climate Change Summit. By the same token, China set conditions for its participation in the global efforts to bail out debt-ridden European countries in 2012. One of the conditions was 'the efforts are multilateral, not just bilateral.'⁴⁷

On international peace and security, China was also often reluctant to step up proactively in response to the call for Beijing to take more responsibility in solving key global issues in troubled countries such as North Korea, Iran, Afghanistan, Sudan, and Pakistan, because China's interests in these hot spots were different from those of the Western countries.

As a result, China has not taken on a broad international responsibility to be the visionary and magnanimous global player looking beyond its own often desperate and narrowly focused core interests. From this perspective, one Western observer accused China of being a 'global free rider' because 'Beijing remains highly reluctant to take on more burdens- whether economic, political, or military'.⁴⁸ It was indeed revealing that at the G20 summit in April 2009 'the only thing China cared about was keeping Hong Kong off the list of offshore tax havens being scrutinised. Beijing's coffers may be bulging with \$2.1 trillion in foreign-currency reserves, but it is not exactly offering to spend that cash on common crises. Besides calling for a new international reserve currency, China has mostly remained silent on how to reform the global financial system'.⁴⁹ Whether a free rider or not, juggling its emerging great power status with its parochially defined core interests, 'the Chinese

appeared torn between seizing their moment in the geopolitical spotlight and shying away from it'.⁵⁰ On the one hand, cherishing China's rising power status, Chinese Vice-Minister of Foreign Affairs Wu Dawei said that 'the Hu leadership has engaged more actively in world affairs in response to growing international calls for it to take up greater global responsibility and has taken more part in affairs that affected global development and stability'.⁵¹ Meanwhile, focusing mostly on its immediate interests and emphasising 'shared responsibility', the Chinese government has tried to avoid heightened international expectations.

Delighting in the notion that China was recognised as a global power, many Chinese were initially flattered by the G2 idea, which saw the world as a bipolar affair, in which America and China were the only two powers that mattered.

As a reflection of its torn position, Chinese scholars and policymakers have been debating and expressing at least three views on China's changing international role. One view urged the government to abandon the passive '*tiaoguang yanghui*' policy and take a 'great power' [*daguo*] responsibility to ensure a 'just

world order. The second view calls for a modified *taoguangyanghui* policy to give more emphasis on '*youshuo zuowei*' [striking some points/successes] and take a more active or even a leadership role in pursuing certain foreign policy objectives, particularly in China's core interest issue areas. The third view is to continue the low-key policy and avoid taking a leadership position on most issues. The first view has received the most attention in the Western media and is also popular among the Chinese people, but is not the official position of the Chinese government, which has taken the third view, although in practice the second view is the actual policy.

Clearly, the Chinese leaders, at least in public, have not abandoned the low-profile policy evident in Premier Wen Jiabao's statement that 'Precisely by not raising our banner or taking the lead internationally we have been able to expand our room for maneuver in international affairs'. Therefore, 'there is no reason whatsoever to alter this policy'.⁵² During a visit to Europe in early 2009, when some sensitive Western reporters pricked up their ears at Wen's statement that China would be a peaceful and cooperative great power and asked for a clarification of the phrase 'great power', the government news agency, Xinhua, released an English translation of the word as 'country' instead. At the

same time, after the remarks caused a sensation in the international media, the Chinese government censors deleted from Chinese news reports and official websites the unguarded remarks of Chinese Vice-President Xi Jinping in Mexico that foreign powers had eaten their fill and had nothing better to do, messing around and pointing their fingers at China's affairs. The domestic media were banned from reporting his comments.⁵³ As an expression of this delicate position, Chinese foreign minister Yang Jiechi had to emphasise the importance of holding onto the low-profile policy while calling to 'act as a responsible big country (power)'.⁵⁴ Two Chinese scholars also elaborated this position: 'following Deng's low-profile policy, China has been modest and realistic in assessing China's strengths and weaknesses and kept a sober mind, and even rejected occasional temptations to overestimate its power and influence in the world. But this does not mean that the Chinese should shake off their international obligations'.⁵⁵

This ambivalent behaviour is a reflection of a confusing dual-identity of China as a rising power and a developing country. While the Chinese view their country as inherently a great power by virtue of its history, culture and population, and cherish its rising power status, Beijing still pretends to be a

developing country and struggles to avoid controversial global affairs across a range of issues and instead focuses on China's immediate interests. One example is that, delighting in the notion that China was recognised as a global power, many Chinese were initially flattered by the G2 idea, which saw the world as a bipolar affair, in which America and China were the only two powers that mattered. They, however, quickly criticised this notion as 'a potential trap for China that could expose it on the world stage'.⁵⁶ Wrapping its great power aspirations in modesty and pointing out that China is still a developing country with only one-tenth of the per capita GDP of the U.S., Premier Wen Jiabao firmly rejected the G2 idea as 'not appropriate', 'baseless and wrong' and reiterated that 'China remains a developing country, despite remarkable achievements, and its modernisation will take a long time and the efforts of several generations'.⁵⁷ Wen's statement was not simply an expression of modesty to soothe Western worries over the China threat. As Minxin Pei suggested, 'it is far more likely that China's leaders are actually telling the truth'.⁵⁸ Although China pulled off the world's most impressive recovery earlier than many Western countries, it still faces numerous internal social, economic, environmental, demographic and political challenges that could

significantly overshadow China's long-term economic growth. China also faces severe geopolitical challenges. Even in its neighbouring Asia-Pacific region, the reach of China's power is kept in check by the presence and influence of the United States and the strength of dynamic and vigilant regional powers, such as India, Japan, Vietnam, and Russia. As a result, 'China will be unable to become hegemon in Asia – a power with complete dominance over its regional rivals. By definition, a country cannot become a global superpower unless it is also a regional hegemon, such as the United States [...] China must constantly watch its back while trying to project power and influence on the global stage'.⁵⁹

Political survival at home always is the top priority and in this regard foreign policies are usually more expendable for political leaders, Chinese and Americans alike.

As one Chinese scholar soberly observed, in the wake of the global financial meltdown, 'all great countries at present are trying to do the same thing: internally deepen their system reform and externally seek strategic space'. 'Once the Americans and

Europeans pass through this difficult phase, completing a new round of systemic reforms, they will witness a new round of technological revolution and an explosion of productivity growth, which will be the real strike against, and bring an end to, China's period of strategic opportunity'. It is from this perspective that the scholar commented that 'the game in Sino-U.S. relations is only in the opening phase, with the real strategic contest yet to come'. China's greatest challenges are 'not the international scene or in our neighbouring region, but instead lie in our internal system reform and social situation; the real danger is not one of military confrontation or conflict, but instead stems from troubles in the non-military realms of finance, society, the Internet and foreign affairs'. He therefore suggested that 'how to cool off the tensions within our region, so as to turn to the real work of quickly perfecting our own domestic system structure and revitalising economic society, so as to make our national competitiveness as strong as possible, is the real challenge China faces today'.⁶⁰

In this case, the world is not bipolar because the U.S., as the world's biggest economy and military power, has the capacity to shape the environment in which China makes its policy choices by strengthening cooperation with its allies in Asia as well as in other parts of

the world, working with other countries in the UN Security Council, and broadening engagement across the board to bring China along. While the Chinese leaders have faced nationalist pressures at home to defend its core interests, the U.S. politicians have faced similar domestic pressures to roll back China's assertiveness. After all, political survival at home always is the top priority and in this regard foreign policies are usually more expendable for political leaders, Chinese and Americans alike. China's assertiveness during the global slowdown made 'demonising China' popular in the U.S. media and clearly hardened the U.S. positions on some issues China defined as its core interests, and to an extent increased at least some hostility in the U.S. Congress towards China. Thus, when China reacted very strongly to the U.S. arms sale to Taiwan in early 2010, Joseph Nye warned that 'China has miscalculated by violating the wisdom of Deng Xiaoping, who advised that China should proceed cautiously and keep its light under a basket'.⁶¹

Coming to the realisation that 'they had let their rhetoric get ahead of their interests, and were looking for a way to climb down',⁶² at the height of China's confrontation with the U.S. over its core interests, two experienced Chinese diplomats, former ambassador to Germany, Lu Qiutian, and former

ambassador to Russia, Li Fenglin, held a web chat on 20 March 2010 with Chinese netizens in their official capacity as advisory members of the Chinese Ministry of Foreign Affairs. They reminded their online audience that China was still a few generations away from being a true great power and cautioned them to have a realistic attitude toward the view that 'China will replace the U.S. to become the dominant power in the world'. Therefore, China's *taoguang yanghui* strategy would continue for a long time.⁶³ It is worth noting that, while the Chinese suspended part of its military exchange with the U.S. following the arms sale to Taiwan, it allowed the USS Nimitz aircraft carrier battle group to visit Hong Kong on 7 February, one day before President Obama's meeting with the Dalai Lama.⁶⁴ In spite of angry words and a threat to sanction U.S. companies involved in the arms sales, China so far has not taken action on that threat. President Hu participated in the Nuclear Security Summit in April 2010, although, according to a Chinese scholar, 'quite a significant number of Chinese officials objected to Hu's attendance' because they thought that 'Hu's appearance was a one-sided concession to the ruthless undermining of Chinese national dignity'. This scholar revealed that 'given the bitter debate within China on how to react in the wake of the U.S. violation

of core interests and the divisions among Chinese elites', Hu's decision to go to Washington represented 'a new consensus and a punctuation to domestic debates in China. By persistently broadening converging interests with the U.S. and strengthening cooperation on transnational issues, Beijing's pragmatism prevails once again'.⁶⁵

Conclusion

Three conclusions may be drawn from this study. First, keeping its head low for many years, China raised its head during the global economic downturn in 2008-2009 when the Western countries' obvious weakness propelled the Chinese to rethink relations with Western powers.⁶⁶ This shows that China's growing national strength could alter and, to an extent, has already altered its foreign policy behaviour. A Chinese scholar noted a fundamental foreign policy transformation in the mid-2000s, characterised by 'the change of China from an ordinary state diplomacy to great power diplomacy, from weak-posture diplomacy to strong-posture diplomacy, and from a passive diplomacy to a proactive diplomacy'.⁶⁷ Another Chinese scholar observes that 'in comparison to the past years, Chinese foreign policy in 2009 witnessed an important change' as 'China no longer bends to Western

pressures and heeds what the West would think of its behaviour [*bumai xigang de zhang*] in the pursuit of its interests'.⁶⁸

One defining tension in China's foreign policy agenda is still to find a balance between taking broad responsibility as a great power and focusing on its narrowly defined core interests to play down its pretence of being a global power.

Second, reflecting on China's growing confidence in its increasing power and influence, its frustration as a rising power on the world stage, and the regime's fear of many social, economic and political uncertainties at home, China's new assertiveness has, however, focused on pursuing its immediate interests, and Beijing is still hesitant to use its rising power status to bolster the global common welfare. It is, therefore, too soon 'to expect China to play a broader role, taking on responsibilities for global order and making concessions for broader interests'.⁶⁹ It is from this perspective, one observer suggested, that 'China has not been psychologically prepared to play a full "great power" leadership role in confronting problems such as climate change, genocide, civil war, nuclear proliferation, much less

abusive governments. Its rigid notion of sovereign rights has made leaders reluctant to criticise publicly or intrude overtly in the internal affairs of other countries. This reluctance has only been reinforced by China's view of itself as a victim of hegemonic predation by stronger colonialist and imperialist powers over the past one and a half centuries'.⁷⁰

Third, one defining tension in China's foreign policy agenda is still to find a balance between taking broad responsibility as a great power and focusing on its narrowly defined core interests to play down its pretence of being a global power. Rising as a great power but still trailing far behind the U.S., China is not yet in a position to dislodge America from its position of global dominance. The continuing growth of China's national strength may eventually

eliminate this contradiction when the Chinese leaders come to 'view their country less as a poor nation and more as a great power'.⁷¹ Until then, Chinese foreign policy is still in a transitional stage from a reluctant rising power to a true great power. Chinese foreign policy behaviour during this transitional period can still be explained by defensive realism, which sees a hierarchical power structure that 'is constantly in flux, reflecting variations in relative power',⁷² Emphasising the importance of balancing behaviour, however, defensive realism stresses the degree to which unrestrained pursuit of power can lead to counterbalancing. Therefore, it tends to 'avoid unnecessary provocation'.⁷³ But whether this defensive realism will lead to an offensive realism or a responsible stakeholder in the international system, is still anyone's guess.

Endnotes

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From Engagement to Contention: China in the Global Political Economy

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Abstract

China's re-engagement with the global political economy and its unprecedented ascendance as a major economic powerhouse since the mid-1990s has shaken the global community and triggered a radical re-evaluation concerning China's importance for the future of the world economy and global governance. There has emerged a large amount of optimistic literature portraying China as the principal engine of growth in the world economy in the wake of the global economic crisis, along with parallel and more pessimistic literature on the Chinese administration's supposed sinister geo-strategic "intensions" based on its anti-Western inclinations. This study argues that both these strands of writing in economics, development studies, political science and international relations literatures need to be treated with great caution as they tend to exaggerate the positive and negative aspects of China's system-transforming capacity. Although China has become a crucial actor in the areas of global trade, finance and production, its current growth capacity is based on deep interdependence with Western interests and multinational corporations. Also, widespread fears of China as a potential source of challenge against global governance structures are premature as China is dealing with deep-stated internal problems,

such as rapid urbanization, socio-economic dislocation, income disparities, environmental degradation, etc., which at least in the medium term will impose system-conforming behavior on international platforms.

Key Words

China, global political economy, intensions debate, economic crisis.

Introduction

Historically speaking, China has been a crucial actor in international politics since at least the 1950s. It has been a nuclear power since the 1960s, a permanent member of the United Nations Security Council since 1971, and it was a crucial actor in the midst of sophisticated Cold War politics. However, it was China's profound re-engagement with the global political economy and its unprecedented ascendance to a major economic powerhouse since the mid-1990s that has become the major reason why the global community has been shaken into

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re-evaluating China's importance for the future of the international system. The feeling of widespread shock and anxiety due to the rise of China in the Western world was not surprising given the fact that it was not so long ago that China was all but irrelevant to the functioning of the global networks of trade, finance and production. In an era when it has become increasingly difficult to find toys, clothing and electronic equipment that do not bear the "made in China" stamp, it seems even more astonishing to note that this giant is a relative newcomer to the intensely competitive global political economy.

Although China has become a crucial actor in the areas of global trade, finance and production, its current growth capacity is based on deep interdependence with Western interests and multinational corporations.

In terms of economics, there has emerged a relatively strong school of thought which argues that China has become the main engine of growth in the world economy, or that it is an emerging economic superpower that threatens to reconfigure the global system around its national interests. The *prima facie* supporting evidence from recent trends

in the global economy appears to be compelling. The Chinese economy has become the second largest national economy in the world with a GDP over US \$11 trillion according to purchasing power parity (PPP), and it is predicted to overtake the US in 2050. China has also overtaken the US as the single largest recipient of non-stock shares and foreign direct investment (FDI), and has massive foreign currency reserves in US dollars, thereby financing American budgets and trade deficits.¹ Therefore, not surprisingly, this emerging economic superpower is widely perceived to constitute the major prospective challenge to the existing global economic order in general, and to the American economic interests in particular. In this context, it is interesting to note the debates on the evolution of the global governance system from the official G-20 platform into a *de facto* G-2 regime based on bilateral competition and compromises between the American and Chinese administrations.²

China occupies an unique position among the rather large group of developing countries for at least four reasons, which include: (a) its large volume of exports and trade surplus (the latter at around 10% of its GDP), and its massive official reserves at over US \$2.5 trillion, largely invested in US Treasury bonds; (b) its growing trade, as well as investment links, with developed

East Asia; (c) its massive import capacity, especially of intermediate goods from neighboring countries in Asia; and (d) its success in achieving reasonable stability in the financial sector since the beginning of structural reforms in 1979 and also during the global financial crisis after 2008. The recent signs of potential instability were countered by the intense efforts of Chinese monetary authorities in having relatively free capital flows while maintaining national autonomy in monetary policy and exchange rates—defying the notion of the “impossible trilemma” in the literature.³ Under these conditions, the ever-closer integration of China with the world economy has raised concerns from different quarters which relate both to the possible effects of the global downturn on China, and the second-round effects of a downturn in China on the rest of world.

Against this background, the main thrust of the argument raised in this study concerns the idea that China’s unprecedented rise from the margins of the global political economy to a position of an economic powerhouse should still be conceptualized as a “work in progress” and is surrounded by numerous domestic and international challenges. This argument is formulated by underlining the relatively strong and problematic aspects of the structural reform process that has been underway in

China for over four decades. Meanwhile, this study stresses the vital importance of the international trade-FDI nexus in triggering sustainable economic growth in the Chinese development model and the drawbacks that this model has created due to the reduction in global demand in the wake of the global crisis. Furthermore, this article emphasizes that grave regional disparities in terms of income distribution, overall living standards and socio-economic development are aggravated by selective inflows of FDI into certain regions and specified free trade zones. Finally, the strategic initiatives of the Chinese administration to transform the country from a low-cost manufacturing and export-oriented production base into a crucial national market in itself by following demand management strategies will be highlighted.

The more hyperbolic contributions to the literature have recycled Cold War-type “zero-sum” realist constructions of China as an existential threat for the Western world.

The main conclusions of the study suggest that China has employed one of the most successful crisis-exit strategies in the world by launching a massive

program of public investments into infrastructure and social support projects to boost domestic demand and maintain the economic growth momentum despite the debilitating impact of the global economic crisis. This approach, in turn, will be contrasted with the rather orthodox crisis response strategies of the majority of Western governments that have preferred to transfer massive amounts, in the shape of rescue packages, to the private banking and financial sectors in order to save the future of their shaky financial institutions. The study will conclude by exploring the potential success of the paradigm shift in China towards domestic market and service orientation in the context of a competitive knowledge economy.

Unveiling the Debate over Intensions: China in the Global System

Academic interest in China reached its zenith in the last decade and there emerged voluminous scholarly literature in political science, international relations, development economics and related disciplines exploring various aspects of the “Chinese model”.⁴ Much of the stated interest has been sparked by China’s unprecedented ascendance in the global political and economic system, triggering debate over its

respective significance in terms of the main dynamics of global security,⁵ international trade,⁶ global finance,⁷ international development,⁸ systems of production,⁹ the global environment,¹⁰ models of development,¹¹ and whether China has indeed emerged or re-emerged as a major global player.¹²

However, despite the massive size and scope of the ever-expanding literature on China’s ascendance, carefully camouflaged ideological dispositions prevalent in many analyses have created bizarre discussions about claims and counterclaims on China’s real “intentions” in international politics. The more hyperbolic contributions to the literature have recycled Cold War-type “zero-sum” realist constructions of China as an existential threat for the Western world. Kaplan’s rather antagonistic account *How We Would Fight China*¹³ and the parallel analysis by Mearsheimer, *China’s Unpeaceful Rise*,¹⁴ are illustrative of the more negative end of the intellectual spectrum as are the works of Mandelbaum,¹⁵ Gertz,¹⁶ and Bernstein and Munro.¹⁷ On the other hand, more balanced analyses have sought to alleviate concerns about the suspicious intensions of China and place the recent attitude of the Chinese administration squarely within existing international norms, rules and modes of behavior. To illustrate, one could

cite Suzuki's examination of China's "charm offensive" in foreign policy platforms;¹⁸ Kennedy's elaborate critique on the notion of Beijing consensus;¹⁹ Lo's account of China's Westphalian international politics;²⁰ and Zhang's exploration of China's entry into international society.²¹ Moreover, the works of Li and Zhu, and Kotz on China's sophisticated development problematic;²² Piovani and Li's analysis of the challenge of rising socio-economic inequality;²³ Breslin's examination of China's global role and the question of soft power;²⁴ and Bremmer's discussion of the threat posed by China's military to the United States²⁵ could be accepted as representative examples of this genre.

Interestingly enough, among the numerous contributions to the burgeoning literature on China, there are relatively few studies that do not focus, or choose to speculate on, China's "intentions" underpinning its global strategy. In the same vein, multi-faceted analyses that do not explicitly focus on the "intentions debate" are frequently forced to take a position on the issue as either an entry or an exit point under the influence of the dominant intellectual atmosphere. Furthermore, commentators frequently roll out uncritical commonsense ideas concerning the sinister intentions of China in various contexts. To illustrate, while commenting on developments

in global security after September 11, Mishra noted that "Rising faster than any country since the industrial revolution, China has unexpectedly emerged on the world stage; its *intentions* still largely unknown, its distance from Western-style democracy and capitalism still considerable".²⁶

China's move toward a relatively open, market-driven economy is usually accepted to have begun in the early 1980s and proceeded through three distinct phases.

Similar tensions are manifest in the literature focusing on the relations of China with the World Trade Organization (WTO). As in the more general literature, worries and suspicions about the potential capacity of China to harm the Western world have predominated in the writings on the issue. In those limited instances when they did not come to the fore, these themes have provided an analytical frame within which the overall debate unfolds. To illustrate the predominant character of this genre, Narlikar's *New Powers: How to Become One and How to Manage Them*²⁷ constitutes a good example with its explicit focus on the intentions debate. Following the same mentality, Liang's assessment of China's

role in the international political economy could be considered a half-way house, seeking to address short-term concerns of the perception that China is a system-challenging power while leaving the intentions debate wide open in the longer term.²⁸ Finally, Lim and Wang set out specifically to challenge recent assertions that “China has broken cover” and become more assertive in the Doha Round of WTO negotiations.²⁹ In the following parts of the study, we aim to transcend the reductionist and ideologically motivated boundaries of the intentions debate by looking at the real substance of the ongoing transformation in the Chinese political economy. To this end, we will examine crucial milestones over the course of key socio-economic reforms since the 1980s; financial integration with the world economy; crisis-exit performance of Chinese policy makers after 2008; and the real opportunities and challenges facing China in its efforts to become a globally competitive knowledge economy.

Socio-Economic Reform Dynamics: Accounting for the Winners and the Losers

Although China gradually emerged from the isolation and economic autarky of the Maoist period after the assumption of power by the modernist leader Deng

Xiaoping in 1978, it was not until 1993 that it became a really important entity in terms of global trade and FDI flows. In this context, a milestone that happened in October 1992 concerned a key declaration by the General Secretariat of the Chinese Communist Party (CCP) concerning the transition to a “socialist market economy”, which triggered a massive increase in FDI inflows. In retrospect, China’s move toward a relatively open, market-driven economy is usually accepted to have begun in the early 1980s and proceeded through three distinct phases.

The new urban industrialization strategy was based on the creation of a consumer society around metropolitan centers through massive infrastructure and urbanization investments.

Initially, the process involved a large-scale industrial expansion driven by the production of mass-consumer products for the domestic market facilitated by a balanced pattern of growth that encouraged rising demand.³⁰ The origins of this broad-based growth were laid in the gradual releasing of controls by the Communist Party over private activity in rural areas, creating a burgeoning entrepreneurial non-farm sector that

paved the ground for fast-rising incomes for some of the poorest social sectors of the population. This was accompanied by strategic state policies to raise agricultural prices for the purpose of improving rural wealth levels, though these appear to have been of lesser importance. Whatever the combination of causes, the undeniable result was double digit annual growth in net real income for wide sections of the rural population from 1979 to 1984. As a result of this positive growth momentum, poverty was reduced on a massive scale; income disparities, regional and socio-economic inequalities were decreased (at least initially); and rising levels of domestic demand facilitated the attainment of rapid industrialization and associated improvements in total factor productivity.³¹

Growing inequalities, particularly between rural and urban areas, have meant that an increasing amount of China's newly created wealth is concentrated among the relatively rich segments of society.

Following the positive trends in the mid-1980s China entered a second phase of reform in the wake of the 1989 Tiananmen Square demonstrations.

