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Global governance Crossed perceptions

Editor: Sérgio Eduardo Moreira Lima



Brasília – 2015

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FOREWORD

In a one-day Seminar on 22 October 2013, in Rio de Janeiro, organized by the Alexandre de Gusmão Foundation (FUNAG) in collaboration with the Istituto di Studi Avanzati and the Department of Political and Social Sciences of the University of Bologna, scholars from different parts of the world discussed the topic “Global Governance: crossed perceptions”. The idea was to inquire from different perspectives about the prospects for what appeared to be an international system under pressure to adjust to economic and political changes so as to increase governance legitimacy and to be able to cope with challenges of global reach and nature.

The participants were asked how to discern and identify the direction of the transformation within the international system and to assess the prospects and extension of the changes ahead. As the financial crisis was at the core of an apparent systemic financial earthquake, which exposed the vulnerabilities of market-oriented

ideologies and its institutions amidst the emergence of rising economic powers from the developing world, think tanks and universities from China, India, Europe, the U.S., South America and Asia were gathered to give their own academic views from different angles in order to create greater understanding of this fast-evolving environment of the early 21st century.

This book is not based on the recording of the debates – which, however, remains a rich source of ideas for future editing – but rather on the written papers submitted by the participants. The sequence they are arranged was established by the editors with a view to providing the readers with a balanced narrative from different perceptions of the recent evolution of international relations affecting global governance. Overall, these essays represent more than an effort to understand the world in 2013 and beyond. They constitute an interesting testimony of the different views on current geopolitical changes, the need to better define terminology and concepts to characterize the last decade, to further investigate the nature of the changes and the motives of policy makers in different countries. What their real goals are, how to conciliate a range of different perspectives on interests and values, or at least close the gap on knowledge, extricate ambiguities in search of their motivations and clarity of judgment to compensate for lack of transparency in international relations. In a world of such complexity, the best we can do is to try to understand and explain it in terms of trends and to make predictions in terms of probabilities. The nature and characteristics of the financial crisis which started in 2008 were so complex and broad that no prior cases will offer the necessary guidance.

As one can see by the list of papers which formed the sequence of articles and chapters of the book, the debate was largely focused on geopolitical aspects. Due to time constraint, a number of other

relevant matters closely related to the idea of Global Governance was left for another exercise.

I had the privilege of participating in the debate as Director of the Institute of Research on International Relations (IPRI). At the time, in 2013, Ambassador Jose Vicente Pimentel, then president of FUNAG, conducted the Seminar Global Governance: crossed perceptions. His introductory words to the participants were preserved as preface to this publication.

Finally, I would like to convey my appreciation to FIBRA Foundation, to the Bologna University, and in particular to Professor Carla Salvaterra, who wrote the postface to this book, for her collaboration with FUNAG in organizing this debate on global governance as well as to all participants from different parts of the world for their contribution to this exercise.

Sérgio Eduardo Moreira Lima

Ambassador, President of Funag



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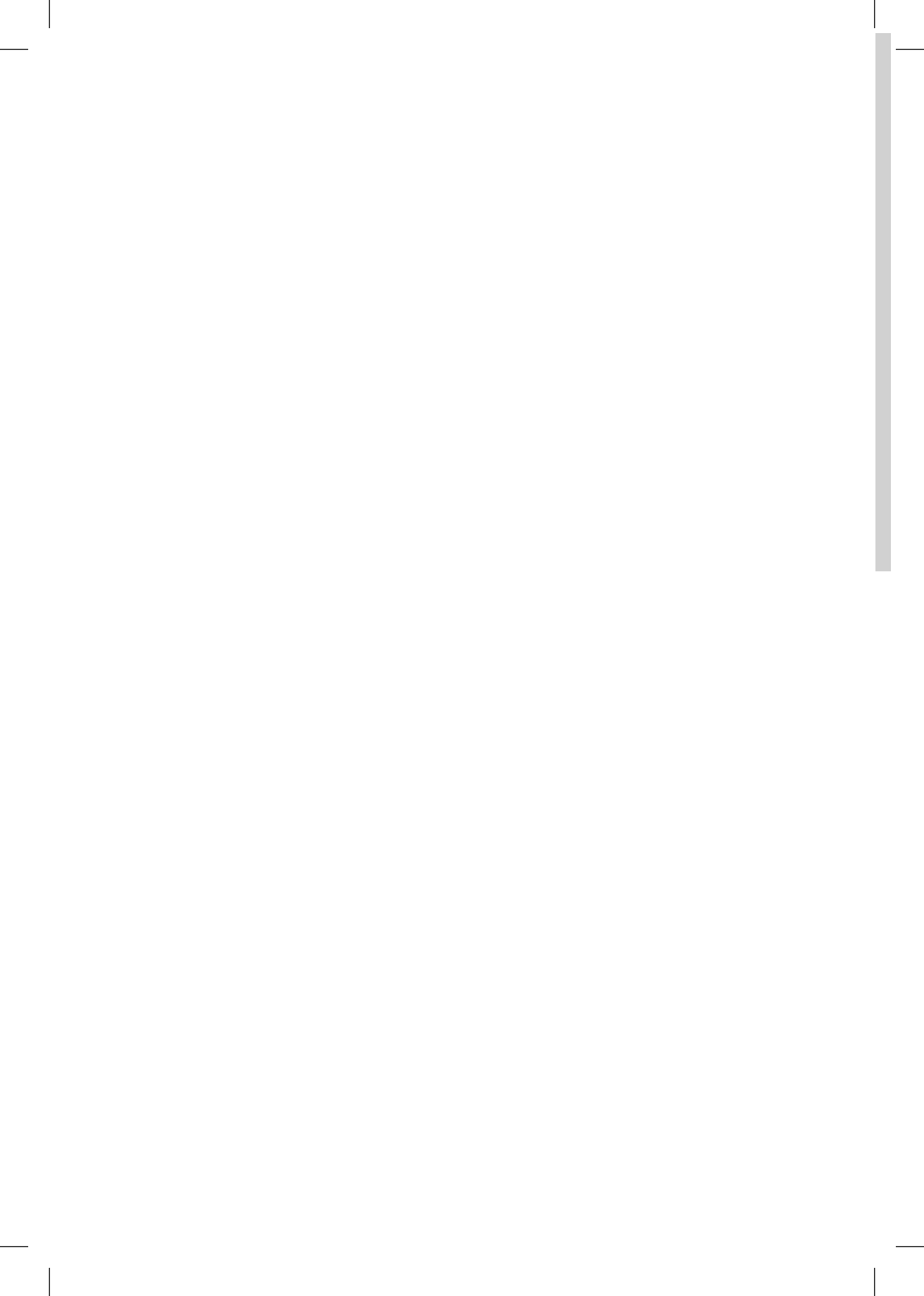
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OPENING REMARKS