Following the start of popular unrest in the wake of the Tiananmen Square incidents, many of the earlier rural reforms were reversed and the Chinese party-state clamped down on the burgeoning private sector to preserve public order. Although this was partly reversed following Deng Xiaping's "Southern Tour" in 1992, the main attention of public policy and economic reforms was permanently diverted from rural to urban areas. The new urban industrialization strategy was based on the creation of a consumer society around metropolitan centers through massive infrastructure and urbanization investments, and the strategy was financed by levying heavy taxes on the rural sector.³² Consequently, economic growth remained high over the course of the 1990s, but the growth was increasingly driven by the expansion in the urban areas and rising urban wages coupled with high rates of capital investment.³³ The cumulative outcome of this strategic shift was that China gradually moved away from its market-driven, small-scale and social welfare-improving rural growth strategy of the 1980s toward a more Western-style consumption-based market society which exacerbated regional and class-based inequalities in income distribution and social standards. Therefore it is warranted to argue that "whereas Chinese

capitalism in the 1980s followed a rags-to-riches pattern of capital accumulation, the capitalism of the 1990s led to sharp income inequalities, a reduction of social opportunities available to the rural population, slower income growth and an investment-heavy growth pattern".³⁴

The third phase of China's economic reform process dates from its accession into the World Trade Organization (WTO) in 2001. This phase has been characterized by export and investment-led growth, with household consumption as a percentage of GDP falling sharply, savings and investment rates increasing and rapidly growing socio-economic inequalities. The substantial decline in household consumption has made China's economic growth highly dependent on exports to Western markets, thereby creating an unsustainable interdependence and imbalance which has in effect placed long-term growth in jeopardy. In the literature two principal reasons have been generally identified for the low rates of domestic consumption in China (which are roughly around half the levels in the USA) and associated high savings rates.³⁵ First, Chinese workers are facing an ever-increasing burden of privatization in social services, such as in healthcare, education and housing, as state provision has steadily declined and this has increased the need to save

for future social costs. Second, growing inequalities, particularly between rural and urban areas, have meant that an increasing amount of China's newly created wealth is concentrated among the relatively rich segments of society, who conventionally tend to have higher savings rates.³⁶ At this juncture, it needs to be emphasized that during the making of this consumer society, the socio-economic dynamics in Chinese society have gone through a tremendous process of deterioration with sharply increasing income disparities. To illustrate, China's Gini coefficient has increased at a staggering rate over the last 30 years, from a relatively egalitarian 0.2 to a highly unequal 0.5- a rate of change that is unprecedented anywhere else in world history.³⁷ So much so that while trying to establish its international competitiveness, China has surpassed the level of socio-economic inequality in Latin America, which had been traditionally perceived as the leader in global inequality.³⁸

Unlike other developing countries in East Asia, China has not traditionally attracted huge amounts of "hot money" and almost all of the FDI stock has been focused in productive sectors.

Furthermore, it is worth reflecting briefly on the state of labor in China following the long years of fundamental economic reform. While the first phase of reforms witnessed overall welfare levels rising for all, this momentum was not carried forward when the rural reform process was halted in the second phase in the 1990s. Consequently, China has faced serious social problems including the rise of illiteracy especially in rural areas as the overall illiterate population increased from 85 million to 114 million between 2000 and 2005.³⁹ Moreover, job creation has slowed significantly in the domestic economy and employment opportunities have increasingly favored the better-educated and younger segments of society (i.e. those groups who are better positioned to take advantage of China's integration with the global economy). The new employment conditions have been disadvantageous for those social groups in marginal rural areas, the elderly and the less-skilled.⁴⁰ In the meantime, growth in personal income levels has moved from exceeding overall GDP growth to lagging behind significantly.

As a general comment about the Chinese growth experience, promoting export industries over the course of economic liberalization has proved to be a highly successful way of generating sustainable economic growth as long

as demand in global markets was at satisfactory levels. Rural reform, in turn, has released excess workers from the countryside and directed them toward employment first in small-scale town and village enterprises and then in and around rapidly developing metropolitan centers such as Shanghai and Beijing. In the meantime, a dualistic international trade regime was carefully created on the strategic coexistence of a relatively liberalized export-promotion system with a strictly protectionist import regime. To this end, export-oriented entrepreneurs and inflows of FDI, especially aimed at Greenfield investments, were proactively supported in order to rapidly increase the domestic production capacity for export markets while domestic producers were tightly protected from foreign competition through high tariffs and quotas, the lack of currency convertibility, state-set exchange rates and limited external access to financial markets. In the meantime, the relatively closed nature of the Chinese financial system ensured that throughout the rapid growth era, the Chinese economy was not greatly affected by the contagions of global financial crises, particularly the financial and macroeconomic crisis that hit other East Asian economies in 1997.⁴¹

One of the most striking features of China's integration into the global

political economy concerned the exceptionally positive role played by FDI flows in the expansion of domestic productive capacity. Unlike other developing countries in East Asia, China has not traditionally attracted huge amounts of “hot money” and almost all of the FDI stock has been focused in productive sectors. FDI inflows, in turn, took two major forms: market-accessing investments, and investments for export-oriented production.

Historically, the latter has dominated the FDI inflows into China due to comparatively cheap labor costs, controlled exchange rates and massive infrastructure investments realized by central and local administrations. In retrospect, the critical FDI-export nexus and the strategic management of the FDI regime has been the engine of the rapid growth episode in China by making annual average growth rates around 8% possible; by increasing the GDP per capita in regions focusing on export-oriented production; by positively impacting on balance of payments and foreign currency reserves; by creating new jobs, upgrading skills, and raising total factor productivity; and by increasing technology transfers

and encouraging the modernization of enterprises.

However, even the Chinese authorities accept that a critical caveat is associated with the current FDI regime, namely the uneven spatial distribution of foreign investments, which is also the case in many late developing countries. For China, the geographical centralization of FDI decisions means that around 90% of total FDI inflows have been directed

Banks in China have continued to remain the main conduits of financial intermediation within the country, handling around 80% or more of the financial flows until recently.

into just eight coastal provinces and cities which enjoy legal privileges and infrastructural advantages. These include Guangdong, Shanghai, Jiangsu, Fujian, Shandong, Tianjin and

Liaoning. Not surprisingly, the uneven spatial distribution of investment and growth in line with the preferences of foreign investors has triggered a rapid increase in socio-economic and regional disparities in the Chinese society. Although the Chinese administration has recently tasked itself with balancing growth and income distribution among regions by promoting the development of western China and the old industrial heartlands known as the “rust belt”, investment decisions of international corporate interests still exert a significant impact upon the future direction of

Chinese political economy and domestic socio-economic balances in the age of increased international integration.

Financial Integration with the World Economy

The extent to which an individual country relies on the rest of the world economy also depends on the extent of the deregulation of its financial sector, which affects the magnitude as well as the composition of capital flows in and out of the country. It can be observed from previous experiences of liberalization that deregulated finance encourages capital flows of a short-term nature; this can impact the functioning of the country's stock market, the level of official reserves and even the exchange rate. These developments were also visible in China following the critical decision in 2005 that led to the partial deregulation of the financial sector. In retrospect, China's entry into global financial markets seems to have gone through two distinct phases.

The *first phase* corresponds to the period between 1978 and 2005 when China maintained relatively strict controls over the financial sector. While some concessions concerning the regulation of the capital account were made during the negotiations leading to China's membership accession to the WTO

in 2003, the government introduced regulative controls to avoid the danger of capital flight, following a strategy of "easy in and difficult out", especially for short-term and international capital flows. The negative consequences of the 1997 Asian financial crisis in the East Asian political economy provided a strong justification for the maintenance of a cautious attitude towards speculative attacks that might stem from the Western world to destabilize China's growth momentum. The *second* phase in financial liberalization started after 2005, and signaled considerable relaxation of earlier controls and regulation over inflows of overseas finance and over the exchange rate of the RMB (the Yuan), which was until then kept under a fixed dollar peg. FDI as well as portfolio capital inflows have increased since then at a pace that had continued until the onset of the global economic crisis in the fall of 2008. The exchange rate of the RMB also has gone upward through various adjustments, recording a 20% appreciation in the period between 2005 and 2008.

The second-generation of FDI inflows from the EU, Japan, and the USA since the mid-2000s have been predominantly directed to niche areas within the home market.

China, in the earlier years of its financial opening (until about 2005), provided a unique national example in which the liberalization of the financial sector proceeded under close state monitoring, a situation which has been described as “guided finance”.⁴² Banks in China have continued to remain the main conduits of financial intermediation within the country, handling around 80% or more of the financial flows until recently. Among these, four major state-controlled banks control more than 70% of the total deposits and advances in the banking industry. Thus the securities sector in China has remained at a nascent stage and Chinese banks have not been permitted to invest in securities; and despite having access to the market for securities, state-owned economic enterprises (SEEs) have relied on banks for raising investment finance rather than the stock market.

Therefore, economic growth in China has not been the typical export-led development compact as had happened in some other countries in East Asia. On the contrary, it was triggered by a process of state-led industrialization, as was the case in Japan and more recently in South Korea, along with a gradual opening up of large domestic as well as external markets. Moreover, state-led industrialization in China has not remained confined to a narrowly defined

export enclave; instead the country’s vast territory and swarming population has provided a base for domestically driven economic expansion. As pointed out in recent studies, much of the domestic economic activities are increasingly generated by domestic demand.⁴³ The second-generation of FDI inflows from the EU, Japan, and the USA since the mid-2000s have been predominantly directed to niche areas within the home market, unlike the first-generation flows that catered directly for export markets.⁴⁴

Despite the increase in the Gini coefficient and socio-economic inequality, the massive reduction of acute poverty in China has accounted for most of the overall reduction in global poverty.

In the same vein, the Chinese administration has been using an expansionary fiscal policy in the aftermath of the global crisis to be able to tackle the impact of the shrinking export demand in global markets. In that respect, the ambitious drive on the part of Chinese authorities to boost real demand in the countryside and revamp the domestic market has showed a neo-Keynesian promise much different than the standard financial rescue packages adopted by the majority of industrialized

Western nations. As part of its crisis-exit strategy, China announced a massive package of new fiscal expenditure in 2009 that amounted to four trillion RMB (US \$586 billion), which represented about 16% of national economic output and was roughly equal to the whole central and local government spending in 2006.⁴⁵ Strategic steps such as these were aimed at bolstering domestic demand and helping alleviate impacts of the global recession by creating new forms of spending on housing, infrastructure, agriculture, healthcare and social welfare, along with tax deductions for capital spending by private companies.

A related factor that needs to be taken into consideration concerns the fact that China's trade integration has been more intense with Asian countries rather than advanced Western countries in the later periods of the liberalization process. Even Hong Kong, which used to be treated as a transit corridor for China's trade with industrialized countries, has diminished in importance in recent years. Given the pattern of growing instability in the advanced economies, this may work out as a favorable factor for China in terms of withstanding the potential hazards of a sudden collapse of export markets in the advanced economies. However, as far as international capital flows are considered, the prevailing patterns are extremely different. Following the

decision on financial liberalization in 2005 Chinese financial markets have been increasingly integrated with the financial markets of advanced economies through long-term FDI and short-term portfolio capital flows.

Qualifying China's Rise: Real and Potential Challenges

It is not difficult to see why China is often posited as an example of successful economic reform and a coming "superpower", at the very least in terms of its economic potential and perhaps by the political and geostrategic definition of the term. Metropolitan centers such as Beijing or Shanghai have changed beyond recognition in an amazingly short period of time, and their populations have increasingly adopted modern urban lifestyles that reflect conventional middle-class tendencies in the advanced industrial countries. Even Chinese cities in the interior parts of the country, including the former "rust belt", have witnessed clear signs of rapid economic growth and substantial wealth increase which have been far beyond cosmetic changes. The lives of millions of China's urban dwellers have dramatically changed in two decades and large chunks of the population in the countryside have achieved better living conditions. In fact, despite the increase in

the Gini coefficient and socio-economic inequality, the massive reduction of acute poverty in China has accounted for most of the overall reduction in global poverty. As a consequence of structural reforms aimed at the popular dissemination of an entrepreneurial culture and market mentality, Chinese citizens also enjoy wider freedoms, especially in the socio-economic field, compared to the situation in the past, although the country still receives harsh criticism from the Western world due to breaches of fundamental human rights and freedoms.

There is no doubt whatsoever that China's engagement with the global political economic system has been portrayed as a bright success and that China has become a massively significant element in intensely interdependent global trade, finance and production networks. The particular ways in which parts of the Chinese economy have been inserted into the global economy have already resulted in a reconstruction of the East Asian regional political economy. The new patterns of integration have also had an impact on the developmental trajectories of late developing states across the world and altered conventional production processes by fragmenting production phases and removing jobs from the advanced economies. However, one needs to be careful not to assume

that economic growth equates to wider socio-economic development. Although China has been going through a rapid structural transformation, there are a myriad of caveats that qualify the ongoing transformation. Despite having nearly double digit growth for two decades, China still remains below many developing countries in terms of social welfare, including Kazakhstan, Namibia, Tonga, Iran, Equatorial Guinea, Thailand and Costa Rica. It is instructive that despite the great successes of China's reform experience and the fact that it is often favorably compared to the Russian path of transformation, per capita income in Russia is still around 50% higher than in China whichever calculation is used (not least because of the extremely low base level that China started from).

Elite-level policy choices will shape the pattern of China's global integration within a context that is predominantly defined by external forces.

While being transformed from state-dominated socialism toward a more market-led and competitive framework, the Chinese economy was orientated to an over-reliance on export markets and this triggered an increase in inequalities

between the urban and rural populations as well as between the coastal and inner areas. Profound economic reform has entailed a new industrial revolution, but the transition from conventional socialism to “market socialism” also involved a simultaneous process of de-industrialization. Although economic reform and rapid growth have been important components of continued political legitimacy for the regime, they have also resulted in profound class reformulations and social dislocations. In this context, the imperative to join the WTO was in part generated by the need to stabilize market access, particularly through achieving permanent “normalized” trade relations with the US, as well as securing further foreign market openings for Chinese exports. However, over the course of the accession process to the WTO and China’s first decade as a WTO member, the country’s developmental priorities changed drastically, necessitating a revised development strategy. The principal concerns of public policy in recent years has shifted to tackling socio-economic inequalities and labor market inflexibilities as well as shifting towards a growth model based more on domestic consumption and less on export markets. Yet the manner of China’s accession to the WTO has further embedded it into a global economy through a form

of macroeconomic governance that was designed to pursue a development trajectory in line with the country’s earlier prerogatives rather than its needs in later phases.

The pattern of China’s engagement with the global economy undoubtedly occurs within a hegemonic system of global rules dominated by the “Washington Consensus” on free trade and unfettered capital markets. Despite the “post-Washington” principles, such as stronger public regulation and supervision to avoid financial crises which gained ground after the global economic crisis, the neoliberal integration paradigm still looks prevalent on a global scale. Therefore, economic globalization with a neoliberal tone still structures national-level debates between those leaders in China who see liberalization as key to China’s rapid development and those who resist the “embeddedness” of international guidelines from the Western capitals. This dispute underlines the fact that elite-level policy choices will shape the pattern of China’s global integration within a context that is predominantly defined by external forces. While the global and regional economies may delimit much about China’s mode of integration, certain economic forms are transmitted into the country through localized relationships—what could be called an “outside-

in, bottom-up” approach- where multinational corporations or overseas Chinese network capital determine how China’s economy is integrated into the global economy.

Official international trade figures from the WTO (Table 1 and Table 2) clearly demonstrate the deep extent and scope of China’s trade-based integration with global networks. Over the course of recent decades, China has been transformed into a global shop floor and crucial actor in trade flows as it realizes more than 10% of all global exports and more than 90% of its exports are in the manufacturing sectors. As the largest single exporter in the world, China’s manufactures have chiefly been aimed at advanced markets including the European, American and

key Asian markets such as Japan and South Korea. At the same time, China is the second largest importer in the world as it requires massive imports for intermediary goods and components needed in the manufacturing industry. Again, the EU, Japan, Korea and the US are the main import partners of China in that respect. These figures demonstrate the importance of the massive Chinese manufacturing and export-based trade capacity in the strength of the world economy around the so-called “triad” regions, namely the US, the EU and the developed Asia-Pacific. These also imply that a radical slowdown in the Chinese economy might have profound repercussions for most of the world economy through production, trade and finance links.

Table 1: China’s share of world exports (percentage)⁴⁶

(As of September 2012)

Share of world total exports	10.40
Breakdown in the economy’s total exports	
By main commodity group (ITS)	
Agricultural products	3.4
Fuels and mining products	3.1
Manufacturing	93.3
By main destination	
1. European Union (27)	18.8
2. United States	17.1
3. Hong Kong, China	14.1
4. Japan	7.8
5. Republic of Korea	4.4

Table 2: China's share of world imports (percentage)⁴⁷

(As of September 2012)

Share of world total imports	9.46
Breakdown in the economy's total imports	
By main commodity group (ITS)	
Agricultural products	8.3
Fuels and mining products	29.6
Manufacturing	59.2
By main destination	
1. European Union (27)	12.1
2. Japan	11.2
3. Republic of Korea	9.3
4. Taipei, Chinese (Taiwan)	7.2
5. United States	7.1

From another vantage point, it has been argued in the political science literature that as its ascendance might be challenged by the US's hegemony in the international system, China could select "hard balancing" through rapid military development and building strong ties with other major powers in an anti-US coalition as a means to promote its national interest. However, at least initially, international economic and normative structures have greatly constrained China's strategic options and forced it to select "soft balancing" by seeking informal, rather than formal, alliances and adopting a less aggressive international posture. In retrospect, employing a hard-balancing strategy could have negatively affected trade

relations with the United States and hampered China's priority on economic development because major industrial powers would certainly eschew economic links with a belligerent China. On top of these structural constraints, China's political leaders seemed to have internalized the global norms of the market economy as an indispensable element of their public strategy in the new era. They even seemed to perceive the "international division of labor", the epitome of a truly capitalist global economic order, as a legitimate categorization in which China's position needs to be improved. These values have given China strong normative incentives to accommodate the US and the given global distribution of political power.

Especially in the aftermath of the global crisis, it has become clear that China is no longer viewed just as a source of disruption in the world system, but as an indispensable partner in hauling the world economy out of trouble.

Based on this normative understanding, fledgling Chinese conglomerates, such as Chery in automotives, Lenovo in electronics and the Haier Group in white goods, have made strenuous efforts in the realm of the real (industrial) economy to enter into the league of top international companies in their respective sectors so that China's relative position in the global pecking order could be improved. As a result, China has become one of the most important sources of outward investment in the world on both the state and corporate levels. Yet still, the trajectory of economic growth and wider development prospects remain highly dependent on China's interactions with external actors, particularly the representatives of global corporate capital who control billions of dollars and employment opportunities in their investments. Furthermore, both the American and the Japanese companies are believed to be more intensely

engaged with the Chinese economy than the official bilateral trade and investment figures suggest through their links in Hong Kong, which has created an extra source of politico-economic sensitivity.

China's Global Role in the Aftermath of the Economic Crisis

As the global financial crisis in 2008 metamorphosed into a genuinely global macroeconomic crisis and recession, international perceptions of China began to change rapidly. For years, foreign critics have accused China of engaging in unfair trade practices, stealing jobs, running up excessive current account surpluses and manipulating its exchange rate. It is still premature to assume that such complaints have gone away completely. However, especially in the aftermath of the global crisis, it has become clear that China is no longer viewed just as a source of disruption in the world system, but as an indispensable partner- just conceivably a leader- in hauling the world economy out of trouble. Especially since 2009 China has been promoted from the margins of the G-8 and G-20 summits right to the centre stage, with the country's leaders occupying a place of honor in accordance with China's increasing national economic importance and its

status as *primus inter pares* among other nations represented at the table.

Overly optimistic expectations from China in the Western world for the revitalization of the world economy are understandable, and China has an obvious stake in global prosperity. It is also relatively well placed to weather the global storm: its banking system has escaped the direct impact of the financial crisis, its public debt is modest and its fiscal position is strong. However, widespread expectations that China would ride to the rescue of the global economy as the engine of growth in the world economy have been misplaced, to say the least. Domestic pressures and priorities, such as policies on poverty alleviation and decreasing income disparities, are driving the Chinese administration to act in ways that create renewed tensions with trade partners, and particularly with the Western world. Notwithstanding its size and strong economic growth record, China cannot realistically act as a global economic locomotive, even if the leadership had such intentions. The advocates of China's growth-generating role for the world economy should be reminded that the powerful rebound

by the Chinese economy in the post-crisis era has mostly helped developing-country producers and neighbors such as Japan and South Korea, whose growth depends heavily on exports from China.⁴⁸

In terms of global governance, China's traditional tendency since joining the WTO has been based on intense bilateral diplomacy to manage trade relations and promote liberalization. Its long-standing policy (attributed to the Confucian legacy by some observers) in multilateral organizations has been to keep its head down and raise its voice only when the most vital and sensitive national interests are seen to be at stake. That's why for most of the time, and concerning most of the policy issues in multilateral platforms, the Chinese leadership has been quite content to leave it to other actors to do the running. To reiterate, some observers of China argue that this preference for a pragmatic and low-profile approach has extremely deep historical and cultural roots in the country. China's Supreme Leader Deng Xiaoping also urged his compatriots in the 1980s to "observe developments soberly, maintain their position, meet challenges calmly, hide their capacities, bide time, remain free

China's traditional tendency since joining the WTO has been based on intense bilateral diplomacy to manage trade relations and promote liberalization.

of ambitions and never claim leadership on a regional or global basis.” In the light of this rich historical tradition, it is quite understandable that China has responded to the outbreak of the global economic crisis by adopting a studiously detached and non-committal posture.

Economic growth in China will remain heavily unbalanced in terms of the dependence on exports as the engine of growth as well as for the socio-economic distribution of wealth among different regions and social sectors.

Chinese leaders have repeatedly argued that the Western world created a sophisticated financial mess through intricate financial engineering methods and they should take due responsibility for thoroughly cleaning it up. The main contribution China could make, they insist, is just to keep its own economy stable and growing on a sustained basis, as it did after Asia’s financial meltdown in 1997, while quietly supporting multilateral efforts aimed at international cooperation initiated by other actors. However, the recent escalation of the crisis, especially in the euro area, seems to have made it harder for China to continue

taking a backseat role in global financial and economic governance, while it is also using the crisis as a new opportunity to make its strong and critical views about the current global economic dynamics heard. As China’s economic and financial importance in the international system continues to expand, so inexorably will its interaction with the rest of the world. The impact will be felt as much inside China as outside it, as the leadership is increasingly obliged to cope with the intrusion of external factors that impinge directly upon domestic concerns. If global stability- a condition so highly prized by the “Middle Kingdom”- is to be maintained, deeper engagement between Beijing and the global power centers will be not merely desirable but unavoidable in the near future.

Conclusion: The Future Prospects for the Chinese Model

At least in the medium term economic growth in China will remain heavily unbalanced in terms of the dependence on exports as the engine of growth as well as for the socio-economic distribution of wealth among different regions and social sectors. Developing the domestic economy as a market for itself and basing economic growth on domestic demand might decrease the degree of dependency

on external factors over time. In an environment where global demand has shrunk considerably since 2008 due to the impact of the global economic crisis, the Chinese administration has admirably sought neo-Keynesian policies to expand the domestic market and increase the purchasing power of the Chinese middle class. This approach is likely to continue in the near future to maintain the momentum of economic growth and decrease regional income disparities.

Another key challenge for the Chinese political economy is to move up the production-ladder from labor-intensive to capital-and knowledge-intensive production sectors. China started its journey towards global integration by becoming the “world’s outsourcer of first resort” and located itself in the global division of labor as the main production site for low-tech, low value-added industries due to its unparalleled cost advantages. This strategy was reminiscent of other East Asian late industrializers who started from low value-added production and moved gradually into higher value-added realms of the production process. Now the main challenge for Chinese policy makers is to promote endogenous Chinese brands on a global scale so that the bulk of the value-added from the production process could be kept home. A related

challenge is to modernize the national production structure through technology transfers, mergers and acquisitions so that the country’s competitiveness and its position in the global pecking order could be improved.

As part of the policy recommendations towards this end, it could be proposed that China should avoid repeating some of the mistakes committed in the past by fundamentally re-engineering its overall development model. This will mean switching the emphasis away from physical investment, particularly in the construction and manufacturing sectors, as the main driver of its economic growth and relying more on the growth-generating energies of domestic consumption and the service industries. That seems to be the policy direction in which China’s leadership has expressed a strong intension to follow. However changing the broad contours of the development strategy will be a formidable task that requires political firmness and determination in view of the required changes of priority in socio-economic policies. The new “Chinese Model” should involve, among other things, reducing precautionary household savings by creating a properly funded social security, pension and healthcare systems and by improving national education system.

This prospective model should also involve modernizing China's backward financial system and capital markets to enable them to intermediate the country's vast savings more efficiently and stimulate the expansion of service markets by loosening the grip of the state industries that dominate them. The stated structural reforms obviously require a massive and systematic transformation. Among these, building an effective social security infrastructure will take at least a couple of years, or even decades, and will involve recruiting and training legions of qualified managers and professionals. Achieving genuine competition in the services markets and undertaking the financial reform on the needed scale will require both a willingness to take on politically influential producer interests and the development of effective statutory regulations.

To reiterate a critical point made throughout the study, China's emergence as a major international economic player clearly has had a massive impact on the balance of power in the global political economy. Yet, one needs to carefully clarify the difference between importance and power of an agency in the wider system. Sustained economic growth

over the last few decades has generated massive tax resources that have so far been used to finance grandiose public investment projects, increased military and space spending and the buying up of US Treasury bonds, all of which has enabled China a degree of power in the international system. Furthermore, the increasing purchasing power of the massive Chinese population, the expansion of the Chinese middle class with their new consumption habits, and the decline of consumer demand in the advanced economies, especially in Europe, due to the global economic crisis have transformed the Chinese market into one of the most promising domestic markets in the world. However, one qualification needs to be stated, namely that the Chinese market still does not enjoy the kind of "infrastructural power", that the US and EU markets have, to determine the major consumption patterns and set the dominant trends in the world economy. Therefore, analyses indicating the rise of China as a major player in the global political economy should take these qualifications into account and be conducted within realistic and sensible boundaries.

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Making Sense of 1 March: A Proactive Strategy of Avoidance

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Abstract

This study examines the Turkish decision not to ally with the United States on 1 March 2003. It argues that Turkey, motivated by the struggle for autonomy, developed a proactive strategy of avoidance against the US's demands mainly because of its concerns on the possible consequences of the instability that was expected as an outcome of a US war in Iraq. This was neither a balancing nor a bandwagoning behaviour. Through the use of diplomatic channels on different levels, Turkey attempted to decrease the harmful effects of the approaching instability. Five diplomatic tracks show that the Turkish behaviour was a proactive avoidance strategy.

Key Words

Unipolar structure, international alignment, US-Turkish relations.

Introduction

Ten years have passed since 1 March 2003, and the Turkish decision not to allow American troops to invade Iraq from the north is still puzzling. Despite

the US's optimistic expectations and heavy pressure put on Ankara, Turkey rejected allying with the United States in its war against the Saddam government. It was unexpected because of Turkey's well-known foreign policy of being a loyal ally for years and because US leaders were putting in every effort to convince the newly established Turkish government. But unexpectedly there were not enough votes in the parliament to grant the right of passage for US troops.

Since then, some explanations have been provided to try to make sense of the Turkish decision on 1 March 2003. However, these explanations generally focus on the consequences of the Turkish refusal rather than examining its causes and meaning. This article tries to answer two questions. First, what was the main cause of the Turkish refusal? Second, how can we make sense of the Turkish decision not to ally with the United States? In response, this article argues from a structural perspective

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that Turkey refused to ally with the United States because it considered the US's initiation of a war against Iraq as a source of instability that would upset the Turkish struggle for autonomy under the unipolar structure. Therefore, the Turkish rejection can best be described as a proactive, soft, and aggressive avoidance. Turkey employed neither a strategy of balancing necessarily directed against the United States nor a strategy of bandwagoning at the expense of its own autonomy. The five diplomatic tracks (with Iraq, international organizations, UN Security Council members, regional states, and the United States) that was carried out illustrates the Turkish concerns about possible instability and its strategy of soft and aggressive avoidance.

Turkey employed neither a strategy of balancing necessarily directed against the United States nor a strategy of bandwagoning at the expense of its own autonomy.

Following this introduction, the next section summarizes the commonly used explanations for the Turkish decision on 1 March by classifying them into three different groups. It pays special and critical attention to evaluating the arguments based on the “soft

balancing” literature. The third section summarizes the theoretical claim that the secondary states under the unipolar structure ally against the source of instability because of their struggle for autonomy, and then explains the causes of the soft and aggressive strategies of avoidance by distinguishing them through the concept of soft balancing. The fourth section evaluates the case at hand in detail. It is composed of three subsections. Firstly it shows that the main concern of the Turkish leadership was based on the possible outcomes of an unexpected transformation in Iraq and the region. Secondly it describes the Turkish decision not to ally with the United States as a proactive and soft strategy of avoidance by providing the first four tracks of diplomacy. Thirdly it explores the negotiation process between the United States and Turkey to show that the same strategy of avoidance for the sake of autonomy was used. The fifth section provides concluding remarks with some suggestions for further research on the case.

Possible Explanations for the Non-Alignment Decision

After ten years just a few scholarly works have been published on the meaning and causes of the Turkish refusal on 1 March 2003, although it

proved to be one of the most distinctive and puzzling foreign policy actions of the newly established Turkish government under the Justice and Development Party. The debates around the topic have remained limited to the policy circles that tend to focus mainly on ideological positions and policy outcomes. Policy-oriented analysts mostly keep repeating some arguments derived not from the causes of that foreign policy behaviour but from its outcomes. According to this kind of logic, they claim, for instance, that the Turkish refusal was a catastrophic decision since it allowed for the increased power of the PKK. Some others claim that it was a successful foreign policy action because it created an environment which helped build the new Turkish foreign policy identity. After 1 March, Turkey's image in the region became more favourable in the eyes of Arab governments and in the streets. While some claim that this event introduced an unrepairable reliability problem in Turkish-American relations, still others claim that this was good foreign policy act as it established a genuine understanding between the United States and Turkey that they had an equal and sustainable relationship even though there was a temporary crisis.¹ The general tendency in assaying such a transformative event has unfortunately been not causal, but descriptive and ideological.

Whatever the ideological background of the government party and the political identities of its supporters were, JDP leaders have followed a rational foreign policy agenda.

All these kinds of arguments do not examine causal explanations, but instead are derived from subjective expectations. Focusing on policy outcomes rather than the causes and meaning of the Turkish behaviour overlooks the emerging regularity and tendency in Turkish foreign policy. However, just a few academic studies have tried to discover the causes of that specific foreign policy behaviour.

Considering the examples published, one can classify these works into three different groups. First, there are some studies mainly arguing that the Turkish decision on 1 March was rooted in domestic politics.² Second, some studies describe the process on the interaction level and make the claim that some bilateral misunderstandings were the main causes of the Turkish behaviour.³ Third, a few analysts use a structural framework by presenting the classic balance of power theory in a new form called "soft balancing."⁴

First, on the domestic level, three arguments come forth: the Islamist

background of the Justice and Development Party (JDP), its lack of experience in foreign affairs, and the high level of opposition in Turkish society against the US. It is commonly argued that since the JDP and its representatives come from an Islamist background, their leaders could not convince the party group to vote in favour of the 1 March motion as the party representatives viewed the passage of the motion as an indication of a war mongering attitude against a Muslim-populated country. Actually such an argument was quite common during the early stages of the JDP government. Many analysts viewed the party as mainly having an Islamist agenda both in domestic and foreign affairs. Accordingly it would not support a close alignment with the United States against Iraq.

Ten years later, this claim is no longer common in policy circles and also in scholarly works. It appears that whatever the ideological background of the government party and the political identities of its supporters were, JDP leaders have followed a rational foreign policy agenda. Although the JDP pays more attention to Middle Eastern affairs than previous governments, these days it is difficult to find references to the Islamist agenda of the JDP. Beyond that this argument is not supported empirically for two reasons. First, after

Iraq the JDP attempted to re-establish a strategic partnership with America. Especially during the times of crises in the region Turkey has repeatedly allied with the United States. The “Arab Spring” and its influence on Turkish foreign policy in the region seem like a good indicator of this. Again, for the last two years Turkey has been coming closer to the NATO alliance in its attitude towards Iran. Considering this and similar examples indicate that JDP leaders and followers do not hold any blindly ideological foreign policy perspective. This is not to say that the JDP does not have its own foreign policy agenda rooted in its identity and its distinctive character. Surely the ideological position of the party might have some effects on its decisions, especially on the tactical level,⁵ but this is totally different from making the claim that the JDP’s strategy in Iraq was decided by its identity.

Additionally, an in-depth analysis of the negotiations between the US and Turkey can also illustrate how the 1 March decision was not an outcome of government identity. If we trace the roots of the negotiations back into the Ecevit government, we can observe that despite its ideological difference with the JDP, Ecevit would probably have acted the same as the JDP. According to Fikret Bila, a famous Turkish journalist who was a close observer, American officials

had discussed the same topic with the Ecevit government and the officials were convinced that Washington would fail to get Turkish support from the Ecevit government.⁶ Bila says that leftist Prime Minister Ecevit advised JDP Prime Minister Abdullah Gül not to go to a war in Iraq when he was handing over his position.⁷ If both governments were on the same page then the claim that the rejection of the motion on 1 March was an ideological reaction falls short as an explanation of the event.

The Americans were using all pressure available in order to convince the reluctant Turkish side, while Turkey was trying to find a way of avoiding it.

Not only were the Turkish governments that were carrying out the negotiations with the United States uncomfortable with the US's demands, but also all other influential institutions on Turkish foreign policy seemed to share the same sort of concerns. The Chief of General Staff Hilmi Özkök repeatedly commented on the harmony between the positions of the Turkish Armed Forces and the Gül government.⁸ Also President Ahmet Necdet Sezer and Speaker of Parliament Bülent Arınç declared their opposition more than

anyone else. The main opposition party, the Republican People's Party (RPP), was also an ardent opponent of even negotiating with the US government. In fact, during the negotiations, the Gül government was viewed as the sole supporter of the motion. On 26 February, two days after the motion was sent to the parliament by the Council of Ministers, the news that was leaked to the media was about the uneasiness of the military on the motion.⁹ This was quite a shock to the members of the JDP. If the motion had passed the JDP would be the only responsible actor in the domestic politics. Erickson explains the similarities between the government and military as follows:

The vote was a bellwether signal to America. But, more importantly, it signaled an important shift in Turkish military politics as well. Prior to votes of this sort in Parliament (examples include participation on UN or NATO peacekeeping missions and support for Coalition or NATO combat missions), the TGS often provides a recommendation to the Turkish Parliament. In this case, the Turkish General Staff sent a "decision not to recommend" (a neutral stance, but one that clearly did not support the US)... In effect, the Turkish military stood against the Americans and left the decision solely to the politicians.¹⁰

In summary, the JDP government and all other institutions involved in foreign affairs were against an agreement with the United States under the terms offered. It

seems that the Islamist background of the JDP had little to do with the rejection of the motion. It can, however, be considered a complementary motive to some extent. Furthermore, some might still speculatively argue that the JDP used its Islamist image as an excuse to go against the American wishes because it was easier for an Islamist political movement to use that as an excuse if even the secular institutions were also not comfortable with that.

Another domestic-level argument is related to the public opinion for the war in Iraq. Although it is difficult to find a complete account of this argument in any scholarly work, it is used as a commonsensical factor that affected Ankara's behaviour. However, despite seemingly being common knowledge, the data on Turkish public opinion does not support that argument. According to the Pew Global Attitudes Survey, in 2003 just 22% of Turkish society supported the US-led war against terrorism.¹¹ In 2004, it increased up to 37%, and decreased to 17% in 2005 and to 14% in 2006. Although it shows a low level of support for each year, it seems that the Turkish public opinion on the US-led war on terrorism was not fixed and was likely to change depending upon the attitude of the government. It thus cannot be considered as a sufficient cause for the refusal. Furthermore, the Iraq War

affected public opinion less than argued. The support for the US-led war was 30% in 2002 when Iraq War was not still on the agenda, and fell to 22% during the war. Therefore, the war decreased public support by just 8%. It seems that the low level of public support served to soften the lack of Turkish support for the US, rather than being a primary cause of Turkish rejection.

Even though there is no multipolar or bipolar world, that does not mean that states have given up balancing against a possible hegemon.

The second group that the various arguments published examines the interaction level, and some argue that the Turkish rejection was related to the failure of both Turkey and the United States to understand each other's needs. Such an explanation emphasizes the US arrogance during the negotiations and Turkey's counterproductive strategies.¹² However, such an explanation is naïvely unable to grasp the main tenets of the negotiation process. With 50 years of partnership, as will be explained in the coming sections, both sides were clearly aware of what was going on and what was at stake. The Americans were using

all pressure available in order to convince the reluctant Turkish side, while Turkey was trying to find a way of avoiding it. The Americans leaked news illustrating Turkey as “bargaining for horses” in order to accelerate the process of negotiations. On the other side, Turkish diplomats were bargaining over the smallest detail in order to delay the process. It seems that Turkey was following a postponement strategy that was either aiming at preventing of war or gaining more concessions from the United States. In any case, the negotiation process was not a simple failure of understandings. It was based on consciously planned strategies.

Other analysts use structural analysis and argue that Turkey used some sort of soft balancing strategies since it was unable to balance the United States in a classical balance of power understanding because of the unipolar structure. According to this logic, the United States, as the sole superpower in the system, was so powerful that any balancing behaviour would have unbearable costs for the balancers. Therefore, secondary states in the system discover subtle ways of balancing it. They do not use classical internal and external balancing strategies but employ smart strategies that would stop superpower aggression.

This newly emerging field is in fact part of the balance of power research

programme and it has been gaining popularity for the last decade as a tool of explaining the unipolar anomaly in the balance of power theories. According to the balance of power theory, after the end of the Cold War the unipolar moment should not have lasted long and the world should have shifted to multipolarity. New great powers should have emerged and balanced against US power, since after disruption new balances of power have always formed and reformed.¹³ For Waltz, unipolarity is the least stable form of polarity since units wishing to survive in an anarchic environment would ally against the most powerful.¹⁴ However, despite expectations, after more than 20 years unipolarity continues to resist what the balance of power theories argue would happen.

As a refinement of the classical theory, supporters of the neo-realist alliance research programme have devised the argument of soft balancing.¹⁵ Even though there is no multipolar or bipolar world, that does not mean that states have given up balancing against a possible hegemon. In contrast they believe that secondary states in the system keep balancing against the United States in a soft way. With several examples, like 2003 Iraq War, they claim that the balance of power theory still explains the international system.

Since the first publication of the soft balancing argument, a large amount of literature has emerged around the concept of soft balancing, discussing both its pros and cons. Here is not the place to go into details of that discussion. But we can provide some of the central criticisms provided on the theoretical level.¹⁶ According to the critics, this new concept of balancing is so broad that as a concept it has become an empty signifier, theoretically useless, and empirically unfalsifiable. Such a refinement to the theory puts the alliance formation research programme into a degenerative process as “auxiliary belts” are used in order to save the classical balance of power understanding.¹⁷ Therefore, the concept of balancing has been broadened to the extent where it has no explanatory power, all for the sake of saving the classical balancing theory.

In order to name a state behaviour as a balancing act one has to clarify at least two elements: the means and the ends. According to the supporters of the soft balancing argument, secondary states are employing soft means. But they are also claiming that these means target American power or interests. Although it is clear that the secondary states in the system are employing soft means, it is not clear that they are targeting American power. It seems that proponents of soft balancing are making the false inference

that if any state is increasing its power or cooperating with some other state then that means it is balancing against the United States. According to the logic of the soft balancing concept, for example, any investment in Turkey that has nothing to do with the superpower can also be interpreted as an act directed against it. Alternatively any cooperation on climate change between Turkey and Russia could also be interpreted as an alliance against the United States.

Here a distinction between cooperation and alliances should be made clear. Alliances differ from cooperation because alliances depend on the blanket character of enemy;¹⁸ in other words they are formed against something not for something. As Liska puts it in his classical study on alliances, “Alliances are against, and only derivatively for, someone or something.”¹⁹ Therefore, if any foreign policy behaviour is named as balancing, it should be made clear that it is formed against something. Cooperation on the other hand is positive in nature and is formed to increase something, not to limit it. Broadening the concept of balancing to that level carries the risk of naming all cooperation as alliances, subjects which are totally different from each other and represent the oppositional camps of realist and liberal paradigms.

Therefore, any application of the concept of soft balancing to the case of Turkish-American relations in 2003 falls short of making sense of the process since for the entire process the Turkish attitude towards the United States can be called soft, but cannot be called directed against it. Turkish concerns were not directly related to the United States' power position in the system. It held more limited concerns related to the region. Surely, Turkey would like to have the capability of balancing against US power, but under these conditions, and aware of the costs of any balancing act, it chose to act softly and followed soft policies but those cannot be referred to as balancing.

Alliances under Unipolar Structures

From a structural perspective this study claims that the Turkish non-alignment decision on 1 March was an outcome of Turkish concerns about the possible consequences of a destabilizing war in the region on Turkish autonomy. The argument that will be developed is based on a structural realist framework that argues that the core dynamics of international politics is that the struggle for autonomy and under a unipolar structure states hold *status quo* concerns and act offensively.²⁰ As an outcome of

that logic, in their alignment decisions states are expected to choose to ally with others against any source of instability. Under unipolarity, instability might rise from two kinds of sources: from the unipole or from any other secondary state. In both cases secondary states in the system ally not against power²¹ or against some threat²² or for some loosely defined national interest,²³ but they ally against the source of instability. If instability arises from any other secondary state, then they are expected to join large coalitions around the superpower. Alternatively, if instability arises from the attitudes of the superpower then others in the system are expected to follow soft policies which mean neither bandwagoning²⁴ nor balancing. They do not jump into the bandwagon of the superpower because of their struggle for autonomy. Again they do not balance (by directing their attention to the limitation of the superpower's capabilities or interests) against it because simply they cannot. Instead they follow soft and aggressive policies not specifically directed against the superpower in contrast to the expectations of soft balancing argument.

The only structural way to derive state motivation is to focus on the implications of the anarchic structure.

According to the theoretical framework used in this study, the core dynamic of international politics is a struggle for autonomy. In contrast to the assumptions of realist theories of international relations, states do not wish to survive, maximize security,²⁵ maximize power,²⁶ or absolute well-being.²⁷ They just want to remain autonomous, which means developing a capability to act in accordance with their own position in the system rather than delegating some part of their autonomy to a higher authority. This might be an elusive and unrealizable goal, but a sense of winning against their destiny in which they are located in forces states to achieve at least some part of that loosely defined aim. The capabilities of a state might vary depending upon whether it is a superpower or a small state. Therefore some might want expansion while some others want just security. Depending on their position in the distribution of capabilities a state's motivation might range from world hegemony to a wish to survive. Theoretically, we cannot know or assume what all states want. The only structural way to derive state motivation is to focus on the implications of the anarchic structure. If it is defined as usual as "the lack of central authority,"²⁸ then the only derivation that one can do about state motivation is that states struggle for autonomy. As a concept autonomy

is broader than that of survival. Since survival means that there is always a threat present at all stages of international politics it is a specific name for some specific conditions. However, anarchic environments are not only threatening but also present opportunities. For this reasoning if we need to derive any state motivation from anarchy that is the struggle for autonomy. States wish to sustain it by adjusting themselves to the distribution of capabilities in the system.

Davutoğlu defines Turkey as one of the key players in its region and it has a potential to become a key player on the global level thanks to its geopolitical position.

Units struggling for autonomy under the unipolar structure wish to sustain the *status quo* because they lack the capabilities to deal with all kinds of transformation and hence in reaction to instabilities they act aggressively. But the strategies of aggressive behaviour depend on the source of instability. If it is a secondary state in the system all the others gather around a coalition led by the superpower, and if it is the superpower then they try to develop soft and aggressive strategies of avoidance not necessarily directed against the superpower.

Turkish Non-Alignment as a Struggle for Autonomy

In Turkish foreign policy autonomy has always been a main concern. It might present itself differently under different conditions of power arrangements. For example, in less favourable structures Turkish leaders might only be concerned with survival, while in more favourable situations they might dream of expansion as part of their struggle for autonomy.

Since the early periods of the JDP government the concept of autonomy has played a central role in Turkish foreign policy. Referring to the writings of current Minister of Foreign Affairs Ahmet Davutoğlu, who has been considered the main figure behind the JDP's foreign policy since it came power, one can easily see the central role of the struggle for autonomy. His famous book *Strategic Depth*, which is viewed as the main building block of JDP's foreign policy, can be roughly summarized in two concepts: flexibility and autonomy.²⁹ Davutoğlu defines Turkey as one of the key players in its region and it has a potential to become a key player on the global level thanks to its geopolitical position. However, Davutoğlu also believes that in order to actualize that potential, Turkish foreign policymakers should follow a flexible

policy that does not fasten its agenda and aims to other power centres. This policy would make Turkey an active player setting the rules of the game rather than a passive object controlled by others.³⁰ Against the commonly used description of Turkey as a bridge between the East and West, he states that bridges are passive connections between two active entities. Turkey cannot be satisfied with such a role. Through the use of a flexible approach it should avoid any fixed position or alignment.

The final denial of the motion on 1 March indicates that Turkey neither allied against the United States to limit US power, nor jumped on its bandwagon by delegating part of its autonomy, but instead Turkey remained outside by developing soft strategies of avoidance.

During the negotiations between the US and Turkey, Davutoğlu as the chief advisor to the Prime Minister, and other foreign policy elites would repeatedly emphasize Turkish autonomy by claiming that there was a need to recognize both sides as equal partners. The US authorities were expected to respect the Turkish struggle for autonomy. Indeed

the final denial of the motion on 1 March indicates that Turkey neither allied against the United States to limit US power, nor jumped on its bandwagon by delegating part of its autonomy, but instead Turkey remained outside by developing soft strategies of avoidance. Any war in Iraq would certainly cause an autonomy problem for Turkey. The US, as the only superpower in the system, was initiating a war which aimed at transforming Iraq. As a prototype for most other Middle Eastern countries Iraq was representing the first step of a regional transformation. Therefore, Turkey, like all other regional countries, felt that this US-led transformation would limit its autonomy in the region.

Explaining Turkish Concerns on Instability

In its struggle for autonomy under the unipolar structure before and during the Iraq War, Turkish policy makers were mainly concerned with the possible outcomes of an undesirable transformative US action in its region. Under these conditions, secondary states like Turkey are expected to consent to the *status quo* because of their awareness of the difficulty of managing a transformation in the system. Therefore, any aggressive behaviour initiated by the superpower would certainly create risks for stability and so for Turkish autonomy.

Prime Minister Abdullah Gül expressed the perspective of Turkey when he wrote that “Iraq is our close neighbor, and its future is inter-linked with the stability of the region.”³¹ As one of the key actors in the region, Turkey seemed to be in favour of, even if not satisfied enough with, the situation in both Iraq and the Middle East for three main reasons.