*José Vicente de Sá Pimentel**

This seminar is the first event to be conducted within the scope of the cooperation agreement signed in October 2012 between the Alexandre de Gusmão Foundation (FUNAG) and the *Università di Bologna*. To FUNAG, a partnership with an institution as prestigious and far-reaching as the University of Bologna is very honourable, as well as opportune. To

* Ambassador. Graduated in Law from the University of Brasilia (1970). Served at the Embassies in Washington (1973), Santiago (1976), Paris (1982), Guatemala (1985), New Delhi (2004) and Pretoria (2008). Director of the Institute of Research on International Relations (IPRI) from May 2011 to June 2012. President of the Alexandre de Gusmão Foundation from July 2012 to January 2014.

me, personally, working with Vice-Rector Carla Salvaterra has not only been a privilege, but also a pleasure I hope to renew in future occasions.

The idea for this debate arose soon after the signature of the agreement. Throughout 2012, there was an acute feeling that the global economy headed towards a deceleration in U.S. economy, aggravated by the struggle between Democrats and the “tea party” Republican radicals, which raised doubts regarding the functionality of the North-American political model. The only thing to ensure the vitality of global economy was the strength of the Chinese economic growth, whose model, according to current interpretation, benefitted from farsighted planning and precise management of an authoritarian but competent government. Thus a scenario of relative U.S. decline and consolidation of China as the second pole of world power unfolded. The political and economic unease in Europe, together with the Chinese choice to act together with the BRICS reinforced the perspective of multipolarisation of power hinted at during G20 meetings.

However, this scenario was not seen equally in all corners of the world. Many viewed the possibility of multipolarisation of power with disdain, and contested the sustainability of the BRICS or the cohesion of emerging countries, denied the hypothesis of U.S. and European decadence and saw China’s ascension with apprehension, as something to be avoided or co-opted.

The situation was and remains unclear, as well as unstable. A year after the first exchanges between myself and Professor Salvaterra, U.S. decline is indeed debatable, given the resilience of its society, technology and economy, which is beginning to benefit from more optimistic statistics. Despite that fact, there is no consensus regarding the end of the crisis; in fact, some experts predict that the effects of the 2008 crisis will be felt as far as

2018. The Chinese phenomenon, in turn, highlights the existence of considerable questions in the social and environmental fields, to name a few. Individually, the BRICS fluctuate, and their group action gives grounds for the critique, unfair as it is popular, that results remain well below the expectation they have generated. The G20 appears to have shrunk and lost the spotlight of global attention, which creates fear that efforts for the construction of inclusive global governance mechanisms also fade into obscurity. Asian countries claim this to be the Asian century, while Africans retort that it is the African century and Latin-Americans appear to struggle to define and consolidate a harmonious regional agenda.

Such a climate of uncertainty stimulates clashes of views on the challenges and opportunities inherent to a transition period such as the present one. The purpose of this seminar is to provide an opportunity for the clarification of doubts, expectations and, occasionally, the gambles of academics representing countries with a decisive participation in today's international foreign policy, as well as others who, due to being on the margins of the main international scenario, have their own motivations and conclusions, often differing from the mainstream opinion on the evolution of the situation.

Thus, we shall hear North-American and Chinese scholars crossing their perceptions and analysing the role of U.S. and China in the 21st century power configuration.

Afterwards, we will focus on the financial-economic crisis, whose epicentre is Europe, even though its effects are felt worldwide. The nature of the crisis is complex; our partners in Bologna recall, for instance, Silvio Berlusconi's comment that current problems "do not prevent restaurants from always being full". One could even add that Berlusconi's own trajectory prompts the need for discussing the political aspects that broaden the range

and blur the outlines of the crisis. There is much to discuss with the European representatives present here.

The uneasiness observed throughout the world is not only economic. The political models are also being challenged, but there are no new models to replace them, or at least there are no clear advantages for the Chinese or Chavist systems over Western democracy. Nevertheless, one can observe a sort of rupture in internal consensus within mature democracies, while developing countries maintain stability.

Present here are representatives of two developing countries of strong personality and peculiar characteristics. Azerbaijan is located between Asia and Europe and has developed relations with both throughout the times, while preserving, however, its individuality, even during the period it was absorbed by the USSR. Its mostly Islamic population has deep and even linguistic connections to Iran. Due to its diversity, Azerbaijan is rightly considered a *transcontinental nation*. Also represented here is Sri Lanka, former Ceylon. Its strategic location in southern Asia has been of extreme importance since the times of the Silk Road, through the second Great War. Still today, Sri Lanka has strong political-economic connections to India, based on historical, ethnic and cultural ties. Relations with China have become increasingly intense lately, which makes the country a privileged observation point for present tendencies in these countries specifically, and in Asia in general.

We will also count on the participation of two South-American scholars: one from Argentina, our esteemed neighbour of immense potential and a trajectory not always linear, and the other from Colombia, which presently has the largest population of all South-American countries, and has recently been standing out due to its

aggressive policy of foreign commerce, which, to some, distances the country from Mercosur.

Brazil is strongly interested in seeing through the bramble of the global scenery, so as to maintain its interests and attune itself with current trends to continue on a balanced trajectory and is able to make the best of the opportunities arising along the way. For that, it is extremely useful to know how our partners think, and to explain our points of view to them. I hope this seminar can foster an exchange of high-level assessments, ideas and proposals that work to the benefit of all – including the readers who will later have access to the book resulting from our debates.

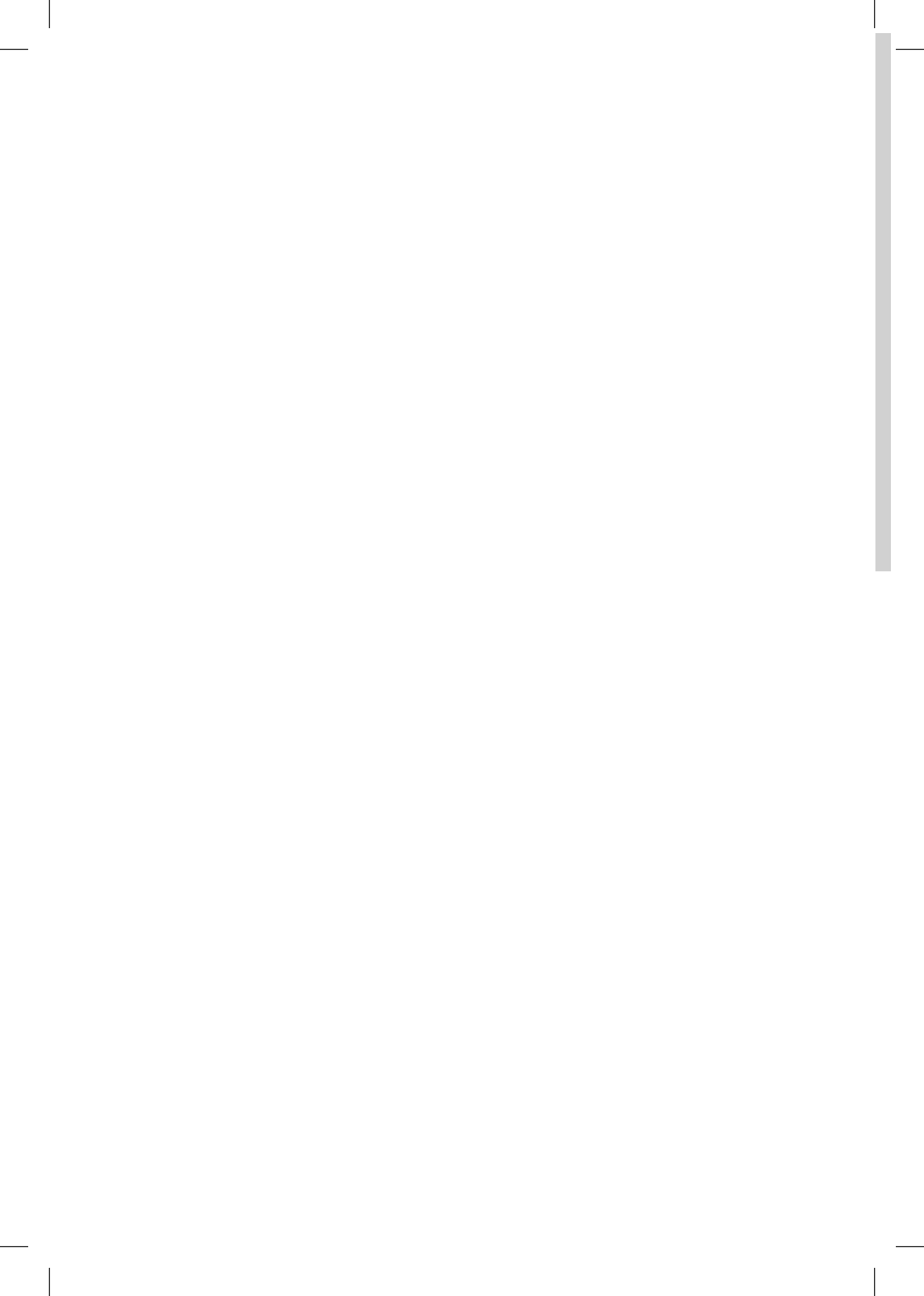
Before concluding, I would once more like to thank you all for your presence and to reaffirm the satisfaction brought by this work with the University of Bologna.

Good work to all.



PART I

THE ROLE OF CHINA AND U.S.



CHINA'S PERCEPTION OF THE U.S. IN GLOBAL GOVERNANCE

*Sun Hongbo**

INTRODUCTION

The discussion of global governance covers a wide range of debatable issues including the specific field, the goal setting, the participation role, the architecture design, the function mechanism, etc. It is very complex to explain well the Chinese perception of U.S. in global governance, because the high complexity of China-U.S. relationship has gone beyond

* Associate Professor at the Institute of Latin American Studies, Chinese Academy of Social Sciences.

the bilateral ties to the regional and global issues with more involvement of the domestic and international politics from both sides.

There are many factors that have influence on Chinese perception on the U.S. in the global governance, including politicians, different departments within government, the general public, the media, business circles, scholars and other roles. Thus, this paper will mainly focus on how Chinese new leadership has perceived the U.S. on different issues in today's global governance, based on the analysis of Chinese formal official documents and leaders' public speech.

As global and regional challenges increasingly form part of the U.S.-China agenda, the United States faces a huge deficit in its understanding of China's interests and influence. The scope and importance of China's emergence extends well beyond the China-U.S. relationship. Historically speaking, it is difficult to answer whether a rising power and an established power can get along with each other. Nowadays, China and the U.S. have been facing similar arduous challenges.