Firstly, the distribution of power in the region was to a great extent in favour of Turkey before the war and any unexpected event would risk the Turkish position in the regional distribution of capabilities. Specifically in military terms Turkey seemed to be the most powerful state in the region. According to Erickson, “with the exception of the US, the UK, and France, the Turks have the most institutional combat experience in the world today.”³² Despite the economic instabilities of the late 1990s, with its economic and demographic potential Turkey has the appropriate means of increasing its regional power position. In fact recent figures illustrate the realization of that expectation. Turkey’s powerful position in its region has put it into a position far from immediate threats. By 2003, none of its neighbours had enough power to threaten Turkey’s existential interests. Therefore, from the Turkish perspective there was no need for a change and Turkey could not be expected to support any war.

Secondly, Ankara did not perceive any threat particularly from Iraq that would require a transformation. At the end of the first Gulf War, Iraq had been put into a harmless position, not only far from projecting power against Turkey, but also from projecting power even in its own territories. In fact, the no-fly zone, as a buffer between Iraq and Turkey, had not only decreased possible Iraqi threats, but had also increased Turkey's manoeuvring space in its hinterland. Even if Turkey was not pleased with the antidemocratic regime in Iraq, it was at least a safe and contained neighbour. In the words of one official, "Turkey does not want democratization to bring instability to its neighborhood... why risk destabilization there."³³

The distribution of power in the region was to a great extent in favour of Turkey before the war and any unexpected event would risk the Turkish position in the regional distribution of capabilities.

Thirdly, by 2003 Turkey had been recently relieved from its most significant security problem. The leader of the PKK, Abdullah Öcalan, was captured in 1999. The following years were successful in the fight against terrorism and there

was a low number of casualties. Turkish military forces were able to control northern Iraq thanks to the vacuum of authority. Therefore, any change that would bring a new order in Iraq under the US leadership would mean a deprivation of Turkish control. Park clearly points out the Turkish concerns:

Ankara's fear was that a war with Iraq could- whether by design, default or through opportunistic exploitation of chaos and uncertainty- raise the risk of an enlarged, oil rich, and more autonomous (if not fully independent) Kurdish self-governing entity emerging in northern Iraqi territory. Ankara also entertained fears of a renewal of PKK activity in the chaos of war, a replay of the refugee crisis of 1991, and has asserted its guardianship towards the Turkmen ethnic minority in Northern Iraq.³⁴

But as Turkish leaders were enjoying relatively stability and a favourable position with regards to Iraq and the Middle East, they were faced with the US's demand for change. Additionally, the United States, as the traditional partner of Turkey, was expecting active Turkish support in a war that Turkey had never wished for and that could transform the order not only in Iraq but also in the Middle East. While considering possible harmful consequences of a war in Iraq under these conditions, Turkey faced a dilemma of allying with the US in order to transform the region or rejecting the only superpower. Despite

its close relations with the US for a nearly 60 years, Turkey decided to follow the latter policy. As Turkey was without the necessary tools to control possible instability in its region, it was not sure what sort of outcomes this US transformative action would cause.

For this reason, Turkey's warnings before the war focused on the territorial integrity of Iraq and about a possible struggle among the regional states to seize control over the torn territories of Iraq. In other words, in both cases unilateral changes in the region that would risk the Turkish position. If it went along with the US, Turkey would be moving towards a passive position dependent upon US intentions and goodwill since junior partners of an alliance are almost always less appreciated. Aligning with the US in starting a war of change, Turkey would be dragged into chaotic instability. Since secondary states like Turkey have only a small influence on the foreign policies of superpowers, they do not want such a transformation without the existence of alternative partners to ally with or without enough internal power to balance against the superpowers' policies.

The existing situation in the system could be transformed into a less desirable form. Secondary states favour the existing situation to any possible

transformation since they can have only limited influence on the direction of change. In short, they prefer the better than the worst option. This is the reason why the Turkish government and the other institutions of the Turkish state emphasized the importance of stability in the region. These fears did not only belong to Turkey. During the process, other concerned secondary states, for example Germany, Russia, and France, repeatedly declared their opposition to the US policies. In a comparison between Russian and Turkish attitudes Hill and Taşpınar argue that:

They [Russia and Turkey] want the United States to appreciate that the broader Middle East, the Caucasus and Central Asia are full of weak states prone to ethnic and sectarian fragmentation in case of sudden regime change. Turkey worries that political upheavals will become the basis for more, not less, regional conflicts; while Russia sees an anti-Russian alliance emerging around the Black Sea, if not across Eurasia.³⁵

Turkey's warnings before the war focused on the territorial integrity of Iraq and about a possible struggle among the regional states to seize control over the torn territories of Iraq.

Surely, none of the secondary states like Germany, France and Russia

supported Saddam and his regime in Iraq. They “place a high premium on stability in their neighborhood. They share an aversion towards potentially chaotic regime change.”³⁶ They were far from being decisive players in the transformative event taking place in the Middle East. They observed the American transformative action as strengthening the already existing American sphere of influence. Because of the unipolar distribution of capabilities in the system they were unable to project power in the region and to interfere in any unstable situation. They were not supporting the Baath regime. All the actors argued that the US should “associate Iraq not with the war against terrorism, but with destabilizing chaos that has damaged their national interests- Turkey’s more profoundly.”³⁷

Soft and Aggressive Strategies of Avoidance

While Turkey was motivated to preserve the *status quo*, its behaviour can best be described as a composition of soft and aggressive strategies of avoidance, rather than any sort of balancing or bandwagoning. It allied neither with nor against the United States. Instead, by avoiding an alliance, Ankara protected its autonomy. By using diplomatic channels it proactively opened new spaces

for operation rather than remaining passively apart from the issue. In contrast to defensively balancing and passively bandwagoning the general attitude was one of aggressive avoidance.

For reaching a peaceful, multilateral or evolutionary solution without being dragged into regional instability, Turkey pursued a multi-dimensional policy based on five different tracks and tried to operate these different tracks in accordance with preventing an untimely and unmanageable change. These tracks were: negotiating with the Iraqi government, having joint efforts at the UN and NATO level, forming contacts with the other UN Security Council members, meeting with the regional countries, and finally negotiating with the US. The five-track diplomatic policy presents the best evidence of how much Turkey considered stability important. In order to stop a war which would bring to in the region Turkey followed an exhausting pro-active shuttle diplomacy on these five different tracks.

However, none of these five tracks can be considered as a kind of balancing behaviour. Instead they were all diplomatic efforts in bilateral or multilateral cooperative forums. The main concern was not limiting American power or interests but finding a way of preserving stability by acting aggressively

in niche areas. Ankara did not form an alliance against any state but tried to cooperate with others on any level available.

The Turkish attitude was a well-planned example of transcending the issue of a unilateral destabilizing war to a multilateral institution.

Firstly, Turkey tried to establish contacts with the Iraqi government. Turkish leaders struggled to convince an Iraqi government that seemed unable to grasp the seriousness of the threat because of its dictatorial government. According to Davutoğlu, Turkey engaged in this attempt in order to try to prevent the coming war by finding some concessions the Iraqi government could make that would increase the confidence of the Iraqi government before the international community.³⁸ Turkey insistently proposed to the Iraqi government to involve Kurdish and Shi'ite groups in the governing system and to increase cooperation with the United Nations Monitoring, Verification and Inspection Commission (UNMOVIC). Turkey also demanded very clear and open declarations from Iraq before international institutions.³⁹

For this reason, and despite the risk of increasing American doubts, until the last stage Turkey did not give up on these efforts.

On 12 January, Kürşat Tüzmen, the state minister responsible for foreign trade, met with Saddam directly. Through a reciprocal exchange of letters, Turkey again and again notified the Iraqi government about its concerns. Several other direct meetings were held between Turkish and Iraqi leaders. Although these efforts failed to achieve their primary concern, this was expected as “the materialization probability is weak”, as it was said in the document prepared to brief the Prime Minister by the military and the foreign affairs ministry.⁴⁰ The Turkish insistence on convincing the Iraq regime of the need for reforms illustrates the degree of its discomfort about the instability.

Secondly, Turkey also explored the possibilities of a non-military and a multilateral solution through international organizations. It can be argued that Turkey wanted to use the UN in two ways. Firstly, as a basis for its anti-war and pro-stability attitudes, and secondly to see whether or not the UN would pass a resolution legitimizing a war against Iraq. By keeping contacts alive with the UN, Turkey for a long time tried to observe the opinions of

the international community. When the US's demands reached Turkey in late November or early December, the UN's position was still not clear. Turkey, by adapting itself to some degree to the UN's position, was able to alleviate US pressure and delay its decision.

Furthermore, Turkey tried to move the issue into other international organization. Although nobody in Ankara seemed to be convinced about the presence of weapons of mass destruction in Iraq, the Turkish government was warning US authorities about a possible missile attack. On 15 January, the US demanded AWACS early warning planes and Patriot missiles from NATO for the defence of Turkey against a possible Iraqi missile attack. However, the US did not find the support it had expected. While the joint opposition of Germany, France and Belgium angered the United States, Turkey said it tolerated their attitude. NATO was demanding a formal request from Turkey, but Turkey was not asking.⁴¹

That seems to be as an obvious contradiction. However, when the real intentions of Turkish leaders are considered, the Turkish attitude was a well-planned example of transcending the issue of a unilateral destabilizing war to a multilateral institution. With this, Turkey aimed to acquire at least one of two preferable interdependent

outcomes. The first one was to acquire the necessary tools and time to make the war difficult for the US or, if possible, to stop this unilateral destabilizing war. The second one, if the first was not achieved, required a broader consensus in the UN in order to justify its refusal of the US's demands and to alleviate US pressure. In bilateral negotiations Turkey found itself in an isolated position and under pressure from the superpower. The absence of an alternative partner for Turkey with its limited capabilities relative to the superpower left the Turkish government with only a small manoeuvring space. The terms in the two-sided negotiations turned out to be a matter of take it or leave it. While Turkey did not want to take the first option, rejecting the superpower would be costly and risky. Moving the issue to the multilateral structure of NATO and the disagreement between the US and the other NATO member states was an opportunity for Turkey to share the burden of the US's pressure with other NATO members. The main motive behind the Turkish attitude during the NATO discussions was to prevent a unilateral war that would destroy stability or cause chaos, or if that was not achieved at least to acquire an excuse for not supporting the superpower.

Thirdly, Turkey increased its bilateral contacts with the UN Security

Council member states which were also influential actors. For this end, and for other reasons, Tayyip Erdoğan visited Russia on 24 December, despite reciprocal visits being rare in the history of relations between the two states. Next, on 14 January, he visited China. This visit was also interesting when the loose connections between Turkey and China are considered. According to Davutoğlu, these visits were done in order to “take the pulse of other UNSC member states.”⁴² These visits to Russia and China in any case were not targeting US power. As properly put by Hill and Taşpınar:

Behind the scenes, Turkish-Russian relations have steadily improved over the last decade, particularly after March 2003 with a tactical decision by the Turkish Foreign Ministry and other parts of the Turkish state to explore a new rapprochement with Russia in Eurasia.... To be sure, there is little strategic depth to any of these couplings, and none of these quasi-alliances have coalesced into opposing blocs with the implication of some future military threat.⁴³

Fourthly, Turkey started an initiative among the neighbouring countries of Iraq. On 4 January, Prime Minister Gül started his tour of the Middle East, first visiting Syria, Egypt and Jordan, and then Iran and Saudi Arabia. On 23 January, the foreign ministers of these six regional countries attended a summit held in Istanbul. This summit was the first of ten summits in the following

three years. As explained by the foreign ministers of the participating states, and also in the declaration of the summit, the Middle Eastern countries aimed at reaching one of two solutions. First of them was, if possible, to form a regional forum (not an alliance) in order to take all the necessary steps for a peaceful solution. The second was that if the first solution failed and the war starts, to take the necessary steps to bring stability back to Iraq and the region.⁴⁴

The Turkish government was carrying out negotiations with the United States while at the same time it was exploring ways of alleviating the pressure over on Ankara.

However, this initiative cannot be described as a soft or hard balancing behaviour. The day following the summit, Prime Minister Gül sent a letter to President Bush. In the succeeding meetings, the minor regional states that have close relations with the US, such as Kuwait and Bahrain, were consciously invited in order to soften the position of the initiative against the US.⁴⁵ Furthermore, at the eighth meeting held in Cairo, the D-8 also participated for the same reason. It was not an alliance against the US but a regional cooperative forum for stability.

The artificial and multi-ethnic character of Iraq makes this country open to both internal ethnic conflicts and external competence. Therefore Gül's statements in Syria turned out to be a slogan in explaining the necessity of the stability and the risks of instability. He declared that "Iraq is like a Pandora's box. This box should not be opened because it would be impossible to put everything back in that box again."⁴⁶ In the words of Davutoğlu, who was seen as the architect of the regional initiative, "either the war started or not, these meetings were planned to continue until Iraq would be stabilized."⁴⁷

The Final Track of Diplomatic Avoidance

Fifthly, the process of bilateral negotiations between Turkey and the US can be considered the final stage of the strategy of avoidance. Despite its efforts to break the unproductive circle of unipolarity, Turkey had to eventually face the negotiation process alone for three main reasons. The first was related to the possible risks of directly rejecting the US's demands. The second was related to the necessity of gaining time for a more desired solution. The third was related to gaining a preferable partnership with the US, if necessary.

Related to the first reason, Turkey was not in a position to directly reject the US's demands. Therefore, extending the negotiation process over a long period of time was a smart strategy. The US was so impatient that just five days after than the vote of confidence for the Gül government on 5 January, Marc Grossman and Paul Wolfowitz arrived in Ankara. Confused with the US's impetuosity, Gül asked for time by arguing that "we have just won the vote of confidence."⁴⁸ In the succeeding days and months, the US increased its pressure. Referring to the long partnership between the US and Turkey, Powell argued that the US had been helping Turkey for a long time and now it was Turkey's turn.⁵¹ The pressure reached to the level of threat in the words of Mark Parris, the former US ambassador to Turkey. He claimed that "Turkey must support the US; otherwise, Washington does not reply even your phone calls."⁴⁹

Perhaps a postponement of the war until the summer in which the fighting would be riskier for the US could bring additional time to allow for the prevention of the war.

Under these circumstances, the Turkish government seemed to be unable to

directly reject the US's demands. The US was using all of its coercive power from its central position under the unipolar structure. The Turkish government was unofficially obliged to create the impression of taking part in a willing coalition, even though this was the worst case scenario for Turkey. For this reason, the Turkish government was carrying out negotiations with the United States while at the same time it was exploring ways of alleviating the pressure over on Ankara. As the prime minister of a newly established government, Gül in his response to Grossman and Wolfowitz, after explaining the newness of its government, also added that "even if we are a single party government, we need to persuade the National Assembly."⁵¹ From the very first days of the negotiations until the last, the Gül government tried to transfer the liabilities of their reluctance to the National Assembly through emphasizing the democratic process which was declared by the US as one of the causes of the war against the Iraq.

Although there had been too many examples of the speeches in favour of the motion by both Gül and Erdoğan, a closer analysis reveals that actions taken by the same leaders displayed their reluctance. According to Murat Yetkin, "it can be argued that the government did not strive sufficiently to persuade the

party group."⁵² On the day of voting on the 1 March motion Under Secretary of the Turkish Ministry of Foreign Affairs Ambassador Uğur Ziyal and the Turkish chief negotiator Ambassador Deniz Bölükbaşı, whose opinions could have made the representatives more in favour of the motion,⁵³ were not allowed to inform the representatives about the final agreement reached in the negotiations with the United States, although they were invited to the parliament. "The government was acting as if not it did want the approval of its own motion."⁵⁴

Without the exchange of some reciprocal concessions, according to the central principle of alliance formation, the alliance would become a liability rather than an asset.

Secondly, that extended period of time came to be perceived by Turkey as a way of preserving stability. Although the negotiations can be traced back to the Ecevit government, it can be argued that the essential part of the negotiations started with the Wolfowitz and Grossman visit just after the approval of the Gül government in late November. In late December, Ambassador Marisa Lino on the US side and Ambassador Deniz Bölükbaşı on the Turkish side were

appointed as the official negotiators. However, the negotiation process was not progressing fast enough. Even the badges of the uniforms of the US soldiers, and the value-added taxes of the spaghetti and tomatoes which would be eaten by the US troops were included in the discussions and it was lasting a long time.⁵⁵

The separation of the motion into two parts- the first was for site preparation and the second was for the transit of US troops- can be said to be another example of Turkey's delaying efforts.⁵⁶ The Turkish government interestingly asked for separating the motion into two parts. There might be both formal and informal reasons for doing this. However, it seems that this separation produced two interesting outcomes. First, it caused an extra postponement of the important part of the permission that was the transit of US troops from Turkish territories. Second, the United States became more dependent on the transit from the north after beginning the preparation of the military facilities. Despite continual warnings by the Turkish government that the passing of the first motion did not mean the automatic approval of the second, the US, with confidence, began to prepare for the Northern Front. Insistent warnings by the Turkish government were not quite meaningful.

All of these examples support the idea that the Turkish government tried to exploit the negotiation process in order to gain time and to bring other possible influential actors into the process. That would mean alternative partners for Turkey to collaborate with for a peaceful solution and the prevention of instability. That would mean a greater chance of persuading the Iraqi government to show the international community some collaborative actions which would to some extent force and convince the United States to find a peaceful multilateral solution. That would also mean providing an opportunity for the intervention of international organizations and a multilateral process instead of the unilateral US action, the outcome of which was difficult for Turkey to rely on. In addition, perhaps a postponement of the war until the summer in which the fighting would be riskier for the US could bring additional time to allow for the prevention of the war.⁵⁷ The possibility of the war and its instabilities were so disturbing that Turkey strived exhaustingly even though it was cognizant of the difficulty of achieving one of the above mentioned options.

Even if it seems that there was a conscious effort on the Turkish side of extending the negotiations compared to the US's efforts for urgency, this does not

necessarily require the existence of any secret agenda of Turkish side. Davutoğlu, emphasized the good will of the Turkish side and said that the:

Turkish Government, by trying to do its best, laid the groundwork for the appearance of an international agreement through the postponement of a motion up to March that would otherwise come in December... Turkey used “constructive ambiguity” in that three-month period.... Because of the responsibility of the partnership, Turkey had anxieties not only about the purpose of the bargaining but also about persuading its *long standing partner*.... Turkey foresaw the explosion of *chaos*, the possibility of Iraq’s disintegration after the war, and the difficulty of controlling this.⁵⁸

Thirdly, and probably one of the most important issue, the negotiations with the US was perceived of as an opportunity for Turkey to formulate a plan B to the American initiative. When all the efforts at preventing the instability failed, Turkey was faced with the painful central reality of the unipolar structure. If the stability could not be preserved, then Turkey could have tried to gain some control over the process by making itself indispensable. This was the most critical part of the process as Turkey was required to finally accept the US’s proposal or leave it. At this point, if it had increased its manipulative power on the both planning and implication stages of the war and worked with the superpower Turkey might have had an

opportunity of not only decreasing the harmful effects of the war, but also the possibility of benefiting. Under such conditions, there would have been no reason for a Turkish rejection. However, this never happened as the US side would not make any concessions and the Turkish side was not convinced.

The US was demanding Turkey to ally with it for a war which would probably drag Turkey into chaos; however, it was not offering any instruments for Turkey to defend itself in the chaotic environment.

Turkish perceptions of the US’s approach did not stimulate optimistic views in increasing Turkish autonomy. Furthermore, the results of negotiations appeared to reduce the authority of the Turkish side in comparison with the US. Since forming alliances means transferring autonomy to some extent, any alignment must be based on common and certain grounds. Without the exchange of some reciprocal concessions, according to the central principle of alliance formation, the alliance would become a liability rather than an asset. The Turkish government was determined and declared its “red lines.” The Turkish concerns can be divided into two main

groups. The first was related to the position of Turkey in the war and the second was about Iraq after the war.

Regarding the first concern, Turkish diplomats were insistently asking some specific questions about the planning stages and possible consequences of actual war.⁵⁹ However, according to Murat Yetkin, the US's answers were not convincing for the Turkish side: "The American authorities were strictly concentrating on their own demands while avoiding giving concrete answers to the questions of the Turkish side."⁶⁰ Turkey was worried about who would command Turkish troops in northern Iraq, the rules of engagement in a possible contact of Turkish troops with PKK militants, the weapons which would be given to the Kurdish Peshmergas by the US so and so forth. It seems that Turkey could not receive any convincing guarantees from the US side. Especially, "increasing concessions to the Kurds in Northern Iraq greatly contributed to this result."⁶¹

One of the most important issues about the lack of trust on the Turkish side was related to the number of troops which would pass from or reside on Turkish territories. The US was demanding to have more than 60.000 troops on Turkey's southeastern border. Such a great number was terrifying for Turkish

policymakers. In a secret report prepared by the Turkish Foreign Ministry it was argued that:

by accepting these demands, Turkey will appear to be hosting an invasion force for 4-5 years and probably just Kuwait will be the second example.... The increasing US presence in our country will gain a continuous character in conjunction with the US project to reconstruct the Middle East.... The capacity of our country to develop *policies which are peculiar to itself* as an important regional power and the regional authority of our country will diminish.⁶²

According to many analysts, the Turkish lack of trust in the United States was confirmed by the US's actions especially after the war. Park argues that "as the chaos and political uncertainty in Iraq persist, the prospect of the country's dismemberment is indeed increasingly seen by some Americans as both a possible and even desirable outcome as an alternative to civil war or to the emergence of an autocratic and possibly theocratic state."⁶³

Regarding the second concern, Turkey wanted to be informed about the future of Iraq after the war. What sort of policies would the US follow? Would Iraq's territorial integrity be preserved? What would happen to the Iraqi military? The disintegration of Iraq was the worst scenario circulating around since it could lead to the establishment of a Kurdish state. Turkish authorities were

not convinced enough on any of these concerns. Abdullatif Şener's statement, on 25 February, present interesting clues about the government's view of the progress made on the negotiations process as he said that "no nice gesture, no motion."⁶⁴

The US was demanding Turkey to ally with it for a war which would probably drag Turkey into chaos; however, it was not offering any instruments for Turkey to defend itself in the chaotic environment. The negotiations seemed to be focusing on economic compensation. However, when the essential risks of the coming war were considered, the economic compensation was not sufficient to receive Turkish support. In fact it seems that the US did not consider the possibility of a rejection. Of course, the power asymmetry may give the stronger side greater capability and self-confidence. When the two sides are not mutually dependent upon each other the stronger side is expected to make only minor concessions. For obtaining larger concessions, the weaker side should be seriously appreciated by the stronger side. As Görener points out "the preponderance of its military strength deludes the US into believing that it does not need allies."⁶⁵

Josef Joffe explains the US behaviour based on this self-confidence as follows:

"Moving unopposed and, then several military technological orbits above the rest, it needed merely, assistants, not allies. And so Secretary of Defense Don Rumsfeld would famously proclaim that the mission determines the coalition and not the other way round. Alliance was now *ad hoc* and a la carte."⁶⁶ The US demanded single-sided Turkish assistance, did not offer an alliance between two equal partners, and did not respond to Turkish concerns.

Turkey, while struggling to protect its autonomy, developed soft and aggressive strategies of avoidance mainly because of its concerns on the possible outcomes of the approaching instability.