The rise of emerging powers and the shift of world growth gravity and power are making international relations more democratic. The emerging powers are increasingly becoming the protagonists in the international arena, playing an increasingly important role in the current international system transition.

The key for China-U.S. future relationship lies in a joint search for a new model of interaction so as to break the vicious circle of zero-sum competition between big powers.¹ Since Chinese new leadership came into power from the end of last year, China has

1 Ruan Zongze, *A Historic Opportunity to Establish a New Type of Great Power Relationship between China and the United States*, Dec 31, 2012, China Institute of International Studies. Available at: <http://www.ciis.org.cn/english/2012-12/31/content_5638120.htm>.

proactively proposed that the two countries establish a new model of major country relationship that is based on non-conflict, non-confrontation, mutual respect, and willing cooperation.

CHINESE NEW LEADERSHIP'S PERCEPTION OF THE U.S.: A NEW MODEL OF MAJOR-COUNTRY RELATIONSHIP

Now China is a stakeholder in the current international system. One of the notable features of the current Sino-U.S. relationship is its increasing global significance. The bilateral discussions involve a whole range of the important regional and international agendas, and more time and efforts have been devoted to discussions of international and regional issues.

The crucial turning point for China-U.S. ties in the past decade can go back to the Asian Financial crisis at the end of 1990's. Since then, also thanks to domestic reform and China's joining the WTO, the Chinese economy achieved an accelerated pace of development. In particular, after the U.S. launched Iraq War in 2003, China embraced a strategic opportunity for domestic economic development. Chinese economy climbed to second place in the world in 2009 during the recent international financial crisis. Meanwhile, China's relationship with Africa, Latin America, Central Asia and other regions has witnessed a great leap forward.

Under China's growing global influence, it seems that the U.S. can feel the pressure from China, everywhere in the world. The G2 Voice from U.S. side was a natural reflection on the relative change of power between the two countries. However, China's response to the voices heard at G2 was very prudent, this issue aroused hot debates among Chinese scholars. The core of these debates was divided into two questions, namely, how to make an objective assessment of China's development stage, and how to balance

Sino-U.S. relations in regard to other developed powers, emerging powers and other developing countries.

The great complexity of China-U.S. ties is systematical, covering the bilateral, regional and global issues. The sound bilateral relation between the two countries is a kind of encouragement for both sides to actively participate in global governance, based on their respective interests, strengths, responsibilities and capacities. The U.S. tries to maintain its leadership or hegemony in different fields. To some degree, what response Chinese policy-makers give the U.S. would depend on U.S. policy toward China.

When President Xi Jinping held meetings with U.S. President Barack Obama at the Annenberg Estate in last June, the two sides agreed to build “a new model of major-country relationship” (新型大国关系), drawing the blueprint for growing China-U.S. relations in the future. Literally, the different translations of this Chinese term will transmit the variety of its interpretations, all of which have different policy implications. Chinese officials prefer to use the term “major-country” to refer to China and U.S. status. On the contrary, the U.S. side and western media tend to use “Great Power” in place of “Major-Country”.

Chinese new leadership has focused on China’s long-term and strategic agenda with a keen assessment of the evolving global environment and trends of development at home. The domestic development is still placed at the top of China’s policy agenda, which is firmly linked to the global economy by means of trade and investments. Yang Jie Chi even pointed out that China will maintain the continuity and consistency of its major diplomatic policies, and promote innovations in diplomatic theory and practice with a pioneering spirit.²

² Yang Jiechi, *Innovations in China's Diplomatic Theory and Practice Under New Conditions*, State Councilor and Director of the Office of the Foreign Affairs Leading Group of the CPC Central Committee.

Since Chinese new leadership came into office, the layout of China's diplomacy has been more comprehensive and more balanced, displaying such features as rich ideas, clear priorities, firm positions, flexible approaches and distinctive styles. It is an important thinking of Chinese new leadership to promote the building of a new model of major-country relationship between China and the United States and bring about sound interaction and win-win cooperation with major countries, concerning China's relations with other major countries.

President Xi Jinping summarized such a new model with three insightful sentences.³ First, non-conflict and non-confrontation. That requires the two sides to view each other's strategic intention in an objective and sensible way, stay as partners instead of adversaries, and properly handle their differences and disputes through dialogue and cooperation instead of taking a confrontational approach.

Second, mutual respect. That requires the two sides to respect each other's choice of social system and path of development, respect each other's core interests and major concerns, seek common ground while shelving differences, uphold inclusiveness and mutual learning, and make progress side by side.

Third, win-win cooperation. That requires the two sides to abandon the zero-sum mentality, accommodate the other's interests while seeking one's own, promote common development while developing oneself, and continue to deepen the pattern of shared interests.

3 Yang Jiechi, *The Trans-Pacific Cooperation: Remarks on President Xi Jinping's meeting with US President Barack Obama at the Annenberg Estate in California*, June 2013, the ministry of foreign affairs of P.R.C. (跨越太平洋的合作 — 国务委员杨洁篪谈习近平主席与奥巴马总统安纳伯格庄园会晤成果). Available at: <http://www.fmprc.gov.cn/mfa_chn/ziliao_611306/zt_611380/dnzt_611382/xjpdwfw_644623/zxxx_644625/t1048973.shtml>.

During his meeting with President Barack Obama, President Xi Jinping also cited a traditional Chinese idiom as a metaphor to send a firm signal about what China's response should be if the U.S. adopts an aggressive strategy toward China. President Xi Jinping said, "*when the rabbit was cornered in a fight with a strong opponent like an eagle, the rabbit would then fight back with some courage*".⁴

The new model of major-country relationship between China and the U.S. was also interpreted by Chinese Vice Premier Wang Yang in the fifth round of China-U.S. Strategic and Economic Dialogues in last July. Vice Premier Wang Yang told a joke to compare the relationship between the United States and China to marriage.⁵ Wang Yang also said:

*I don't know what changes have taken place in the United States in these 10 years. Well, in the past two days, I can see that the Americans are still taller than the Chinese and still have a stronger body and longer nose than the Chinese. And nothing much has changed, so I feel more confident of my visit this time.*⁶

*Naturally, like the United States, we will never accept views, however presented, that undermine our basic system or national interest. To us, a dialogue like that is simply unacceptable. This is our bottom line and we will never give up.*⁷

Vice Premier Wang particularly stressed that China and the U.S. are becoming closely connected with each other on the

4 Wang Yang, *The Rabbit's Fight Back Against the Eagle*, July 11, 2013 (汪洋：习近平曾告诉奥巴马兔子急了也踹鹰). Available at: <http://news.china.com.cn/2013-07/11/content_29390569.htm>.

5 Wang Yang, *China-US Relationship like A Marriage*, July 11, 2013 (汪洋以"夫妻"比喻中美关系：不能像邓文迪默多克). Available at: <http://news.xinhuanet.com/yzyd/local/20130711/c_116493404.htm>.

6 Available at: <<http://www.state.gov/secretary/remarks/2013/07/211773.htm>>.

7 Available at: <<http://www.state.gov/secretary/remarks/2013/07/211773.htm>>.

economic field. The importance of relations have gone far beyond the bilateral scope and acquired a global significance. Good cooperation between China and United States can serve as an anchor for world peace and stability and an engine for prosperity and development.⁸

Controversial arguments such as G2 and Chimerica are hotly debated in China. The mainstream voice of Chinese scholars still regards China's identity as a developing country although the Chinese economy scale occupies the second place in the world. In terms of China's serious concerns about the U.S. in recent days, the following issues are in focus.

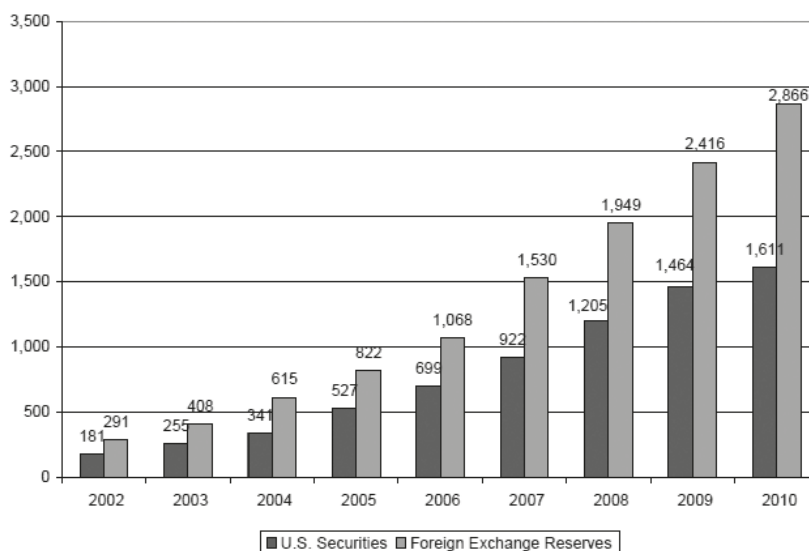
First, the security of China's financial assets in the U.S. Half of Chinese foreign reserves have been invested in U.S. government bonds. By the end of June 2013, Chinese foreign reserves reached 3.50 trillion U.S. dollars.⁹ As of June 2012, China held 1.79 trillion dollars of U.S. long-term securities.¹⁰ In view of U.S. dollar depreciation and the stability of U.S. economic growth, Chinese top leaders worry about the loss of value to such huge wealth accumulated during the past decade. More importantly, the Chinese public has come to be aware of this serious issue and form a pressure on the governments' policy-making.

8 WangYang, *Join Hands to Usher in a New Era of Cooperation across the Pacific, Remarks at the Joint Opening Session of the Fifth Round of the China-US Strategic and Economic Dialogues*, July 10, 2013. (汪洋, 《携手迈入跨越太平洋合作的新时代——在第五轮中美战略与经济对话联合开幕式上的致辞》, 2013年7月10日。)

9 The people's Bank of China. Available at: <<http://www.pbc.gov.cn/publish/html/kuangjia.htm?id=2013s09.htm>>.

10 U.S. Department of the Treasury, *Foreign Portfolio Holdings of U.S. Securities as of June 30, 2012*. April 2013.

Figure 1. China's Holdings of Foreign Exchange Reserves and U.S. Securities: 2002-2010 (\$ billions)



Sources: U.S. Treasury Department, Report on Foreign Portfolio Holdings of U.S. Securities as of June 30, 2010, April 2011, and Global Insight Database.

Second, Geopolitics-related strategic adjustment: U.S. Return and Rebalance in Asia. China's relationship with neighboring countries is an important factor for maintaining the regional stability and prosperity. However, in its high-profile "rebalancing" of Asia, the U.S. deliberately plays up the so-called "China threat", intervenes in South China Sea disputes, and has intensified programs to integrate its deployment of forces in the Asia-Pacific region, especially in the Western Pacific, including strengthening military relations with its allies and partners, such as the Philippines, Vietnam and Australia.