Under these circumstances, it was difficult for Turkey to accept the US's proposal. Yet chaos as a result of war was approaching. In order to offset the side effects of the chaos, Turkey tried to increase its manipulative power and determinative role by seeking the possibility of forming at least a meaningful, if not an equal, partnership. Turkey, unfortunately, after its all efforts on all different diplomatic track, was faced with the painful realities of

unipolarity. Yet, Turkey was worried about the risks of rejecting the US and being excluded from the process of a transformation in its region. In the final stage, Turkey had to make a decision between being excluded or included. In conclusion, it rejected being dragged into the approaching instability as an assistant to the US in a way that would make Turkey weaker. Park clearly reaches to the same conclusion:

As war approached, it became increasingly evident that there would be no regional groundswell of support for US-led action against Iraq. In any case, whatever the outcome of any war, Turkey would continue to inhabit the region, and would need to rebuild any fractured relationships with its neighbors, Arab and Iranian.... [The] Turks were concerned about the implications for regional stability of any new war with Iraq, and of its own potential isolation in the region. The crisis served as an acute reminder that Turkey is a Middle Eastern as much as it is a western state.⁶⁷

Conclusion

In order to make sense of the Turkish refusal to allow the US to use its territory

on 1 March, we need to go back to the roots of Turkish position in the unipolar structure of the international system. This article has argued that Turkey, while struggling to protect its autonomy, developed soft and aggressive strategies of avoidance mainly because of its concerns on the possible outcomes of the approaching instability. Focusing on the available evidence has illustrated that by developing five tracks of diplomatic contacts Ankara proactively avoided the US's demands. This kind of behaviour can best be described as a soft and aggressive policy rather than any kind of balancing or bandwagoning.

Further research is certainly required, especially the formal declaration from the Turkish National Assembly's records for the secret sessions held on the motion on 1 March. In fact, ten years has already passed, and according to the National Assembly regulations the records of closed sessions are expected to be published after ten years, which could provide new evidence to retest and revisit the arguments developed in this article.

Endnotes

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The Turkey-Armenia-Azerbaijan Triangle: The Unexpected Outcomes of the Zurich Protocols

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Abstract

This paper analyses the domestic and regional impact of the Turkish-Armenian normalisation process from the Azerbaijani perspective, with a focus on the changing dynamic of Ankara-Baku relations. This line of enquiry is informed by international contexts, notably the 2008 Russian-Georgian war and the respective roles of the US and Russia. The first section reviews the changed regional dynamic following two regional crises: the August War and the Turkish-Armenian rapprochement. The second section analyses domestic reaction in Azerbaijan among political parties, the media, and the public. The third section will consider the normalisation process, from its inception through to its suspension. The authors find that the crisis in Turkish-Azerbaijani relations has resulted in an intensification of the strategic partnership, concluding that the abortive normalisation process in many ways stabilised the pre-2008 status quo in terms of the geopolitical dynamics of the region.

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Key Words

Zurich Protocols, Turkish-Armenian rapprochement/normalisation, Russo-Georgian War, Nagorno-Karabakh conflict, Azerbaijani-Turkish relations.

Introduction

Between 2008 and 2009, Azerbaijan's foreign policy was thrown into a state of crisis. The Russo-Georgian War in August 2008 followed by the attempted Turkish-Armenian rapprochement process (initiated in September 2008) unsettled geopolitical perspectives across the Caucasus and the wider region, throwing traditionally perceived axes of threats and alliances into question. Before the dust had settled on the first conflict, another was already brewing, destabilising many of Azerbaijan's basic foreign policy assumptions. Baku was confronted with the difficult and traumatic task of redrawing its psychological map of the region, and, consequently, its foreign policy agenda.

The Turkish-Armenian rapprochement process generated serious concerns in Azerbaijan, at both the public and governmental levels. The particular worry was how the improvement in Turkish-Armenian relations would affect the resolution of the Azerbaijani-Armenian Nagorno-Karabakh conflict. The immediate cause of the closure of the Turkish-Armenian border was Armenia's 1993 occupation of Kelbajar, one of the seven adjunct districts to Azerbaijan's Nagorno-Karabakh region. Baku's resistance to the normalisation process was and is based on the argument that the settlement of the Nagorno-Karabakh conflict and the opening of the Turkish-Armenian border should, given their connection, move forward in parallel. The normalisation process saw an agreement to establish mutual diplomatic recognition, culminating in the Zurich Protocols in October 2009, signed in the presence of the Russian, French and Swiss foreign ministers and the US Secretary of State. However, neither party has ratified the protocols, and the process has essentially been frozen pending progress on the Nagorno-Karabakh conflict. Six months after the signing, Prime Minister Recep Tayyip Erdoğan's declaration that Turkish parliamentary ratification was contingent on the conflict resolution progress prompted condemnation from the Armenian side, and an official

suspension of their ratification process. President Sargsyan's statement did, however, express Yerevan's "desire to maintain the existing momentum for normalizing relations".¹ The partial rapprochement led to vociferous debate in Azerbaijani society, paralysing political groups in their visions of Turkey.

Two Crises: Redrawing the Political Landscape

In geopolitical terms, the immediate casualty of Russia's intervention in Georgia was regional energy security. In Azerbaijan's eyes, the events of August 2008 revealed some uncomfortable realities: first, that Georgia could no longer be considered an entirely reliable transit route for Azerbaijan's oil and gas, and second, that Russia would be willing to use its military and political arsenal for the destruction of Azerbaijani and Caspian hydrocarbon exports.² Furthermore, the war significantly changed Azerbaijan's perceptions of the EU, NATO and the US in terms of their political clout and regional strategies. Many among the Azerbaijani political elite were convinced that the EU was ill-prepared to deal with a major crisis in its eastern neighbourhood, that the price of NATO membership was too great, and that the US would struggle to balance Moscow's influence in the Caucasus.

In the end, Georgia's physical energy infrastructure was essentially unharmed, though total conflict-related damage was estimated at US \$38 million.³ The real damage was to international perceptions of the region's energy security, the cost of which remains hard to gauge.

The war significantly changed Azerbaijan's perceptions of the EU, NATO and the US in terms of their political clout and regional strategies.

The war compelled Baku to abandon its assumption that Russia would refrain from acts of aggression against its neighbours. Russia's willingness to deploy military force- even after the signing of the EU-brokered Six Point Peace Plan⁴- revealed new regional realities, whereby Moscow's grip on the region is arguably stronger than ever. Russia's recognition of the independence of the breakaway territories of Abkhazia and South Ossetia was worrying for Azerbaijan in the context of another territorial conflict: Nagorno-Karabakh. Though Moscow hastened to say that the Nagorno-Karabakh conflict should be considered as a separate issue, Baku perceived an implicit threat. The signing of the Moscow Declaration "On Regulating the Nagorno-Karabakh Conflict" by the presidents of Armenia,

Azerbaijan, and Russia following talks in Moscow in November 2008 sent a clear signal regarding Russian influence and its continued position as chief peace-broker, bolstering President Medvedev's claim in late August 2008 that Russia had "privileged interests" in its bordering countries.

The August War also led Baku to reconsider its faith in the nature of US regional engagement. Prior to August 2008, Baku had seen Washington as a potential deterrent to Russian regional supremacy, and despite the political support Tbilisi enjoyed from President Bush at the height of the conflict,⁵ Baku struggled to revise its impression with the Russian reset policy initially pursued by the Obama administration. Azerbaijan was frustrated by what it saw as a shift in US regional engagement, whereby the Georgian-Azerbaijani tandem was replaced by a focus on the Turkish-Armenian rapprochement. That Washington was pressing Ankara to normalise relations with Yerevan without making any causal link to the unresolved Nagorno-Karabakh conflict- the reason that Turkey had originally closed its borders in 1993- angered Azerbaijan and seriously threatened relations with the Erdoğan government.

Baku perceived Washington's rapprochement initiative as the flashy

centrepiece in complex negotiations between the Obama administration, Armenian advocacy groups in the US, the Armenian government, and Turkey. The US administration, unable to deliver on promises of genocide recognition, instead sought to alleviate Armenia's economic predicament by opening the Turkey-Armenia border. A significant improvement in relations between Ankara and Yerevan, argued many US strategists, would not only help to stabilise the volatile South Caucasus but would also reduce Armenia's political and economic dependence on Russia and Iran, which would clearly serve American interests.

For Ankara, the Russo-Georgian conflict provided a catalyst for regional rapprochement. After a ceasefire stopped the violent five-day war, Prime Minister Erdoğan released his proposal for a "Caucasus Stability and Cooperation Platform" (CSCP), aimed at fostering peaceful relations across a region that had become increasingly vital to Turkey's energy interests, in line with his Foreign Ministry's "zero problems with neighbours policy".⁶ Ankara sought to work in close cooperation with Moscow on the details of the initiative,⁷ and Russia, happy to see a regional initiative untainted by Western hands, pledged its support.⁸ The three South Caucasus countries, however, were less enthusiastic, with Georgia in particular

expressing wariness. Though there was no explicit rejection of the initiative by Tbilisi, Georgian analysts feared that a significant component of the CSCP, the proposed Turkish-Armenian deal, would pose a threat to Georgia's economic and security interests.⁹

The US administration, unable to deliver on promises of genocide recognition, instead sought to alleviate Armenia's economic predicament by opening the Turkey-Armenia border.

Primarily, the normalisation of Turkish-Armenian relations would weaken Georgia's position as a major transit country in the region and Tbilisi could lose its dominant position in energy projects. Secondly, if Armenia were to become less dependent on Georgia, it could become more active in supporting the demands of Armenian nationalist groups active in the Georgian province of Samtskhe-Javakheti, threatening domestic and regional stability. Furthermore, the whole process was perceived by Tbilisi officials as part of a common Russian-Turkish agenda to reduce the influence of Western powers in the region, which would in turn make it easier for Russia to turn Georgia into a satellite state.

The fallout from the August War transformed the geopolitical realities of the South Caucasus, and in this regard Ankara found itself juggling the potentially conflicting demands of multiple relationships: with Russia, with the West, and with each of the three South Caucasian states. The Turkish government's strategic objective has been to turn the country into a major energy hub, and the obvious vulnerability of the transit lines running through Georgia prompted Ankara to rethink its overall Caucasus strategy.¹⁰ Ankara's leading foreign policy makers- flying the flag of the "zero problems" policy- recognised that in the wake of the August War, land-locked Armenia was even more isolated, due to the severance of ties with Russia via Georgia. As mentioned above, this situation created immediate impetus for the Turkish-Armenian rapprochement process. On the other hand, Ankara faced a strategic dilemma: how could Turkey normalise relations with Armenia without ruining the strategic partnership with Azerbaijan, which remained crucial to its energy ambitions?

The Attempted Rapprochement and the Azerbaijani Response

The Turkish-Armenian border was closed by Turkey in 1993 following

Armenia's occupation of the Azerbaijani district of Kelbajar. The UN Security Council adopted Resolution 822¹¹ on 30 April 1993, condemning the occupation of Kelbajar, demanding respect for the political sovereignty and territorial integrity of Azerbaijan, and supporting the immediate, full and unconditional withdrawal of all occupying forces from the occupied areas of Azerbaijan. In 2001, a Turkish-Armenian Reconciliation Commission was established with a view of normalising bilateral relations and, in the longer term, achieving historical reconciliation. The commission functioned until 2004. Throughout this time, the air space remained open, civil society initiatives were ongoing, and most importantly, trade via Georgia continued. However, the border remained closed, and official relations were frozen.

Despite this increasing contact, Baku did not voice any detailed position on Ankara's role in the Turkish-Armenian rapprochement until April 2009.

From the Azerbaijani perspective, the rapprochement process emerged over three stages:

- i. September 2008 - April 2009: “Football diplomacy”;
- ii. April 2009 - October 2009: The build up to the Zurich Protocols;
- iii. October 2009 - April 2010: The failed ratification and suspension of the process.

As Turkey’s ambitions to become a regional leader and economic power grew, the blockade became to be perceived as increasingly troublesome, a perception which created the conditions for reconciliation and normalisation. Private meetings between Turkish and Armenian officials began prior to 2008, and contact intensified when President Gül sent an unusually supportive message to congratulate President Sargsyan on his election in February 2008. Then in what has since been termed “football diplomacy”, in September 2008, President Gül accepted an invitation from his Armenian counterpart to visit Yerevan for a FIFA World Cup qualifying match between the two national teams, Armenia and Turkey. Gül was the first Turkish head of state to visit Yerevan. Despite this increasing contact, Baku did not voice any detailed position on Ankara’s role in the Turkish-Armenian rapprochement until April 2009. The likely catalyst for Baku’s harsh reaction was President Obama’s visit to Turkey in that same

month, and his statements regarding the opening of the Turkish-Armenian border to promote development, which upped the ante and significantly increased concerns in Azerbaijan. Thus, as Turkish-Armenian talks played out behind closed doors, Turkish-Azerbaijani relations reached a near crisis point. The problem was the source of Baku’s information: Russian intelligence. It was widely reported in the Azerbaijani media¹² that Azerbaijani officials had received detailed information on the secret negotiations between Ankara and Yerevan—specifically that progress on Nagorno-Karabakh was *not* a pre-condition for rapprochement—during a visit by the Russian Federal Security Service (FSB) Director Alexander Bortnikov to Baku. Bortnikov came to Baku at the end of March 2009 on the occasion of the 90th anniversary of the Azerbaijani National Security Ministry. During this visit he apparently met with President Aliyev to inform him about the Turkish-Armenian talks. Thus in the first weeks of April, the Azerbaijani government remained unconvinced by declarations by Turkish officials regarding the existence of a proviso on Nagorno-Karabakh, and it was not until the visit of Prime Minister Erdoğan in May 2009 that the situation began to change.

The concern in Baku was that the normalisation process was not being tied

to the immediate cause of the breakdown in relations back in 1993. The crisis officially began when Azerbaijani President Aliyev cancelled his trip to Istanbul for the Alliance of Civilisations Summit, held on 6 April 2009. For Baku, it was worryingly late in the day that they finally received official assurance from Ankara that normalisation would not take place in isolation of the Nagorno-Karabakh issue. That finally happened in May 2009, and was also followed up by a prime ministerial visit to Baku, with a delegation that also included a number of high profile ministers: in addition to Minister of Foreign Affairs Ahmet Davutoğlu, the energy, foreign trade, transportation, and culture and tourism ministers journeyed to the city.¹³ During the visit, Prime Minister Erdoğan held a joint press conference with President Aliyev, during which he made the unambiguous declaration that “[t]here is a relation of cause and effect here. The occupation of Nagorno-Karabakh is the cause, and the closure of the border is the effect. Without the occupation ending, the gates will not be opened.”¹⁴

Reaction of the Azerbaijani Government

Azerbaijan saw Obama’s visit to Turkey and his statements on rapprochement as evidence that Turkey was realising a US-

sponsored initiative. Tensions continued to increase, with, as mentioned above, President Aliyev announcing that he was boycotting the April 2009 Istanbul Summit of the Alliance of Civilisations in reaction to the possible Turkish-Armenian reconciliation being discussed in the absence of a breakthrough on the Nagorno-Karabakh conflict. Shortly after the summit, Aliyev publicly condemned the rapprochement initiative, calling it “a mistake”.¹⁵ He expressly criticised Washington’s role in encouraging Turkey to open the border with Armenia, despite the continued occupation of Nagorno-Karabakh and the seven adjunct districts. Importantly, the normalisation process was not an exclusively US-driven initiative; private negotiations had already started in Zurich between the two parties long before Obama’s election, and actors within the EU also played important roles.¹⁶ Again, Obama’s 2008 election campaign had included a declaration to the powerful Armenian diaspora in the US that the April 1915 events should be recognised as genocide. As expected, Turkey balked at this, but tempered its refusal with what was arguably a much more significant gesture, an agreement to cooperate with a US-led peace and normalisation process.

In this context, President Gül’s statement that “Turkey thinks of

Azerbaijan in her every act”¹⁷- following his meeting with Obama on 6 April- failed to reassure the Azerbaijani government, which remained firm in its demand that the resolution of the Nagorno-Karabakh conflict should be a necessary pre-condition to the opening of the Turkish-Armenian border. That this was not the case caused outrage and disappointment in Azerbaijan at both the public and official levels. Many Azerbaijanis felt that Ankara was distancing itself from Azerbaijan through these actions, and the announcement that Ankara and Yerevan had held secret talks and openly committed to a roadmap for normalisation fuelled this sense of betrayal. On 22 April 2009, the foreign ministries of Turkey, Armenia and Switzerland issued a joint statement saying that “[t]he two parties have achieved tangible progress and mutual understanding in this process and they have agreed on a comprehensive framework for the normalisation of their bilateral relations in a mutually satisfactory manner. In this context, a road-map has been identified”.¹⁸The official statement on the Turkish-Armenian rapprochement was widely perceived in Azerbaijan as a betrayal of the key principle on which the partnership between Ankara and Baku was based, which was that no accords between Armenia and Turkey should be

agreed to until after the resolution of the Nagorno-Karabakh conflict.

In the initial stages of this diplomatic crisis, the Azerbaijani government pursued a three-pronged strategy that avoided direct engagement with the Turkish government.

Following this development, Baku stressed its official position on a possible rapprochement. After noting that he was not in a position to tell Ankara how to handle its relations with Yerevan, President Aliyev, during a press conference in Brussels with European Commission President José Manuel Barroso on 28 April 2009, shared Baku’s main concerns:

We are getting a lot of official and non-official information about what’s happening between Turkey and Armenia. This is a deal between two sovereign countries, and we have no strategy to stop or impede it, but we, the Azerbaijani people, want to know answer to one very simple question: is the Nagorno-Karabakh conflict a pre-condition for the rapprochement process or not?¹⁹

In the initial stages of this diplomatic crisis, the Azerbaijani government pursued a three-pronged strategy that avoided direct engagement with the Turkish government. Firstly, it mobilised

public opinion through media reports on the negative implications of an unconditional Turkish-Armenian rapprochement on Turkish-Azerbaijani relations. Secondly, it fostered “independent” links between Azerbaijan MPs and the leadership of the Turkish opposition, namely the Republican People’s Party (CHP) and the Nationalist Movement Party (MHP). Both parties believed that unconditional rapprochement with Armenia would damage Ankara’s alliance with Baku. Thirdly, at official meetings and conference across the EU, Azerbaijani officials suggested that Azerbaijan might consider shifting the direction of its energy cooperation toward Russia.

Prior to President Aliyev’s statements in April 2009, the government refrained from directly expressing its position. The first strategy was the mobilisation of the largely state-controlled media in order to persuade the Azerbaijani public that the unconditional normalisation of Turkish-Armenian relations would damage its national interests. Despite the Turkish government declaring that they had not overlooked the Nagorno-Karabakh issue, statements to the opposite effect made by Armenia’s Foreign Minister, Eduard Nalbandyan, caused confusion and distrust. From the beginning of the negotiations and throughout the ensuing diplomatic crisis, Armenian authorities

made it clear that as far as they were aware, the Nagorno-Karabakh issue was not on the agenda of the normalisation talks. Government representatives stated that “the negotiations between parties will continue under the scope of the Minsk Group”, and “the Nagorno-Karabakh issue was not presented as a pre-condition within in Turkey-Armenia negotiations”, raising fears among Azerbaijani officials.²⁰

Each of the parties made clear its concerns about the normalisation process taking place in the absence of conditions pertaining to the Nagorno-Karabakh conflict.

In mid-April 2009, a delegation of Azerbaijani ruling and opposition party MPs flew to Ankara to discuss recent developments and share their concerns with Turkish politicians, mainly from the opposition party. Turkey’s intensifying bilateral relations with Armenia had been discussed in the Milli Majlis, the Azerbaijani parliament, as early as December 2008, and the position had always been clear. In rare agreement, the ruling New Azerbaijan Party and the opposition declared that this intensification would jeopardise Turkish-Azerbaijani relations.²¹ While

the Azerbaijani delegation was in Ankara, Azerbaijan MP Ganira Pashayeva, who is pro-government but officially non-partisan, issued a press release on behalf of the delegation, stating that the opening of the Turkish-Armenian border prior to the liberation of the occupied territories would constitute a major disappointment to the Azeri people, and that it was their “hope and absolute belief that since the only party that stands to benefit from this solution is Armenia, the Turkish people will not let this happen”.²²

The period between October 2009 and May 2010 was a time of active shuttle diplomacy for Azerbaijan. The country used Turkish public opinion as well as its energy card to try to persuade Turkey to reconsider its rapprochement strategy. Baku reached out to Turkey’s government, political parties, civil society, and the public, asking them to consider Azerbaijan’s interests. The more nationalistic members of Turkey’s ruling party and the main opposition parties, the Republican People’s Party (CHP) and the Nationalist Action Party (MHP), opposed the Armenian deal on the grounds that such a deal would be akin to selling out their Turkic brethren in Azerbaijan, and that further, absolutely no compromise should be made on the genocide debate.

With regard to Baku’s trump card, on 14 October 2009, the State Oil Company of Azerbaijan (SOCAR) signed an agreement to sell 500 million cubic meters of gas a year to Russia’s Gazprom starting in 2010, at a price of US \$ 350 per thousand cubic meters. Azerbaijan made it clear: either Turkey ensured that Baku’s demands were met in its negotiations with Armenia, or else Azerbaijan would continue to court Russia and send its Caspian energy supplies elsewhere. The threat and indeed concrete action suggested significant political and economic sanctions in punishment for Turkey’s policy shift.

Domestic Political Reactions in Azerbaijan

The situation offered a rare alignment of opposition and government positions, at least once the reality of the situation had hit home. It was not until Obama’s visit to Turkey (6-7 April 2009) that the opposition spoke out against the Turkish position. Prior to that, there had been a feeling that the ruling party was overreacting, and that anti-Turkish sentiment was being stirred up by pro-Russian groups. Opposition groups stood by the belief that Turkey would not act against Azerbaijan’s national interests. The opposition media portrayed Turkey as naive rather than

politically calculating, with Armenia, Baku's traditional enemy, as the source of blame. However, after the signing of the Zurich Protocols in October 2009, Turkey's active participation in the rapprochement process could no longer be denied.

The chain of causality has been an important factor, with a focus on the notion that without addressing the original problem that led Turkey to close its borders in 1993, no further action should be taken in this direction.

Thus on 8 April the Azerbaijan opposition parties, including Musavat, the Azerbaijan National Independence Party and the National Democratic Party, issued statements against the opening of the Turkish-Armenian border, declaring that Turkey's actions would do "an incurable harm" to relations with Azerbaijan.²³ Each of the parties made clear its concerns about the normalisation process taking place in the absence of conditions pertaining to the Nagorno-Karabakh conflict. Politically, this was perceived as a concession by Turkey to Armenia. The sense of betrayal stemmed in part from the perception that Yerevan had not offered anything to

Ankara in return for the rapprochement, and continued to condemn Turkey's role in the 1915 events. From this angle, there was perhaps a failure among Azerbaijani politicians to understand the extent of Turkey's ambition as a major regional political and economic power. As fears grew, unconfirmed rumours about trade relations between Armenia and Turkey began to fly, including allegations that trade between Turkey and Armenia had hit US \$185 million, and that Turkey was host to 70,000 Armenian citizens who were working illegally.²⁴ The domestic opposition had harboured animosity towards the Turkish government since the October 2008 presidential elections in Azerbaijan- condemned by the OSCE as not reflective of the principles necessary for a meaningful and pluralistic democratic election²⁵- when Turkey did not respond to their pleas for support.

The ruling party implicitly supported the opposition's growing sense of anger and confusion about the rapprochement process, though stopping short of explicit agreement. Political analyst Zerdusht Alizade has assessed this as a clever bit of strategic manipulation on the part of the government. He argued that by encouraging increasingly harsh condemnation of Turkey by the media and in the public sphere, the government succeeded in portraying Azerbaijan as strongly opposed to the normalisation

while retaining fully plausible deniability. Indeed, it publicly disassociated itself from “the level of aggression and reactions in Azerbaijan media against Turkey’s recent involvements; nonetheless, we cannot directly intervene and shape the public opinion.”²⁶ Given that the local media is majority state-owned, it is difficult to accept this statement at face value. To Alizade, the government deliberately sought to fuel tension and influence public opinion, for which purpose the opposition played a crucial role. The mutual intelligibility of the Turkish and Azeri languages meant that media coverage was easily accessible to Turks.

Public Opinion

The public debate in many ways reflected the abovementioned tendency to pursue a historicised and highly reductive interpretation whereby villainous Armenia and politically naive Turkey had conspired to make Azerbaijan the victim of their machinations. As the situation developed, with the signing of the Zurich Protocols marking the peak in the Turkish-Azerbaijani crisis, public debate increasingly turned to historical interpretations rather than new and possibly uncomfortable political realities. For instance, a central debate was based on the question of whether Turkey

would abandon Azerbaijan for the *second* time, the first being the Soviet invasion in 1920.²⁷ Among academics, opinion varies regarding the degree of Turkey’s responsibility for Azerbaijan’s inclusion in the USSR.²⁸ The analogy is weak, and the trend of historical interpretation of the 2008-9 crisis reflected an inability or perhaps merely an unwillingness among Azerbaijanis to acknowledge a new regional dynamic. It is also worth mentioning that accusations of Turkish betrayal were limited to the Justice and Development Party (AKP) government, rather than the nation as a whole, suggesting the depth of feeling that is involved in the oft-cited Turkic brotherhood. Turkish intellectuals reacted to these accusations by suggesting that the Turkish-Armenian normalisation was being manipulated to support pre-existing anti-Turkish sentiment among some circles in Azerbaijani society.²⁹ Others saw Azerbaijan’s reaction as a clear indication that it had “decided to flirt with Russia in order to make progress in its relations with Armenia,” i.e. to use Russian influence to unfreeze the Nagorno-Karabakh conflict.³⁰

Within public discourse, the chain of causality has been an important factor, with a focus on the notion that without addressing the original problem that led Turkey to close its borders in 1993, no further action should be taken in this

direction. Nonetheless, the majority upheld the notion that Turkey had not, in fact, “betrayed” Azerbaijan, arguing that there was no indication of a *long-term* change or shift in Turkey’s historical pro-Azerbaijan stance, and that the public should not rush to judge Turkey’s short-term foreign policy manoeuvres. This line of thinking was based on the notion that first of all, Turkey’s attempts to increase its stature as a regional leader had hitherto respected Azerbaijan’s interests,³¹ and secondly, that there had been multiple occasions where Baku’s own foreign policy had diverged from Turkish national interests. One question that has been raised repeatedly is why Azerbaijan has not formally recognised the PKK (Kurdish Workers Party) as a terrorist organisation.³² Others have pointed to the Northern Cyprus issue; though the Azerbaijani leadership promised in 2004 to provide economic and diplomatic assistance to Turks living under tough conditions in Cyprus, it refused to recognise the independence of Northern Cyprus, sensitive to the possibility that Cyprus would retaliate by recognising the *de facto* authorities in Nagorno-Karabakh.³³ The Turkish liberal media has tended to be quicker to blame Azerbaijan, concluding that while Baku expected support from Ankara on foreign policy issues, it was not stepping in when Turkish interests were at stake.

From another angle, there are those—particularly among historians and public intellectuals—who argued that this move by Turkey would ultimately support the conflict resolution process with regard to Nagorno-Karabakh. Political scientist Leyla Aliyeva suggested that the Turkish-Armenian rapprochement was driven by two primarily pragmatic concerns:

- i. In the long term, the continued political and economic isolation of Armenia will increase the likelihood of aggression;
- ii. History shows that politically isolated states have never sought out reconciliation with their neighbours. By opening the border with Armenia, Turkey will gain an opportunity to put pressure on Armenia in regard to the deadlocked Nagorno-Karabakh conflict resolution process.³⁴

Aliyeva added that regardless of these external developments, the Azerbaijani government must take a more active role in the development of the events and evaluate its own position.³⁵ It is worth reiterating at this juncture that among Azerbaijani political circles the majority did not oppose the normalisation of Turkish-Armenians relations *per se*; the issue was rather that they felt it had to be linked to the withdrawal of Armenian military forces from the occupied Azerbaijani lands.³⁶

Local Media Coverage

Similar to the opposition's approach, the initial tendency toward scepticism of a genuine act of betrayal by Turkey on the part of the politically moderate media in Azerbaijan was borne out by headlines such as "Has Azerbaijan lost her closest ally to Armenia? Is that realistic?"³⁷ published as late as 8 April. The headline reflected general public discourse, where Armenia is the villain, not Turkey, though ultimately the conclusion was the same as that of the government: making concessions to a party that blocks any possibility for conflict resolution would constitute a total fiasco of historical proportions.

The prevailing emphasis in local news coverage was this narrative of betrayal, whether or not any such betrayal was declared. This was reflective of the generally emotional response to political events, as seen in an 8 April article from *Olaylar*, a moderate opposition news agency, titled "Turkish government's betrayal of the people of Azerbaijan". Here, the near-hysterical rhetoric portrays a frenzy of ethnic hatred:

Armenians, who are claiming the occurrence of a genocide [perpetrated by Turkey in 1915] are in a bloodthirsty state. They do not differentiate between Azerbaijani Turks and Turkish Turks. To realize their claims, they fight with us simply because we are Turks. Thus

Turkey's opening of her border with Armenia is nothing but a betrayal of Azerbaijan.³⁸

In the more staunchly nationalist publications, such as the pro-government daily *Yeni Azerbaijan (New Azerbaijan)*, Turkey garnered a good deal less sympathy. Under a similar title to the one cited above- "Would Turkey betray?"- an article from this paper examined the Nagorno-Karabakh issue in the context of Turkey-Armenia negotiations.³⁹ The author reflected:

The belief that the Nagorno-Karabakh problem will be resolved more smoothly due to the opened borders is over-optimistic and moreover a complete fallacy. The only action that would bring peace to the region is opening the border in tandem with the gradual withdrawal of the Armenian presence from the Nagorno-Karabakh. However, as the Armenian president's remarks on the issue indicate, this was not even on table during the final agreement, and thus [the Armenian president] continues to blocks all possibilities for peaceful resolution.

The author also found "upsetting" the discussions of the Nagorno-Karabakh problem in the Turkish media, where, he says, the tendency was to describe the Karabakh conflict as an unfortunate obstruction to the Turkish-Armenian rapprochement, with the latter being Turkey's priority. From the Azerbaijani point of view, generally speaking, the Karabakh issue should trump all else when it comes to regional relations with Armenia.

The Zurich Protocols: Crossing Baku's Red Lines

The rapprochement process culminated, and in one obvious sense perished, in the Zurich Protocols. On 10 October 2009, Turkish Minister of Foreign Affairs Ahmet Davutoğlu and his Armenian counterpart Edward Nalbandyan signed two documents, the “Protocol on the Establishment of Diplomatic Relations” and the “Protocol on the Development of Bilateral Relations”. US Secretary of State Hillary Rodham Clinton, Russian Foreign Minister Sergey Lavrov, French Foreign Minister Bernard Kouchner, and Swiss Foreign Minister Micheline Calmy-Rey oversaw the signing of these protocols, and hailed the end of a gruelling diplomatic struggle and the beginning of a new era for the region. To date, however, neither party has proceeded with the domestic ratification process. Like the Nagorno-Karabakh conflict, the normalisation process remains frozen.

The day before the signing of the protocols, President Ilham Aliyev spoke from Chisinau where he was attending the CIS Summit:

I am absolutely convinced that the resolution of the Karabakh conflict and the opening of the Turkish-Armenian border must proceed in a parallel fashion... Between these two processes there is no official link, but an unofficial

one exists. This tie must be preserved and the two questions must be resolved in a parallel fashion and at the same time.⁴⁰

After the signing of the Armenian-Turkish protocols, the Azerbaijani Ministry of Foreign Affairs issued a press release declaring that Turkey's decision “directly contradicts the national interests of Azerbaijan and overshadows the spirit of brotherly relations between Azerbaijan and Turkey built on deep historical roots”.⁴¹ Despite Ankara's moves to realign itself with Baku's red lines, the Turkish decision to sign the protocols in the first place and Azerbaijan's reaction to that left bitterness on both sides. The attendance in Zurich of high officials from countries that represent the OSCE Minsk Group co-chairs was interpreted by Baku as an indication of their support for Armenian interests, despite the fact that the major international sponsors of the bilateral agreement, the US, the EU, and Russia, all appear to favour the separation of the rapprochement from the Nagorno-Karabakh issue. These factors intensified both government and public disagreements in Azerbaijan on Turkish-Armenian normalisation. Baku's negative reaction at first glance would seem both predictable and justified. Indeed, how could one view the improvement of relations between Azerbaijan's closest ally and its opponent as anything but a weakening of Azerbaijan's position in

the Nagorno-Karabakh dispute? The concern in Baku was that by lifting the sanctions against Armenia, Turkey would be implicitly tolerating what it deemed unacceptable in 1993, and this move would run counter to the interests of Azerbaijan, a country that perceives Turkey as its chief ally.

The main criticism was focused on the text of protocols, which did not include any reference to the resolution of the Nagorno-Karabakh conflict. Arguably, Turkey's perceived obligation to link the normalisation process to the Karabakh issue should have been indicated before the start of negotiations, given that the closure of the borders between Armenia and Turkey was itself the result of the occupation of Azerbaijani territory by Armenian forces. But the nature of the long-frozen diplomatic relations, which continued to cause problems right up until the actual signing of the protocols, made this extremely precarious. Moreover, it is not entirely clear whether the "condition" of Nagorno-Karabakh was brought up after the reaction of the Turkish and Azerbaijani populations, as claimed by the Armenian media and as stated by Armenia during the signing of the protocols, or whether it had been broached at an earlier stage at the government level. Opinions expressed by the Turkish media and in official statements argued that during the signing of protocols, Turkey wanted to use the

Nagorno-Karabakh issue to encourage Armenia on the one hand, and to urge Minsk Group's co-chair countries to increase pressures on Armenia on the other. But after the signing of the protocols, which increased domestic tensions in Turkey, Ankara could only link the ratification to the resolution of the Nagorno-Karabakh conflict in loose terms: "If the process [of Armenian and Azerbaijani negotiations] speeds up, the ratification of the protocols with Armenia will also accelerate," said Turkish Prime Minister Erdoğan the day after signing the protocols.⁴²

For the most part, the Azerbaijani government's position was shared by domestic political leaders, analysts, and the public. Vaga Guluzade, ex-national security and foreign policy adviser of former President Heydar Aliyev, said publicly that "I consider this to be a betrayal of Azerbaijan's interests and a deception of the Turkish and Azerbaijani public. This contradicts the promises made personally by Turkish Prime Minister Recep Tayyip Erdoğan to MPs and the public in Baku."⁴³

The Turning Point

Just days after the signing of the Zurich Protocols, the emotional dimension of Turkey-Azerbaijan bilateral relations became very apparent. In a second round of "football diplomacy", the Turkish and

Armenian presidents were present at a World Cup qualifying match between their teams in Bursa.⁴⁴ When officials in Bursa did not allow the Azerbaijani flag to be brought into the stadium- in line with a decision by FIFA officials- and when a Turkish police officer showed disrespect for the flag, a diplomatic crisis ensued. The Azerbaijani media erupted, and in retaliation for the “flag scandal” in Bursa the Azerbaijani authorities lowered the Turkish flags that fly in Baku’s Martyrs’ Alley, the burial place of Turkish soldiers who fought for the liberation of Baku in 1918.

It is clear to Russia and to many others that peace with Turkey alone is not enough to integrate Yerevan into the West or to reduce Russian influence there.

The flag crisis marked a turning point in the Turkish-Azerbaijani-Armenian dynamic. Prior to the insult at Martyrs’ Alley, Turkish public opinion was for the most part pro-Azerbaijani. Beyond the public, Turkish opposition parties had harshly condemned Erdoğan and the AKP government, accusing them of selling out their allies for the rapprochement process. This public and political support pushed both Erdoğan and Gül to reiterate that Nagorno-Karabakh was a pre-condition for

rapprochement with Armenia. Support in Turkey for Azerbaijan was driven by pragmatic concerns as much as the proclaimed brotherhood; there was a real fear that the ruling party was tearing the country away from its most valuable strategic partner. While the incident damaged Azerbaijan’s image in Turkey- with Turkish nationalists warning Baku “not to mess with the Turkish flag”⁴⁵- its ultimate effect was to shock both countries into their own rapprochement. The brief taste of animosity had been sufficiently unpleasant to scare them back into friendship.

Conclusions: Realities Revealed, Lessons Learned

Following this unexpected sea change in diplomatic relations, the Nagorno-Karabakh peace process, which Turkey had initially sought to disentangle from the negotiations of the two protocols, was revitalised. Turkish Prime Minister Erdoğan called for the combination of the two peace processes when he met with US President Barack Obama on 7 December 2009, and again at a meeting with Russian Prime Minister Vladimir Putin on 13 January 2010.

Armenia did not immediately halt the ratification process; the protocols were approved by the Constitutional Court on 12 January 2010. In Armenia

every international agreement must first be examined by the Constitutional Court before being passed on to the parliament. The court approved the documents, though marked parts of the preamble based on three main concerns. Firstly, Armenia would continue in its efforts to gain worldwide recognition of the 1915 events as genocide. The ruling reminded President Sargsyan that “the Republic of Armenia stands in support of the task of achieving international recognition of the 1915 Genocide in Ottoman Turkey and Western Armenia” as regulated by the Constitution of the Republic of Armenia and the Armenian Declaration of Independence. Secondly, it rejected any connection between the new agreement with Turkey and the Nagorno-Karabakh issue. Thirdly, and most significantly, it stated that the implementation of the protocols did not imply Armenia’s official recognition of the existing Turkish-Armenian border as established by the 1921 Treaty of Kars. In doing so, the Constitutional Court rejected one of the main premises of the protocols, “the mutual recognition of the existing border between the two countries as defined by relevant treaties of international law”.

On 22 April 2010, President Sargsyan issued a decree whereby the ratification procedure of the Armenia-Turkey protocols on normalisation of relations between the two countries was formally

suspended. Accordingly, on 26 April, the bill on the ratification of these protocols was withdrawn from the agenda of the National Assembly. Thus less than a year after the signing of the protocols, the region’s pre-2008 geopolitical dynamic had been restored. The process revealed the political and diplomatic realities of the region, providing guidance for future relations between Turkey and Azerbaijan.

Turkish political elites had believed that the Ankara-Yerevan rapprochement would help reduce Russian influence in Armenia, with some parties suggesting that pro-Russian groups in Baku opposed the normalisation on those grounds. In the end, Russia actually supported the process, arguably for the purpose of creating tensions between Turkey and Azerbaijan, and damaging their energy cooperation.

Better relations between Ankara and Yerevan, most US strategists contended, would help not only to stabilise the volatile South Caucasus but also reduce Armenia’s political and economic dependence on Russia and Iran, which clearly serves American interests. However, as long as there are Russian military bases inside Armenia and along its borders, and Armenian airspace is under the protection of Russian forces, Armenia can easily resist any sort of pressure from Azerbaijan or Turkey, and can safely push back any threat of

military force to liberate the occupied territories. It is clear to Russia and to many others that peace with Turkey alone is not enough to integrate Yerevan into the West or to reduce Russian influence there. This was amply demonstrated by the agreement Armenia signed to prolong the lease for Russian military bases shortly after the normalisation process was suspended.⁴⁶

One consequence of the whole crisis has been the deterioration in US-Azerbaijani relations. Baku criticised the policy the US pursued in pushing Turkey to open the border with Armenia, despite the non-resolution of the Nagorno-Karabakh conflict. From Baku's point of view, Washington's failure to appoint a US ambassador to Azerbaijan during this period was a further insult. It was only after the rapprochement was suspended that visits by high-level US officials started to increase, and at the end of 2010, the US finally appointed a new ambassador to Azerbaijan, though ultimately Obama was unable to secure his reappointment following pressure from the Armenian lobby.

Energy relations played a crucial role in the process. During the crisis in Turkish-Azerbaijani relations, Ankara had feared that by signing energy contracts with Russia's Gazprom, and not explicitly supporting the Nabucco project, Baku was distancing itself from Turkey's

stated ambitions to become a regional energy hub.⁴⁷ But with the suspension of the rapprochement, strategic relations between Turkey and Azerbaijan have intensified, particularly in the energy sector. In September 2010, the two countries signed a bilateral Agreement on Strategic Partnership and Mutual Support, and since then, relations have continued to bounce back with vigour. The signing of the intergovernmental agreement on the Trans Anatolian gas pipeline (TANAP) on 26 June 2012 signalled a high degree of mutual trust, as well as the persuasive power of the energy card.

The full impact of what now seems an intense but fleeting crisis remains to be seen, and meanwhile, Turkey has been able to pursue its ambitions as an international peace-broker over another border, in Syria. The violence emanating from Syria, compounded by the influx of refugees and the diplomatic and military demands entailed in its Middle Eastern role have occupied Ankara almost without a break. However, 2015, the centenary of the 1915 events in Armenia, is likely to bring about renewed pressure on Ankara to consider diplomatic relations with Armenia. The challenge for Turkish policy makers will be to negotiate a range of competing and conflicting political, diplomatic, and economic demands within a neighbourhood and region that is certainly less stable than it was in 2008.

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Turkish-Armenian Normalisation and the Karabakh Conflict

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Abstract

Over three years after the signing of protocols on opening diplomatic relations and land borders, the prospects for Turkish-Armenian normalisation in the absence of progress on the Karabakh conflict are slim. But there is also little sign of a breakthrough in the Karabakh conflict-resolution process. Given these impasses, this article proposes an alternative way forward: an unconditional opening of Turkish-Armenian diplomatic relations followed by a retooling of the Basic Principles. This retooling would accept a linkage between the border opening and the withdrawal of Armenian forces from territory outside Nagorno-Karabakh. It would also reduce ambiguities in the Basic Principles that have stalled the peace process to date. The article first analyses the failure of the Turkish-Armenian protocols, then justifies a change in policy, and finally, proposes a retooled set of interim principles and focuses on intermediate steps that would help normalise Armenian-Azerbaijani relations while deferring the final settlement of Nagorno-Karabakh's political status for a later time.

Key Words

Armenia, Azerbaijan, Turkey, Nagorno-Karabakh, Minsk Group, Turkey-Armenia normalisation, conflict resolution.

Turkish- Armenian Normalisation and the Karabakh Conflict¹

Over three years after Turkey and Armenia signed two landmark protocols on opening diplomatic relations and their land border, the prospects for a full normalisation of Turkish-Armenian relations in the absence of progress on the Karabakh conflict are slim.² The efforts of many Turks, Armenians, and outside stakeholders to comprehensively decouple Turkish-Armenian relations from the Karabakh conflict have not borne fruit. But there is also little sign of a breakthrough in the Karabakh conflict-resolution process, spearheaded by the OSCE Minsk Group, which has the United States, Russia, and France as co-chairs.

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To assert the absence of a linkage between Turkish-Armenian normalisation and the Azerbaijani-Armenian conflict over Nagorno-Karabakh is to depart from a longstanding reality of Turkish foreign policy.

Given these impasses, this article proposes one alternative way forward: an unconditional opening of Turkish-Armenian diplomatic relations followed by the retooling of the Basic Principles underpinning the Minsk Group-led Karabakh peace process into a set of “interim principles” that can guide the work of international peacemakers. These interim principles would accept a linkage between the Karabakh conflict and the opening of the Turkish-Armenian border while reducing certain ambiguities that have stalled the peace process to date. At the same time, they are more modest than the Basic Principles in their pursuit of the intermediate goal of conflict transformation rather than a final settlement of the conflict.

The article first analyses the failure of the Turkish-Armenian protocols. It argues that the Turkish government erred by gambling on the success of the Karabakh peace process, allowing Armenia and international mediators to persuade themselves that Turkey was prepared

to forgo its policy of conditionality. It next justifies a change in the current international approach, explaining why arguments for dropping the linkage are not fully compelling, and why the Basic Principles have run aground. It concludes by proposing a retooled set of interim principles, which includes the opening of the Turkish-Armenian land border and focuses on intermediate steps that would help normalise Armenian-Azerbaijani relations while deferring the final settlement of Nagorno-Karabakh’s political status for a later time and context.

The failed Diplomacy of the Turkish-Armenian Protocols

“We will not sign a final deal with Armenia unless there is agreement between Azerbaijan and Armenia on Nagorno Karabakh.” Turkish Prime Minister Recep Tayyip Erdoğan (10 April 2009).³

“The United States welcomes the statement made by Armenia and Turkey on normalization of their bilateral relations. It has long been and remains the position of the United States that normalization should take place without preconditions and within a reasonable timeframe.” US Department of State Press Statement (22 April).⁴

“Our borders were closed after the occupation of Nagorno Karabakh. We will not open borders as long as the occupation continues. Who says this? The prime minister of the Turkish Republic says this. Can there be any

guarantee here apart from this?” Turkish Prime Minister Recep Tayyip Erdoğan (13 May).⁵

“I want to reiterate our very strong support for the normalization process that is going on between Armenia and Turkey, which we have long said should take place without preconditions and within a reasonable timeframe.” US Secretary of State Hillary Rodham Clinton (28 September).⁶

To assert the absence of a linkage between Turkish-Armenian normalisation and the Azerbaijani-Armenian conflict over Nagorno-Karabakh is to depart from a longstanding reality of Turkish foreign policy. In 1993, Turkey sealed its land border with Armenia, previously open to humanitarian shipments of wheat, after Armenian forces seized the large mountainous Azerbaijani region of Kelbajar, sandwiched between Armenia and Nagorno-Karabakh.⁷ The Turkish government said the border would remain closed- and diplomatic relations unopened- until Armenian forces withdrew from Azerbaijani territory.⁸ This policy has remained in place for 20 years.

In April 2009, after months of quiet preparation, Turkey appeared to reverse course, issuing a joint statement with Armenia that the two countries had “agreed on a comprehensive framework for the normalization of their bilateral relations.”⁹ Six months later, under the

eager gaze of top diplomats from the United States, Russia, the European Union, and Switzerland, the Turkish and Armenian foreign ministers signed two protocols for establishing diplomatic relations and opening the land border that contained no preconditions regarding the Karabakh conflict.¹⁰ Many assumed that Turkey had dropped its longstanding insistence that normalisation was contingent on Armenian troop withdrawal.

The sea change in Turkey’s Armenia policy in 2009, therefore, was not to delink Turkish-Armenian normalisation from the Karabakh conflict but to open negotiations.

Within a few weeks, however, it was clear that conditionality had not been dropped. Instead of ratifying the protocols, Turkish parliamentarians from the ruling party and the opposition insisted that normalisation would proceed only after progress was made on the Karabakh conflict, a position Turkish officials subsequently affirmed.

What went wrong? Did the Turkish government intentionally mislead its Armenian counterpart and international mediators, who had been regularly

insisting upon normalisation “without preconditions and within a reasonable timeframe”?¹¹ Not if you judge by the public statements of Turkish officials. Throughout the process, Prime Minister Recep Tayyip Erdoğan repeatedly linked a successful conclusion of the normalisation process to progress on Karabakh (see, for example, his quotations at the top of this article). While Turkish Foreign Ministers Ali Babacan and, after him, Ahmet Davutoğlu were more circumspect in their public statements, observers interpreted their statements emphasising the importance of achieving parallel solutions as an echo of the Prime Minister’s assertions.¹²

The sea change in Turkey’s Armenia policy in 2009, therefore, was not to delink Turkish-Armenian normalisation from the Karabakh conflict but to *open* negotiations- carry them, really, to their very end- without waiting for signs of progress on Karabakh. While some in the Turkish government may have supported the dropping of conditionality, in the end official policy only sought to make conditionality more respectable. The Turkish leadership appears to have believed that participating in negotiations would allow it to signal a sincere desire to normalise relations, chart a clear vision for the future of Turkish-Armenian relations, and, possibly, ease the way for Armenia to adopt a more pliable position on the Karabakh conflict.