The issue of mutual distrust of long-term intentions, “strategic distrust”, has become a central concern in U.S.-China relations.¹¹ According to President Xi Jinping, China needs stronger top-level designing and strategic planning in diplomatic work including the bottom line thinking with a view to resolutely upholding China’s core interests.¹²

Thirdly, “common but differentiated” responsibility in global governance. In respect to solving nearly all the crucial global issues, it definitely needs China and the U.S.’s joint participation, which is a necessary responsibility for the two countries to take. In view of China’s nature as a developing country, China and the U.S. have an asymmetrical power, unequal strength and different advantages, so that the two countries should insist upon a “common but differentiated” responsibility sharing principle.¹³

It is a controversial debate if China has a well-designed global diplomacy. With China’s influence growing and the pressure from the U.S. in Asia, Some scholars argue that China should take a big power diplomacy style approach by adopting “Creative engagement”.¹⁴ In growing relations with China’s neighbors and other developing countries that have long been friendly towards China yet face daunting challenges in development, China will accommodate their interests rather than seeking benefits at their expense or shifting troubles onto them.¹⁵

11 Kenneth Lieberthal and Wang Jisi, *Addressing U.S.-China Strategic Distrust*, John L. Thornton China Center Monograph Series, no. 4, March 2012.

12 Yang Jiechi, *Innovations in China's Diplomatic Theory and Practice Under New Conditions*, State Councilor and Director of the Office of the Foreign Affairs Leading Group of the CPC Central Committee.

13 Zhang Yuyan, Xu Xiujun, *The Common but Differentiated International Responsibilities*, *Guangming Daily*, May 3, 2012. (张宇燕、徐秀军,《“共同而有区别”的国际责任》,《光明日报》2012年5月3日第8版。)

14 Wang Yizhou, *The Creative Engagement of China's Diplomacy*, *Yi Cai Daily*, December 30, 2011. (王逸舟,《中国外交“创造性介入”》,《第一财经日报》2011年12月30日)。

15 Yang Jiechi, *Innovations in China's Diplomatic Theory and Practice under New Conditions*, State Councilor and Director of the Office of the Foreign Affairs Leading Group of the CPC Central Committee.

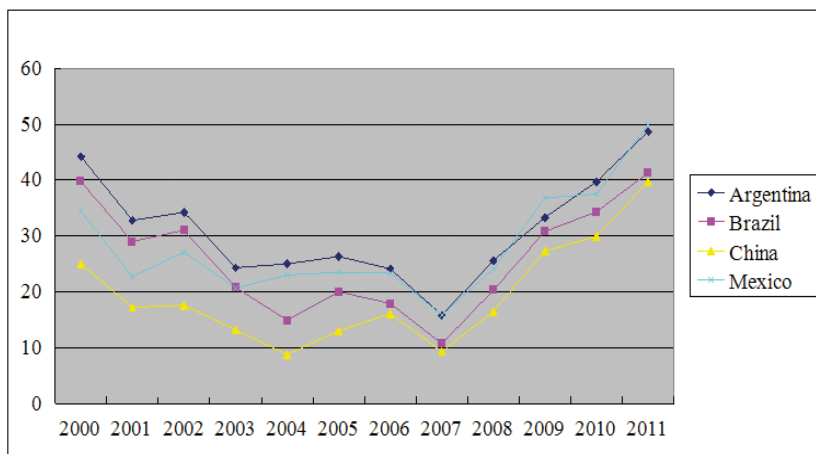
CHINA'S PERCEPTION ON THE U.S. FROM THE MULTILATERAL PERSPECTIVE

1. Voting coincidence in the UN General Assembly

By analyzing the vote in the United Nations General Assembly, we can compare the convergence or divergence of the U.S. and China's position on international issues.

Taking the voting coincidence with the U.S. as a point of reference, China has a lower identical voting percentage with the U.S. than Argentina, Brazil and Mexico. China and Mexico had a higher voting coincidence from 2000 to 2003 than Argentina and Brazil (Figure 2). However, from 2004 to 2011, Brazil voted more often with China than did Mexico and Argentina. This demonstrates that China and Mexico had more divergence in the voting pattern.

Figure 2. Identical Vote Percentage with U.S. in UN General Assembly %



Source: *Departments of the State of the U.S., Voting Practices in the United Nations from 2000 to 2011.*

Table 1. Important votes in the 66th UN General Assembly in 2011

Country	1	2	3	4	5	6	7	8	9	Coincidence with U.S.
China	O	A	O	O	A	O	A	O	A	0%
Mexico	O	S	O	O	S	A	S	S	S	50%
Argentina	O	A	O	O	S	A	S	S	S	57.1%
Brazil	O	A	O	O	A	O	S	A	S	33.3%
Peru	O	A	A	A	S	A	S	S	S	80%
Venezuela	O	O	O	O	S	O	O	O	O	11.1%
Chile	O	A	O	O	S	O	S	S	S	50%
Colombia	O	S	A	A	S	A	S	S	S	51.9%

Source: Departments of the State of the U.S., Voting Practices in the United Nations 2011, April 2012, pp. 19-21.

Note:

S = Same as U.S. Vote; O = Opposite of U.S. Vote;

A = Abstained; X = Absent

1. Res. 6: U.S. Embargo of Cuba
2. Res. 12: Terrorist Attacks on Internationally Protected Persons
3. Res. 14: Committee on the Exercise of the Inalienable Rights of the Palestinian People
4. Res. 15: Division for Palestinian Rights of the Secretariat
5. Res. 45: United actions toward total elimination of nuclear weapons
6. Res. 76: Work of the Special Committee to Investigate Israeli Practices Affecting the Human Rights of the Palestinian People and Other Arabs of the Occupied Territories

7. Res. 174: Situation of Human Rights in the Democratic People's Republic of Korea (D.P.R.K.)
8. Res. 175: Situation of Human Rights in the Islamic Republic of Iran
9. Res. 176: Situation of human rights in the Syrian Arab Republic

Table 2. Important votes in the 65th UN General Assembly in 2010

Country	1	2	3	4	5	6	7	8	9	10	11	12	13	Coincidence with U.S.
China	O	O	O	A	A	S	O	S	O	O	O	O	O	18.2%
Mexico	O	O	O	S	A	S	A	O	S	S	S	O	S	54.5%
Argentina	O	O	O	S	S	S	A	O	S	S	S	O	S	58.3%
Brazil	O	O	O	S	S	S	X	O	O	A	A	O	A	33.3%
Peru	O	A	A	S	S	S	A	O	A	S	S	O	S	66.7%
Venezuela	O	O	O	S	A	S	O	O	O	O	O	O	O	16.7%
Chile	O	O	O	S	S	S	O	O	S	S	S	O	S	53.8%
Colombia	O	A	A	S	S	S	A	O	A	A	A	O	A	50%

Source: Departments of the State of the U.S., Voting Practices in the United Nations 2011, March 31, 2011, pp.15-17.