This, however, was not the way many supporters of normalisation understood the disconnect between Turkish officials’ public statements and their seemingly sincere pursuit of normalisation. One reading was that Turkish officials may have been insisting on progress in Karabakh for domestic purposes or to reassure Azerbaijan, but they had genuinely embarked on a new course and were committed to seeing it through to its end. Another was that the Turkish political elite was divided, but that the “doves”, including President Abdullah Gül, supported normalisation and would ultimately be victorious.¹³ Yet another was that the government had belatedly come under heavy pressure from Azerbaijan President Ilham Aliyev, who came to the realisation that Turkey might actually move forward with normalisation if he did not derail the process, but that Baku’s efforts to influence Turkish decision making, including threats to divert natural gas exports passing through Turkey, were destined to fail. The Turkish government’s decision to let Davutoğlu sign the protocols in a high-profile international venue inescapably strengthened the view that the government was serious about normalisation without preconditions.

But in the end, the government did not try very hard, if at all, to secure parliamentary approval of the protocols.

One day after signing the protocols, Prime Minister Erdoğan emphasised the linkage that had been conspicuously absent from the documents themselves, noting that “as long as Armenia does not withdraw from occupied territories in Azerbaijan, Turkey cannot take up a positive position.”¹⁴ This statement led many to conclude that the Turkish government had been misleading Armenia and international supporters of normalisation all along.¹⁵

Insincerity, however, is not the only possible explanation for the protocols’ failure. One might say that the Turkish government was instead guilty of sloppy diplomacy. It expected Armenia and international mediators to treat its representatives’ informal public statements with the same significance as their formal negotiating stance. It also failed to directly counter Armenian and US government assertions that normalisation was to be achieved without preconditions. Most astonishingly, Turkish officials do not appear to have warned the Armenian government or international mediators that the protocols, if signed, would almost certainly not be ratified.

At the same time, the Turkish government appears to have been playing a risky game—betting that the latest stage of the Karabakh conflict resolution process, specifically agreement

on a set of so-called Basic Principles for settling the Karabakh conflict, could be brought to a successful close before the Turkish parliament was to ratify the protocols.¹⁶ In this way, Turkey would be able to square the circle of its Armenia policy: conditionality would be satisfied informally without it having been made an explicit part of the process.

While there were some grounds to believe progress on the Basic Principles might be possible, the prospect of an agreement was still highly uncertain. The chances for success were certainly not so great as to make a prominent endeavour like the normalisation process dependent upon it. But it was either this or ending the “feel-good” diplomacy of the protocols, an outcome that no stakeholder wanted.

Subsequently, Turkish officials blamed the Armenian government for the protocols’ fate. In January 2010, Armenia’s constitutional court ruled that the protocols “cannot be interpreted or applied... in a way that would contradict” an article in Armenia’s declaration of independence underlining Armenia’s support for the “international recognition of the 1915 Genocide in Ottoman Turkey and Western Armenia.”¹⁷ Following this decision, Turks accused Armenia of belatedly introducing its own precondition for implementing the protocols, namely

Turkish recognition of genocide claims. However, the ruling did not in fact change the *status quo*: clearly the Armenian government had not repudiated the country's declaration of independence when it signed the protocols. Nonetheless, Turkish dissatisfaction with the constitutional court's ruling ensured that the government would make no further effort to have parliament ratify the protocols.

Supporters of normalisation rightly seek to implement more modest steps to incrementally regain confidence and trust.

In the end, the diplomatic consensus to ignore Turkey's consistent, if informal, linkage between normalisation and conflict resolution alienated Turkey from Azerbaijan; lent Armenia an unwarranted optimism that change was in the air; made Turkish policymakers look inconsistent, duplicitous, or uncertain; reinforced the fragmentation of US policy across the region; and, in the end, had terminal consequences for the Turkish-Armenian protocols.¹⁸

What Now?

More than three years later, the prospects for full Turkish-Armenian

normalisation in the absence of progress on the Karabakh conflict remain slim. At a press conference in Baku in September 2012, Prime Minister Erdoğan emphasised that the withdrawal of Armenian forces from at least “one or two districts” is a precondition for the opening of the Turkish border.¹⁹

This may be disappointing but it is not that surprising. Indeed, arguments for opening the Turkish-Armenian border unconditionally may be attractive, but they have never been fully compelling. One argument is that Turkey has long had new economic and foreign policy priorities that would benefit from the border opening. But economic interests and Turkey's aspirations to become a regional “center of gravity” are equally well served by keeping the interests of Azerbaijan, their co-religious and co-ethnic neighbour and energy partner, close to heart. A second argument is that the border closure has failed as a mechanism of conflict resolution. But while this is demonstrably true, Turkey might still wish to implement it as a punitive sanction, until Armenia decides for other reasons to withdraw from Azerbaijani territory.

A third argument is that opening the border could facilitate conflict resolution. Armenia's sense of security might increase, which could lead it

to impute a lesser sense of risk in its dealings with Azerbaijan and enable Turkey to become productively involved in the Karabakh conflict-resolution process. Normalisation's role as an element of conflict resolution has had great rhetorical appeal for the US government, a principal backer of normalisation without preconditions. In two speeches in 2010 and 2011, Assistant Secretary of State Phillip H. Gordon noted that normalisation is "a step towards genuine reconciliation in the region", a "contribut[or] to further trust and peace and stability, not just for Turkey and Armenia but elsewhere as well", "the true path to peace and stability and reconciliation in the region", and something that "holds out the prospect of positive transformative change in the region".²⁰ However, these laudable sentiments remain untested: increased security on Armenia's western front could just as well provide Yerevan with the "strategic depth" it needs to avoid making compromises on its eastern front.

A final argument is simply that *something* must be done, as the status quo is increasingly tenuous and risks renewed war.²¹ An Azerbaijani-Armenian arms race, Azerbaijan's loss of faith in negotiations, the ambiguity of Russian treaty obligations to Armenia in the event of an internal conflict, and the

allure of trying to retake at least some territory outside Nagorno-Karabakh all increase the odds of an eventual renewal of conflict. In this context, supporters of Turkish-Armenian normalisation need not guarantee it will have a positive impact on the Karabakh peace process; they simply have to suggest that it *might*. On the other hand, the border opening could also have the unintended effect of increasing Azerbaijani desperation to the point that Baku concludes that war is its best option.

So, while there are good arguments for opening the border without making progress on the Karabakh conflict, none are so compelling to push Turkey toward full normalisation. This does not mean that the process of Turkish-Armenian rapprochement must be halted however. In the absence of forward movement on Karabakh, supporters of normalisation rightly seek to implement more modest steps to incrementally regain confidence and trust. Thomas de Waal, for example, has proposed an appealing list of measures that include increased Turkish connections to the Armenian diaspora (primarily via tourism), direct Turkish Airline flights to Yerevan, limited border crossings, and electricity sales.²² It is also vital to continue efforts to promote cross-border business, civil society, academic, media, film, and cultural connections, along

the lines of the multifaceted “Support for Armenia-Turkey Rapprochement (SATR)” project that the US Agency for International Development funded, with implementation by the Eurasia Partnership Foundation and Armenian and Turkish partners from 2010-2012.²³

At the same time, irrespective of the fate of the protocols, it would be prudent to continue pushing for at least one of the two goals of the protocols: the unconditional establishment of diplomatic relations between Turkey and Armenia. In retrospect, the absence of diplomatic relations appears to have been more a casualty of the early decision to close Turkey’s borders than the reasoned intervention of an external actor seeking leverage. The Armenian state has lost little from the absence of diplomatic relations and has relatively little to gain from their establishment. At the same time, establishing diplomatic relations would offer a promising foundation for Turkish-Armenian rapprochement. It would provide consular and representative services to assist travellers, workers, and businesses of both countries; establish a mechanism for formal communication between Turkey and Armenia that could maintain momentum for full normalisation; and conceivably help facilitate Turkey’s productive engagement in the Karabakh peace process.

From Basic Principles to Interim Principles

A further- if more controversial- way forward would be for international peacemakers to accept a linkage between the border opening and the Karabakh conflict. This does not mean positioning the border opening as some kind of looming demand or precondition. Instead, it could be included as one element of several in a retooled set of “interim principles” peacemakers could use to guide their work rather than continue to push for Armenian and Azerbaijani acceptance of the more ambitious Basic Principles that have underpinned the Karabakh conflict resolution process for years.

While laudable in intent, the Basic Principles have proven too difficult to swallow. The main problem lies with what originally must have seemed their greatest strength: a “constructive ambiguity” that creates the appearance of agreement by papering over critical differences between Azerbaijan and Armenia.²⁴ For instance, the Basic Principles call for “return of the territories surrounding Nagorno-Karabakh to Azerbaijani control” and the establishment of “a corridor linking Armenia to Nagorno-Karabakh,” but Azerbaijan and Armenia have been unable to agree on the timing of the return of territories (whether

or not to allow Armenia to hold some territories as “insurance” pending a final settlement) and the size of the corridor (a road? a region? two regions?). While the Basic Principles call for “the right of all internally displaced persons and refugees to return to their former places of residence”, they fail to address the timing and sequence of that return. Most importantly, while the Basic Principles call for a “future determination of the final legal status of Nagorno-Karabakh through a legally binding expression of will”, this principle has run aground on the details of its referendum-sounding measure (who will vote? when?). In essence, Armenia seeks guarantees that the population of Nagorno-Karabakh will be able to vote for independence at a specified time in the future, while Azerbaijan seeks to promote an intentionally ambiguous proposal on Nagorno-Karabakh’s final status that, in President Aliyev’s words, is to be “put forward at an unspecified time in the future and in an indefinite form”.²⁵ Other principles- an “interim status for Nagorno-Karabakh providing guarantees for security and self-governance” and “international security guarantees that would include a peacekeeping operation”- are less disputed on the surface, although these terms also hide differences that will emerge in efforts to make these elements more concrete.²⁶

Rather than continuing to search for the magic formula that will secure agreement on the Basic Principles as they stand, it may be time to contemplate a set of more explicitly interim principles. The aim of such interim principles would not be to establish a framework for finalising Nagorno-Karabakh’s political status. It is much too early for that.

Instead, the aim is to achieve a feasible *interim* stage that would increase security for all parties, redress at least some of the consequences of conflict, catalyse trans-boundary activity, and ultimately transform the conflict environment in a way that could facilitate the parties’ eventual entry into the final, more difficult, stages of a political settlement. Such interim principles would accept the existing linkage to the opening of the Turkish-Armenian border while reducing the number of unbridgeable ambiguities enshrined in the Basic Principles. At the same time, they would not be complete: they would not resolve the Karabakh conflict in its entirety, and they would not strive to give Azerbaijan or Armenia all that they have sought in the negotiations to date. They also would not represent a package to be delivered to the Armenian and Azerbaijani governments for their formal consent. Instead, they would serve as mutually agreed-upon guidelines for the work of the OSCE Minsk Group and other

international peacemakers, who would then convey to Armenia and Azerbaijan their intention to direct resolution efforts towards achieving these interim elements of a peace process.

After raising hopes, the Turkish-Armenian normalisation process of 2009 failed to come to fruition or spur a breakthrough in the Karabakh peace process.

One set of interim principles that fits this bill is the following:

- the opening of the Turkish-Armenian land border;
- the return of all territories surrounding Nagorno-Karabakh to Azerbaijani control, except the Lachin and Kelbajar districts, which will remain under interim Armenian control;
- the right of all internally displaced persons and refugees to voluntarily return to their former places of residence or seek property restitution, with the modalities of return to Lachin, Kelbajar, and Nagorno-Karabakh to be determined at a later time;
- a commitment by all parties to the non-use of force, including the

removal of snipers and mines along the line of control;

- an interim status for Nagorno-Karabakh that provides guarantees for security and self-governance;
- international security guarantees that would include a peacekeeping operation.

Such retooled interim principles would be of benefit to both Azerbaijan and Armenia. Azerbaijan will have retained Turkey's commitment to make the opening of the border contingent on the withdrawal of Armenian forces. It will have the prospect of receiving much of its territory outside Nagorno-Karabakh, enabling the return of internally displaced persons (IDPs). Azerbaijani refugees from Armenia will be allowed to assert their right of return or restitution.²⁷ Finally, the agreement would not bring about any change in international interpretations of Azerbaijan's *de jure* territorial integrity.

Armenia would also gain from such an agreement. It would receive the expected benefits of a border opening with Turkey and it would continue to retain control (on an interim basis) of the two territories it deems most strategic for the defence of Nagorno-Karabakh. The latter would receive an internationally-mandated codification of its rights

of self-government (“interim status”) for the foreseeable future. Armenian refugees and IDPs from Azerbaijan would be able to assert their right of return or restitution, while the return of Azerbaijani IDPs would be managed in phases. Nagorno-Karabakh would be provided with international security guarantees to prevent Azerbaijan from deploying military forces against it.

This does not mean it will be easy to reach an agreement on or implement a retooled set of interim principles. The Armenian government has long insisted that any linkage between the border opening and the Karabakh conflict is a non-starter, and the US government has repeatedly and vocally agreed with that. Armenia has also long been unwilling to give up territory outside Nagorno-Karabakh without a clear guarantee that the breakaway autonomous region will eventually have the opportunity to opt for formal independence. For its part, the Azerbaijani government will not want to risk signalling any kind of consent to the continued occupation of Lachin and Kelbajar, the drawing of distinctions among groups of IDPs, or the right of IDPs to seek restitution instead of return.

These interim principles also do not resolve all ambiguities. They do not insist upon a specific formula for the timing of Armenian withdrawals from the rest of the occupied territories outside Nagorno-Karabakh, for example. They also do not clarify the content of “interim status” and “international security guarantees”. Hammering out the details of such points in mutually acceptable fashion and with a unified approach by the international actors who will have roles in these structures will remain challenging.²⁸

Conclusion

After raising hopes, the Turkish-Armenian normalisation process of 2009 failed to come to fruition or spur a breakthrough in the Karabakh peace process. With neither the protocols nor the Basic Principles offering a promising way forward along separate tracks, it is worthwhile to consider how the two processes might be constructively linked. At the same time, it is important to keep in mind that neither track is ripe for a “grand” solution.

The above analysis offers one way to weave the two processes together with an eye toward gradual- and, in the case of Karabakh, open-ended- resolution. Other models, for instance alternating incremental steps on each track, might also be worth considering: for starters,

Armenian withdrawal from one or two territories in exchange for the Turkish border opening, for example.

Any such approaches will encounter many challenges, as have the approaches before them, and success is not guaranteed. At the same time, all formal conflict-resolution processes require

substantial and courageous on-the-ground efforts to prepare populations for peace that, to varying degrees, the Turkish, Armenian, and Azerbaijani governments have not been willing (or able) to make. But the protocols and the Basic Principles have run their course. It's time to find something to take their place.

Endnotes

- 1 This article is a revised and updated version of “To Link or Not To Link? Turkey-Armenia Normalization and the Karabakh Conflict”, *Caucasus International*, Vol. 2, No. 1 (Spring 2012), pp. 53-62. The author thanks the editorial board of *Caucasus International* for their reprint permission.
- 2 In this article, “Karabakh” refers to all the territories that are the focus of conflict, including the territory of what was known as the Nagorno-Karabakh Autonomous Oblast (Region) in Soviet times and the territories around Nagorno-Karabakh that are presently occupied by Armenian forces. “Nagorno-Karabakh” refers to the territory of the Soviet-era Nagorno-Karabakh Autonomous Oblast.
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- 6 U.S. Department of State, “Remarks With Armenian Foreign Minister H.E. Edward Nalbandian After Their Meeting”, at <http://www.state.gov/secretary/rm/2009a/09/129687.htm> [last visited 12 January 2012].
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- 10 The protocols are available at <http://www.mfa.gov.tr/sub.en.mfa?93e41cc9-832f-4ec7-a629-a920bfdbb432>.
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- 12 See, for example, Charles Recknagel and Andrew Tully, “Turkey Signals Opening to Armenia Must Include Nagorno-Karabakh Process”, *Radio Free Europe/Radio Liberty*, at http://www.rferl.org/content/Turkey_Signals_Opening_To_Armenia_Must_Include_NagornoKarabakh_Progress/1613844.html [last visited 21 January 2012]; “Turkey Still Committed to Preconditions in Armenia Talks”, *Asbarez*, at <http://asbarez.com/68790/>

- turkey-%e2%80%98still-committed%e2%80%99-to-armenia-talks-with-preconditions/ [last visited 22 January 2012].
- 13 Turkish President Abdullah Gül avoided making explicit statements linking the two processes and did not attempt to debunk the notion put forward by Armenian president Serzh Sarkisian in May 2009 that the two had agreed to “move forward with normalization without preconditions and within a reasonable time frame”. See the two US Department of State statements that opened this article, as well as “President Serzh Sargsyan met in Prague with the President of Turkey, Abdullah Gül”, *Office to the President of the Republic of Armenia*, at <http://www.president.am/en/press-release/item/2009/05/07/news-511/> [last visited 03 February 2013].
 - 14 See, for example, “Little Fun for Soccer Fans, Giant Leap for Rapprochement”, *Today’s Zaman*, 13 October 2009.
 - 15 In particular, the suspicion was that the Turkish government had agreed to declare the formal start of the normalisation process only to avoid a vote in the US Congress on recognizing Armenian genocide claims. Many believed it was no coincidence that the Turkish-Armenian statement was issued just two days before the annual 24 April commemoration. For an expression of such suspicion prior to the signing of the protocols, see the US Congressional letter reprinted in Armenian National Committee of Armenia, “Over 80 House Members Slam Turkey’s Reversal on Proposed ‘Roadmap’”, at http://www.anca.org/press_releases/press_releases.php?prid=1745 [last visited 12 January 2013].
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 - 17 The text of the constitutional court’s ruling is available at <http://www.concourt.am/english/decisions/common/pdf/850.pdf> [last visited 08 January 2013]; The text of Armenia’s declaration of independence is available at <http://www.gov.am/en/independence/> [last visited 08 January 2013].
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- 21 To these justifications might be added two others that could help explain US support for dropping conditionality: responsiveness to domestic lobbying and a possible opportunity to shift the balance of influence in the Caucasus away from Russia and toward the West. These, however, have not been publicly articulated justifications.
 - 22 See, Thomas de Waal, “Armenia and Turkey: Bridging the Gap”, *Carnegie Endowment for International Peace*, at <http://carnegieendowment.org/2010/10/05/armenia-and-turkey-bridging-gap/22p> [last visited 25 January 2013].
 - 23 Information about the project is available at <http://armturkdialogue.net/>. Also see, Sinem Cengiz, “Turkish, Armenian Journalists Want the Border Opened”, *Today’s Zaman*, 3 June 2012; Susanne Güsten, “Using Cheese To Bridge the Turkey-Armenia Gap”, *The New York Times*, 24 October 2012; Göksel, “Turkey and Armenia Post-Protocols: Back to Square One?”. On a separate EU-funded collaborative film endeavour by the UK-based NGO Conciliation Resources, see, Laurence Broers, “Turks, Armenians and Azeris: Mirrors and Memories”, *Journal of Conflict Transformation (Caucasus Edition)*, 1 November 2012, at <http://caucasusedition.net/analysis/turks-armenians-and-azeris-mirrors-and-memories> [last visited 12 January 2013].
 - 24 On the “constructive ambiguity” of the Basic Principles, see, Thomas de Waal, “The Karabakh Trap: Dangers and Dilemmas of the Nagorny Karabakh Conflict”, *Conciliation Resources*, December 2008, p. 10.
 - 25 “Opening speech by Ilham Aliyev at the meeting of the Cabinet of Ministers”, at <http://en.president.az/articles/4105> [last visited 22 December 2012]. In an earlier interview with Russian state television, President Aliyev also said that the determination of final status “could happen in one year, maybe in ten years, or in 100 years, or this could never happen. Time will tell”, *Azertag*, at <http://www.azertag.com/ru/newsarchive?mod=1&date=2009-7-6&id=252&partition=1> [last visited 11 December 2012]. The quotation is cited in translation in, “Nagorno-Karabagh: Getting to a Breakthrough”, *International Crisis Group*, Europe Briefing No. 55 (October 2009), p. 7.
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 - 28 See, Conciliation Resources, “Beyond Exclusion”, p. 7.

The Future of Power

By Joseph S. Nye Jr.

New York: Public Affairs, 2012, 298 pages, ISBN 9781610390699.

Dr. Ian Lesser, in his most recent policy brief for the German Marshall Fund, writes that Turkey is seen as a soft power in the Balkans and the Middle East in the eyes of Turkish foreign policy makers and outside observers (17 July 2012, German Marshall Fund). Turkey is one of those countries which are challenged to find a balance between its hard and soft power capabilities. Turkey is, at the same time, trying to negotiate a transition from a loyal ally of a super power to a mid-range power which hopes to extend its sphere of influence in its wider region. After reading Nye's latest monograph, one wonders what Joseph Nye would advise Turkey regarding the security crises in its immediate region. Is smart power, promoted as the "future" form of power, a panacea for countries who find themselves in Turkey's situation?

In *The Future of Power*, Nye offers a new synthesis, which he christens "liberal realism," that forms the basis for a grand strategy which combines hard power with soft power into a smart power of the sort that won the Cold War (p. 231). Liberal realism is presented as a new synthesis of all international

relations theories that came before it. This book, despite the new smart power and liberal realist synthesis, reads like a rehash of the ideas and concepts of his 2004 and 2008 books, *Soft Power: The Means to Success in World Politics*, and *Understanding International Conflicts: An Introduction to Theory and History*. *The Future of Power* is composed of three parts. Part one consists of definitions of types of power, military, economic, and soft powers. In part two, Nye discusses how power moves, its diffusion and transition, and talks about a new hype, cyber-war. Part three introduces the concept of smart power and outlines the steps towards formulating smart power strategies for the US.

The first chapter in part one is where Joseph Nye defines power as how resources can be converted to preferred outcomes, but he quickly adds that one should be aware of the scope and the domain of power (pp. 6-8). In his review of the three faces of power from Dahl, Baratz and Bachrach, and Lukes, Nye emphasises that framing and agenda setting cannot be collapsed into one dimension of power, as neo-realists like

to argue. As Nye aptly observes about the transferability between hard and soft powers: “A tyrant needs to have enough soft power to attract henchmen” (p. 27). In chapters two and three, Nye deals with more conventional types of power while he reckons that technology is a game changer which tends to lower the costs of conventional forms of military power but is also a double edged sword (p. 37). In cyberwars, he warns, insurgent groups fight the most advanced nations with the very same technology. In terms of economic power, Nye’s verdict is that economic power is highly contingent and it waxes and wanes as states endowed with vast natural resources (such as Russia) battle against states with large markets (or economic blocs such as the EU) who often use the threats of restricting market access using their regulatory power to those beyond their territory (p. 72). Nye adds that efforts to wield economic sanctions depend upon the context, purposes, and skill in converting resources into desired behaviour (p. 74). Soft power is addressed in chapter four of the book where Nye tries to abet the criticisms of his soft power concept for its fuzziness and all-inclusiveness. China, Nye purports, is obsessed with soft power, but the Chinese charm offence often fails due to the regime’s lack of legitimacy in the eyes of the rest of the world (p. 88).