1. Res. 6: U.S. embargo of Cuba
2. Res. 13: Committee on the Exercise of the Inalienable Rights of the Palestinian People
3. Res. 14: Division for Palestinian Rights of the Secretariat
4. Res. 72: United actions toward total elimination of nuclear weapons
5. Res. 73: Hague Code of Conduct vs. Ballistic Missile Proliferation
6. Res. 91: Comprehensive Nuclear-Test-Ban Treaty

7. Res. 102: Special Committee to Investigate Israeli Practices Affecting the Human Rights of the Palestinian People and Others
8. Res. 206: Moratorium on use of the death penalty
9. Res. 224: Combating Defamation of Religions
10. Res. 225: Situation of Human Rights in the Democratic People's Republic of Korea
11. Res. 226: Situation of Human Rights in the Islamic Republic of Iran

2. Trade dispute case in the WTO

With the rise of protectionism since the recent international financial crisis, the multilateral trade negotiation in WTO seems to be stagnant without achieving substantial progress. Between 2003 and 2012, the U.S. issued 14 cases against China while China issued 7 cases against the U.S.¹⁶

It terms of trade and investment issues, the U.S. is promoting Trans-Pacific Partnership (TPP) negotiations and Transatlantic Trade and Investment Partnership (TTIP). Speaking of Latin America, some member countries also are members of TPP. It appears that the U.S. and China try to build their trading blocks.

¹⁶ Available at: <http://www.wto.org/english/tratop_e/dispu_e/find_dispu_cases_e.htm#results>.

Table 3. U.S. trade dispute against China in the WTO

Case Number	Received Time	Case Title
DS309	18 March 2004	Value-Added Tax on Integrated Circuits
DS340	30 March 2006	Measures Affecting Imports of Automobile Parts
DS358	2 February 2007	Certain Measures Granting Refunds, Reductions or Exemptions from Taxes and Other Payments
DS362	10 April 2007	Measures Affecting the Protection and Enforcement of Intellectual Property Rights
DS363	10 April 2007	Measures Affecting Trading Rights and Distribution Services for Certain Publications and Audiovisual Entertainment Products
DS373	3 March 2008	Measures Affecting Financial Information Services and Foreign Financial Information Suppliers
DS387	19 December 2008	Grants, Loans and Other Incentives
DS394	23 June 2009	Measures Related to the Exportation of Various Raw Materials
DS413	15 September 2010	Certain Measures Affecting Electronic Payment Services
DS414	15 September 2010	Countervailing and Anti-Dumping Duties on Grain Oriented Flat-rolled Electrical Steel from the United States
DS419	22 December 2010	Measures concerning wind power equipment
DS427	20 September 2011	Anti-Dumping and Countervailing Duty Measures on Broiler Products from the United States
DS431	13 March 2012	Measures Related to the Exportation of Rare Earths, Tungsten and Molybdenum
DS440	5 July 2012	Anti-Dumping and Countervailing Duties on Certain Automobiles from the United States

Source: WTO Dispute settlement. Available at: <http://www.wto.org/english/tratop_e/dispu_e/dispu_e.htm>.

3. The IMF reform

According to the IMF Quota Reform agendas, the U.S. share will increase from 17.38 % to 17.40 %, but the U.S. voting percentage will decrease from 17.02 to 16.47% (table 4). China's share will increase from 2.98% in ninth place to 6.39% in third place. Brazil's share will rise from 1.42% in seventeenth place to 2.32% in tenth place. Mexico will also increase from 1.21% in nineteenth place to 1.87% in fourteenth place.¹⁷

China, Brazil and Mexico are among the top five countries with the largest increases in IMF quota shares.

Table 4. IMF: percentage shares of total quota and voting by country %

	Pre-Singapore		August 29, 2012		Post-2008 Reform		Post-2010 Reform	
	Quota	Voting	Quota	Voting	Quota	Voting	Quota	Voting
U.S.	17.380	17.023	17.69	16.75	17.670	16.727	17.407	16.479
China	2.980	2.928	4.00	3.81	3.996	3.806	6.394	6.071
Brazil	1.420	1.402	1.79	1.72	1.783	1.714	2.316	2.218
Mexico	1.210	1.96	1.52	1.47	1.521	1.467	1.869	1.796
Venezuela	1.244	1.229	1.12	1.08	1.115	1.084	0.781	0.767
Argentina	0.990	0.981	0.89	0.87	0.888	0.869	0.669	0.661
Chile	0.401	0.403	0.36	0.37	0.359	0.369	0.366	0.376
Columbia	0.362	0.366	0.33	0.34	0.325	0.336	0.429	0.435
Peru	0.299	0.304	0.27	0.28	0.268	0.282	0.280	0.294

Source: IMF, *Quota and Voting Shares Before and After Implementation of Reforms Agreed in 2008 and 2010*. Available at: <<http://www.imf.org/external/np/sec/memdir/members.aspx>>.

17 IMF Quota and Governance Reform: Elements of an Agreement, October 31, 2010. Available at: <<http://www.imf.org/external/np/pp/eng/2010/103110.pdf>>.

4. The World Bank reform

Looking at the IBRD as an example, the reform agenda raised developing and transition countries voice to over 47% of total IBRD voting power, through a Phase 2 increase of 3.1%. This will reflect an aggregate 4.6% increase in DTC voting power since 2008.¹⁸

As of August the 23rd, 2012, the U.S. held 16.44% of subscription in IBRD and 15.55% of voting power, while China only held 3.44% of subscription and 3.28% of voting (table 5).