In part two of the book, Nye recognises that networks are the new type of structural power. Connectedness is where the US knew previously how to excel, but has somewhat lost out due to the unilateral and isolationist pressures inside the country. Chapters five and six elaborate on the diffusion and transition of power. Power diffusion occurs most effectively when cyber-tools blur the lines between the organisations with highly structured networks and the individuals with lightly structured networks (p. 138). In chapter six, Nye deals with the question of the US’s decline as a global hegemon. He goes down the list of the likely competitors, dismissing them: China has unsustainable growth; India is too under undeveloped; and Brazil suffers from serious inequality, poverty and infrastructural problems. The rest are not seen as potential challengers in the sense that they are either too small or staunch allies of the US. In the last section of part two, Nye identifies rather effectively three sources of US decline, namely, ballooning debt, political gridlock, and a crisis in secondary education. The last word here is that if the US continues to innovate and be open (even its borders to new immigrants), the US’s hard and soft powers can be sustained.

In the final of the book (part three), Nye finally reveals what smart power is. Since the first time the world public heard the

term “smart power” from the mouth of Secretary Clinton, it has sparked people’s curiosity. As Nye defines it, smart power is a strategic configuration of hard and soft power: “it is not about maximizing power or preserving hegemony.... but about finding ways to combine resources into successful strategies in the new concept of power diffusion and the rise of the rest” (p. 208). Nye lists five steps towards building a US smart power strategy. This particular section reads like a list of policy suggestions for a second Obama administration. Nye concludes that the US will need a smart power strategy that stresses alliances, institutions and networks in order to cope with the rise of the rest even though Nye assures the reader at the end that no other country now or in the future is more capable than the US to “rediscover how to be a smart power” (p. 234).

The Future of Power, unlike the other reincarnations of Nye’s soft power concept, is a more nuanced example of an effort to understand how technology impacts the exercise and diffusion of power. Nye’s important contribution is to make students of international relations think more clearly about the relational aspect of power. Nye, however, would have been more effective if he had presented a more nuanced view of how new types of wars, such as cyberwars, are fought. Generally states fight cyberwars

through hard power and through the disproportionate use of the resources in state hands, such as states resorting to hacking or defacing websites which they deem to be harmful. The larger problem of the book is also a larger problem about the soft or smart power concept: how can soft/smart power be measured? Nye gives only a very small indication for comparing countries’ soft power capacities. In his view, soft power can only be judged from the point of others, allies and rivals alike, and is thus largely contextual.

Reminiscent of Katzenstein’s small states argument, Nye argues that small states rather than military behemoths adapt better to changing conditions (p. 42). Nye also acknowledges that while larger states have more resources, smaller states, and increasingly non-state actors, through the information revolution have enhanced their soft power, and thus have levelled the playing field. What Nye misses to recognise is that historically small states have always made more use of smart power strategies than Nye talks about in order to continue to survive.

Organisationally, each part of the book neatly comprises exactly 100 pages with very concise subsections that deal with a different aspect of power. In my view, the argumentation would have functioned better if the order of the chapters had

been turned upside down with the part on smart power coming first and the other two parts leading from it rather than culminating in it. It is anticlimactic when the reader discovers that the hefty smart power concept at the end is what can be summarised as “context matters.”

This is a helpful book for students of international relations who have been introduced to the vast body of Nye’s work but did not have a chance to read

him in detail. It can also contribute to current and future US foreign policy makers in the Obama administration. In the days and weeks leading up to the US elections, it would be even more useful to domestic and international audiences to compare Nye’s vision for the US with its alternative as brought forth by the Republican nominee.

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Why Leaders Lie: The Truth About Lying in International Politics

By John J. Mearsheimer

New York: Oxford University Press, 2011, 160 pages, ISBN: 9780199758739.

There is a prevalent belief among the citizens of many countries that their leaders do not always tell the truth and communicate frankly with their constituency, especially when national security is at stake, and that delicate policy decisions are made behind closed doors. Yet, scholars and practitioners have lacked theoretical tools and hypotheses for examining the phenomenon of lying in international politics. With this study, however, those interested in the subject will have to look no further. Professor

John J. Mearsheimer of the University of Chicago, regarded as one of the most prominent realist scholars in foreign policy, has penned an incisive treatise on one of the most controversial but least studied aspects of international politics.

Mearsheimer’s *Why Leaders Lie: The Truth About Lying in International Politics* lays the foundation for theoretical analyses on lying as an instrument of statecraft by raising a set of consequential questions: What is lying? Why do national leaders lie to each other? Is lying

commonplace in international politics? Do leaders tell inter-state lies for the benefit of the populace or for themselves and their inner circles? Does the self-help nature of an international system have something to do with the occurrence and frequency of inter-state lying? Undoubtedly, the detailed discussion of these questions throughout the book is instrumental for international relations students to grasp the true dynamics of international affairs.

Building on this framework, this study establishes a typology of seven different forms of lies told by statesmen: inter-state lies, fear-mongering, strategic cover-ups, nationalist mythmaking, liberal lies, social imperialism, and ignoble cover-ups. Here, the author decided to exclude the last two kinds of lying on the grounds that these lies are used to avail merely small groups of elites rather than the entire nation and he names this group of lies as “selfish lies” (p. 23).

Interestingly, this study elicits several unexpected and controversial findings that even took the author aback. The first example of these surprising conclusions is that national leaders and their diplomatic personnel “tell each other the truth far more often than they tell lies” (p. 25). Second, given that political leaders tend to lie, they are more likely to deceive their own people rather

than other governments, even at the risk of potential blowback and/or backfiring. Critics could challenge Mearsheimer’s assertion that inter-state lying is not as widespread a tool of statecraft as one would suspect. Nonetheless, the author underpins that argument with a reasonably solid rationale by stating that “it is usually difficult to bamboozle another country’s leaders, and even when it is feasible, the costs of lying often outweigh the benefits” (p. 28).

Mearsheimer provides a good number of historical examples to support his argument that leaders tell lies to accomplish strategic aims (strategic lies) and direct those untruths at their own public rather than at other states. The author draws almost all of his examples from the history of American foreign policy, e.g., George W. Bush’s lies that Saddam’s Iraq had weapons of mass destruction (WMD) in the run-up to the Iraq war, Lyndon Johnson’s misrepresentation of the Gulf of Tonkin incident, and Dwight D. Eisenhower’s false statements about the American U-2 spy plane’s violation of Soviet air space.

Nevertheless, Mearsheimer’s insistence on drawing all examples from Western countries leaves the reader uncertain as to whether the same hypotheses can be applied to the non-Western world. Critics could argue that Mearsheimer’s

biased decision about historical examples narrows the applicability of his theoretical framework since it fails to explicate different cultural readings and versions of lying. Accordingly, three distinct definitions of lying and Mearsheimer's typology of lies could be interpreted quite differently dependent on a person's cultural identity. For example, some non-Western nations might not even regard concealment and spinning as a lie, let alone two distinct forms of lying, whilst other nations may consider any form of falsehood as a deliberate lie.

Moreover, one of the hallmarks of Mearsheimer's work is that it distinguishes so-called sheer lying from "concealment" and "spinning", which are conceptualised as two other kinds of deception utilised by national leaders in international affairs. However, it can be argued that concealment and spinning are, at best, more nuanced forms of lying that make no substantial difference as long as the ultimate objective is to deceive other governments and their citizens or domestic public. Here, the author deliberately chooses to dissect even subtle nuances between acts of lying, since incorporating spinning, concealment, and outright falsehoods in a single group of lying would imply that lying between national governments is a relatively normal art of diplomacy.

Likewise, in *Why Leaders Lie* Mearsheimer makes a distinction between "selfish lies" and "strategic lies" from the very beginning. He argues that, while the former "have little to do with *raison d'état*, but instead aim to protect leaders' own personal interests or those of their friends" (p. 11), strategic lies are used for the sake of national interest. Thus, the author refers only to strategic lies when he utilises the term international lying. Mearsheimer's stark distinction between "strategic lies" and "selfish lies" also seems to limit the book's perspective since the author's approach relies on a contentious and spurious distinction. National leaders may tell a lie that they believe not only serves the national interest but also benefits leaders' positions in the government and their close associates. Accordingly, it can be speculated that selfish lies and strategic lies are inextricably linked, serving both leaders' calculations in domestic politics and their interests abroad. This mechanism reminds us of the "two-level game theory" which hypothesises international interactions (i.e., international negotiations) as a product of two-tier dynamics: the intra-national level and the international level (Putnam, 1998).

That said, Mearsheimer concedes that his study does not provide all of the insights about lying in international

politics. He actually did not intend to produce an exhaustive piece on the topic of lying and its various forms. Instead, the author zeroes in on strategic lies to provide a starting point for further discussion within the literature. Mearsheimer also proposes a parsimonious theoretical template to scholars upon which future studies can be built. The field of international relations would particularly benefit from Mearsheimer's typology of lies by incorporating quantitative and/or qualitative data in order to develop a more comprehensive analytical framework to examine every form of lying in international politics.

All in all, this book puts forward a novel perspective for the discussion of the art of statecraft and effectively addresses an underdeveloped field within international relations literature

by introducing a theoretical framework and several case studies. *Why Leader Lie* is also a highly entertaining and succinct book which facilitates reading for non-specialists. However, due to its concision, this study leaves readers with many more questions than answers. This impressive book is strongly recommended to scholars, students and also readers in general interested in the hitherto underestimated role of lying as a tool of statecraft in international politics.

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Legal Imperialism: Sovereignty and Extraterritoriality in Japan, the Ottoman Empire, and China

By Turan Kayaoğlu

New York: Cambridge University Press, 2010, 248 pages,
ISBN: 9780521765916.

In recent years International Relations students have had a chance to read many valuable books in which the Turkish

case is used as a theoretical contribution to theories of International Relations. No doubt Turan Kayaoğlu's *Legal*

Imperialism is one of the best examples of this newly emergent literature. The volume reads as follows: the introductory section discusses the rise and fall of extraterritoriality in the 19th century and links this development to debates among International Relations scholars about sovereignty. The first chapter introduces the relation between positive law and sovereignty, with special emphasis on the colonial experience of the 19th century. It also examines the replacement of natural law with positive law, which facilitated Western imperialism in Asia and other colonial locations. The second chapter gives a detailed analysis of how extraterritoriality emerged as a tool of Western imperialism. It also attempts to describe Asian resistance to Western extraterritoriality. The three subsequent chapters are devoted to an explanation of extraterritoriality with three case studies: Japan, the Ottoman Empire, and China. The concluding chapter provides a preliminary analysis of the American legal imperialism which replaced British imperialism following the Second World War. The remainder of this review focuses on the book's contribution to theories of sovereignty and imperialism.

One of the most agreed upon issues in the International Relations discipline is the close relationship between the Westphalian system and sovereignty. According to this assumption, the state

sovereignty of our age is the product of the Westphalian system, in which external intervention in internal affairs was significantly reduced among European states. Turan Kayaoğlu's *Legal Imperialism* is an attempt to challenge the persistent ignorance of "the role Western ideology and the colonial encounter played in the construction of sovereignty" and it argues that "Western state practices and judicial discourses clarified, crystallised and consolidated the elements of sovereignty doctrine" in these encounters (p. 17). For Kayaoğlu, sovereignty is not something developed and consolidated solely within Western thought and practices, but rather through encounters between Western colonial powers and Asian and African states, because the construction of sovereignty requires establishing the 'other' (p. 32-3, 40). In other words, the thing what makes sovereignty possible for the West is the interaction between the Western world and the non-Western world, representing the non-sovereign 'other'. Therefore, "sovereignty is not given but, rather, is created by ideas and practices" of Western actors in their relations with the non-Western world (p. 19). For Kayaoğlu, this relational and constructed character of sovereignty is evident in the "imperial legal episteme" through which the West was/is able to advance its colonial dominance over the East.

The imperial legal episteme excluded all non-Western entities from the sphere of positivist law, in which the law belongs to a specific political community, namely the state. Because of the imagined relation between the state and the positive law of the West, the non-Western entities that had no application of positive law in their domestic affairs were separated from the ultimate character of being a state, i.e., sovereignty. Therefore, all non-Western entities were called ‘non-sovereign actors’. As a result, once non-Western lawlessness had been demonstrated and the non-sovereign character of the East was constructed by the West through the delegitimisation of non-Western law, extraterritoriality emerged “as a natural solution to protect the rights of the Western subject” who travelled to and lived in non-Western societies (p. 34). Extraterritoriality, “a legal regime whereby a state claims exclusive jurisdiction over its citizens in other states” (p. 2), created a difference between the Western states and the others, which functioned as the very basis of sovereignty. In other words, it was extraterritoriality in non-Western societies through which sovereignty of the Western states were clarified, crystallised and consolidated.

The relational character of sovereignty, Kayaoğlu warns us, was not unique to the Western experience because “law has not

only been a tool of imperialism, it has also been a tool of anti-imperialism” (p. 148). The incompatibility of extraterritoriality with territorial sovereignty was used by non-Western countries as a strategy for their fight against the Western domination of their own territories. Although Asian and African countries gained their sovereignty at the end of the struggle, the fight for satisfying the positivist criteria and the constitution of positive legal institutions created mimic states in the non-Western world. However, the spread of Western-style sovereignty did not result in the end of the imperialist relations between the West and the rest. Kayaoğlu also warns us about “the emergence of a new form of extraterritorial jurisdiction” following the Second World War (p. 195). As in the British Empire case, the law, again, has been an imperial tool for the U.S. when it opens “foreign markets and investment opportunities to American companies” all around the world (p. 196).

Kayaoğlu’s fascinating book brings international relations, international law and the study of imperialism together and makes an important contribution towards understanding the way in which the Western world has dominated the rest of the world. By taking western states as a unitary body, the book also challenges explanations based on the realist

interests of relations between states. For Kayaoğlu, “the great powers’ policies regarding extraterritoriality transcended the geopolitical struggle among them. Rivals collaborated with one another against Japan, [the Ottoman Empire and China]. The debates about extraterritoriality should thus be understood

within a Western versus non-Western context rather than as a state-centric strategy” (p. 73).

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Reforming the European Union: Realizing the Impossible

By Daniel Finke, Thomas König, Sven-Oliver Proksch and George Tsebelis

New York: Princeton University Press, 2012, 248 pages,
ISBN: 9780691153933.

The book *Reforming the European Union: Realizing the Impossible* by Daniel Finke, Thomas König, Sven-Oliver Proksch and George Tsebelis is a meticulous analysis of the path that led from the European Convention to the Lisbon Treaty. Through the empirical testing of theoretical arguments on reform making and institutional change it attempts to answer some crucial questions about how reform comes about in a European Union of 27 member states. The authors investigate the role of chief executives, political leaders, governmental agents and voters in this process. Through this comprehensive enquiry they come to the conclusion that

even though there was no final outcome in the form of a revised treaty, they can provide a systematic explanation for every decision and its consequences. They argue that if a majority of EU leaders agree on reform, they will find the strategies to realise it.

The first chapter by George Tsebelis uses a veto player analysis of the process from the European Convention to the Lisbon agreement and he highlights the importance of the new methods used in the negotiation for the European Convention, which were quite different from the usual intergovernmental methods for negotiations. He sees this as the intention of Valéry Giscard d’Estaing,

who refused to accept the status quo as a feasible option. In order to adopt the treaty, Tsebelis argues for the importance of refraining from referenda and making symbolic changes in the text of the treaty, including changing of its name.

Chapter two by Sven-Oliver Proksch investigates the European Convention by examining the positions of the delegates and the presidency, and he identifies the main areas of conflict in partisan differences and over EU jurisdiction. Chapter three by Tsebelis and Proksch argues that it was d'Estaing's strategic leadership through controlling the agenda and his creative, consistent and overpowering agenda-setting process that allowed the countries to go beyond the status quo. In their view, d'Estaing did this through limiting the number of amendments, creating an iterated agenda-setting process, and prohibiting voting.

Chapter four by Thomas König and Daniel Finke focuses on the actors and their positions on the Treaty of Nice, providing an overview of the entire reform process, identifying the relevant actors, and measuring their positions with respect to the jurisdictions and institutional rules of the European Union. They argue that political leaders pursue their interests strategically rather than sincerely, taking into consideration

other actors involved in the process; in other words considering their distance to or from the status quo, and paying attention to domestic actors, mainly other parties and voters. In chapter five the same authors discuss why so many political leaders decided to hold referenda on the constitutional treaty, and argue that the leaders wanted to escape domestic criticism, especially if facing opposition parties whose support was crucial for ratification. They work with the hypothesis that political leaders simultaneously promote national interests and their strategic interests in terms of public support and chances for re-election.

König and Finke turn in chapter six to principals and agents by arguing that the agreement resolved by sending their agents to the negotiating table. They identify the agents' credibility as major sources for their success. The Irish "resistance" is discussed in chapter seven again by König and Finke. They investigate the role of the German presidency, the hottest issues, and the role of the Irish government in the ratification process. In the conclusion, the authors of the book claim that this process had shown that if there is will, Europe "can indeed achieve the seemingly impossible".

The book presents a very thorough and concise analysis. With its clear structure, excellent organisation and heavy empirical focus, it presents probably the most systematic examination of the EU's path from the European Convention to the Lisbon Treaty. It provides very valuable insights for both students of European integration and scholars

interested in the institutional reform process of the European Union. It will be interesting to see to what extent the models and conclusions can be applied in the European Union's future reform efforts.

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Bağımsızlıklarının Yirminci Yılında Orta Asya Cumhuriyetleri, Türk Dilli Halklar – Türkiye ile İlişkiler (Turkic Speaking People and the Central Asian Republics in the Twentieth Year of Independence: Relationships with Turkey)

By Ayşegül Aydıngün and Çiğdem Balım (ed.).

Ankara: Atatürk Kültür Merkezi, 2012, 685 pages, ISBN: 9789751624918.

Turkey's acquaintance with the people in Central Asia after the dissolution of the Soviet Union in 1991 created great enthusiasm among the Turkish public and policymakers. However, this enthusiasm prevented Ankara from realising that rooted political and social realities in Central Asia continued to emanate from the times of the Soviet Union. Scholars from Turkey and the West could not produce an accumulation of knowledge because of the difficulties in accessing accurate information about the region

due to Soviet isolationism. However, thanks to ethnic ties with Central Asia, Ankara, underestimating the remaining Russian influence and the other global powers' aspirations on the region, thought the coast was clear as the Soviet Union had collapsed. Ankara not only lost time and effort until it identified and recognised these realities about Central Asia, but it also could not formulate an effective realistic foreign policy towards the region. Fortunately, after 20 years, as the number of mistakes made during

this initial enthusiasm has diminished, both the Turkish and Central Asian people have begun to learn more about and understand each other.

This book, *The Central Asian Republics in the Twentieth Year of Independence, Turkic Speaking People – Relationships with Turkey*, edited by Ayşegül Aydıngün and Çiğdem Balım, is the first of three books from a project that is aiming to overcome the problem of understanding the political, social and economic structures of the former Soviet republics. The project, “Re-Demarcated Borders, Structured Identities in Eurasia”, aspires to investigate political and social transformations in the region, especially by paying attention to the nation-building and state-building processes in Azerbaijan, Georgia, Ukraine, the Russian Federation and the Central Asian countries in the 20 years following the collapse of the Soviet Union. Presuming that the breakup of the Soviet Union brought about a re-demarcation of borders and the re-structuration of identities that led to severe social, cultural, and political transformations in Eurasia, this project, supported by the Turkish Language Association, the Prime Ministry of the Republic of Turkey and the Atatürk Culture Centre, also aims at analysing Turkey’s relations with these republics and the effect of Turkey and the Turkish language and

Turkish culture on the region; putting forward plausible recommendation for Turkey to develop or reconfigure new relations with the republics; making an accurate analysis of the developments in the region; analysing how Turkic-speaking people have been affected by this transformation; evaluating Turkey’s policy towards this transformation; and investigating how Turkey is perceived by the titular and non-titular Turkic-speaking people in the region.

The book consists of detailed investigations into the political, cultural, social and economic transformation in Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan and Turkmenistan; an examination of the socio-political environment of titular and non-titular Turkic-speaking people in the region; and an analysis of how Turkey and the Turkish people are perceived in these countries. The authors emphasise the importance in the development of Turkey’s relations with the Central Asian republics in the last 20 years. It is believed that an accurate understanding of both the transformation that occurred in Central Asia and of Turkey’s relations with Central Asia in the past 20 years can guide Turkey’s future foreign policy. The authors argue that because of its isolation, it was difficult to get any information about Central Asia in Soviet times. Thus, before the dissolution of the

Soviet Union, there was a belief, not only in Turkey but also in the West, that the Central Asian structures (e.g. political, social, and linguistic) were homogeneous. However, after the dissolution it was seen that all five Central Asian Republics were different from each other. Each republic followed different political and economic strategies. Probably the most severe tragedy was that the Central Asian people got used to the political borders, demarcated by the Soviet regime without taking care of ethnic, cultural and natural realities, and the following years have seen the republics securing the state structures through preserving these borders.

Parallel field research was conducted for this study in June and July of 2011 in all five Central Asian republics. A semi-structured interview method was used. This method allows the researcher to conduct parallel research in the different countries and to compare between each other. In this method, the researcher asks extra questions based on the answers interviewee gives in order to uncover unique information.

This book consists of ten chapters. After the introduction, the second chapter, “An Overview of Central Asian History for Understanding Today”, focuses on the history of Central Asia. It is important to provide a general history

of Central Asia at the beginning because the rest of the book is an investigation of the transformation in post-Soviet Central Asia. It is stressed in the book that it is impossible to understand today’s Central Asia and the ongoing transformations in the region without knowing the Central Asian tribe-like structures, and the diversities and similarities in social, political and economic life of Central Asian people before the nation-states had been formed. After the history chapter the book continues with five consecutive chapters on the five Central Asian countries. These are structurally quite the same and provide data on economic development and population, focusing on the geographic, economic, social, political and cultural structures of the countries. The authors provide historical and factual information about the processes leading to independence. These chapters also investigate the endeavours that were made in implementing unique state- and nation-building processes in each republic by referring to the political characteristics and language policies which were closely related to national identity and nation building. The non-titular nationalities in each country are analysed as well. The circumstances in which the non-titular people live, and the change that has occurred in the lives of these people due to the transformations in the previous 20 years,

are analysed in detail. The perception of Turkey and the Turkish people in these individual countries is also investigated. The eighth chapter, “Turkey’s Foreign Policy towards Central Asia and Turkey’s Operations in the Region in the Previous 20 Years”, as can be understood from the title, consists of an analysis of Turkey’s foreign policy initiatives towards the region. While reading this chapter, readers are going to find out about Turkey’s official and non-official institutions that have been conducting foreign policy activities in the region. In the ninth chapter, “Nation State Building in Central Asia and Turkey: A General Assessment”, Turkey’s relations with the individual Central Asian states over the previous 20 years is investigated. The authors compare Turkey’s relations with each country in the region, and also

analyse Turkey’s changing foreign policy attitudes towards the region according to the transformations in Turkey’s domestic political atmosphere. In the conclusion, “Towards the New Beginnings”, the author examines potential ways to develop Turkey’s relations with Central Asia and emphasises that Turkey’s bilateral relations with the countries in the region are not only shaped by Turkey and the other interacting party, but also by the global powers. The attitudes and approaches of the global powers towards this region have a potential to determine the foreign policies of other actors inside or outside the region.

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John Smith, "Article Title", in Mary Jones (ed.), *Book Title*, New York, New York Publishing Company, 1999, p.100.

Official Papers

Parliamentary Papers: Select Committee on Manufacturers (Parl. Papers, 1833, VI), 0.456. Subsequent references as:

SC on ... (PP, 1839, VII), 00.2347.

Hansard (Commons), 4th ser. XXXVI, 641-2, 22 Aug. 1895.

Theses

For titles of published and unpublished theses use italics:

John E. Smith, *Title of Thesis*, unpublished Ph.D. thesis, Name of the University, Year, Chapter #, p. #

Internet References

Center for Strategic Research of the Ministry of Foreign Affairs, "A Global Spring- Why NATO needs to go Global", at <http://www.sam.gov.tr/perceptions/volume13/autumn/DustinDehEz.pdf> [last visited 21 October 09]

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