After the voice reform-Phase 2, the voting power of the U.S. in IBRD will decrease to 15.85%, While China's share of voting power increases to 6.84% (table 6).

Table 5. International Bank for Reconstruction and Development subscriptions and voting power of member countries, as of August 23, 2012

	Subscription	Percentage of subscription	Number of Votes	Percentage of Votes
U.S.	28, 118.3	16.44	281,718	15.55
China	5886.4	3.44	59,399	3.28
Brazil	3328.7	1.95	33,822	1.87
Mexico	1880.4	1.10	19,339	1.07
Venezuela	2036.1	1.19	20,896	1.15
Argentina	1791.1	1.05	18,446	1.02

Source: World Bank. Available at: <<http://siteresources.worldbank.org/BODINT/Resources/278027-1215524804501/IBRDCountryVotingTable.pdf>>.

¹⁸ World Bank Group Voice Reform: Enhancing Voice and Participation of Developing and Transition Countries in 2010 and Beyond, Development Committee Meeting, April 2010, p. 5.

Table 6. International Bank for Reconstruction and Development (IBRD) 2010 voting power realignment

	Pre-Phase	Voice Reform-Phase 1	Voice Reform-Phase 2
U.S.	16.36%	15.85%	15.85%
Japan	7.85%	7.62%	6.84%
China	2.78%	2.77%	4.42%
Germany	4.48%	4.35%	4.00%
France	4.30%	4.17%	3.75%
United Kingdom	4.30%	4.17%	3.75%
India	2.78%	2.77%	2.91%
Russian Federation	2.78%	2.77%	2.77%
Saudi Arabia	2.78%	2.77%	2.77%
Italy	2.78%	2.71%	2.64%
Brazil	2.07%	2.06%	2.24%
Mexico	1.18%	1.17%	1.68%
Argentina	1.12%	1.12%	1.12%
Venezuela	1.27%	1.27%	1.11%
Chile	0.44%	0.44%	0.44%
Columbia	0.41%	0.41%	0.43%
Peru	0.34%	0.35%	0.35%
Uruguay	0.19%	0.20%	0.18%

Source: World Bank Group Voice Reform: Enhancing Voice and Participation in Developing and Transition Countries in 2010 and Beyond, DC 2010-0006/1, April 25, 2010.

The Chinese perspective on the U.S. role in Sino-Latin American relationships. The perception of the U.S. as to China's role in China-Latin American relations is very different from that of China's government, business groups, scholars and public media. After President Hu Jintao's visit to Latin America and the Caribbean (LAC) in 2004, the concerns of the U.S., heard in several congressional testimonial hearings on China's rising presence in Latin America made China realize again that the "U.S. factor" could not be neglected in China's development of relations with Latin America and the Caribbean.

Two years later, in 2006, the U.S. took a constructive step by initiating a bilateral dialogue with the U.S. on LAC affairs, as part of the broader China-U.S. Strategic Dialogue framework, aiming to build mutual political trust.

In general, China is aware of U.S. influence in the western hemisphere. From 2004 to 2008, the Chinese public media gave wide coverage to the U.S. response to China's rapid development of relationships with LAC countries. This coverage, mainly translated into Chinese from American newspapers, induced China to rethink the U.S. role in China-LAC ties. Nonetheless, Chinese officials seldom have made comments in public regarding the "U.S. factor" in China's relationships with LAC countries.

Although Chinese scholars advanced a number of hypotheses regarding the U.S. role in the relationship between China and LAC countries, their discussions have been limited by a lack of solid evidence and detailed analysis to verify their conclusions. Generally, Chinese scholars have ranked the U.S. as one of five factors strongly influencing the evolution of the China-LAC relationship in the past several decades, with the others including China's national strength, geographical distance, the Taiwan issue and cultural differences.

The U.S. factor in China-LAC relations was referred to by Chinese scholars as one of the particular characteristics arising from the U.S. status as a superpower, but also reflecting the historic legacy of the U.S. in the region, as well as U.S.-China relations. The U.S. always kept alert to China's relations with LAC by taking various strategic approaches on different field issues over time.

Some Chinese scholars argued that the United States regarded China's activities in Latin America as a natural phenomenon of China's emerging power, and that for this reason, the United States did not see China's presence in Latin America as a real threat. Other Chinese scholars argued that China's relationships with LAC countries would be considered by the U.S. within the larger framework of Sino-U.S. relations, treating China's relationships in the region neither as threats, nor as opportunities, implying that the U.S. policy toward China in Latin America was to maintain contact, but not to give up a strategy of "containment".

The changing U.S. role in the dynamics of the China-LAC relationship. From historical observation, one can draw several conclusions regarding the evolution of China's relationship with Latin America and the Caribbean from a historical perspective, and the associated role of the U.S.:

1. China-U.S. relationship has had an influence on the China-LAC relationship. Both the U.S. and Chinese policy-makers realize that China's relationship with the U.S. is a priority for it, due to the global implications of this relationship, by contrast to Chinese foreign policy toward individual nations in Latin America and the Caribbean.
2. Although the U.S. has the dominant influence in the western hemisphere, that influence has been experiencing a relative decline. By contrast, with China's economic

strength and the associated growth in its national power as a whole, it is natural to foresee that China's linkages with Latin America and the Caribbean will experience a corresponding expansion.

3. With the growth in the power of Latin America and the Caribbean as a region, and the foreign policy diversification of some large, emerging economies in South America, the U.S. will gradually continue to lose influence in the region as China's relationships there develop.
4. The United States continues to have the dominant position in the region in strategic, geo-political, military, economic, and cultural terms, and will continue to play an influential role in shaping the evolution of the China-LAC relationship in the future. Indeed, this relationship will be shaped, in part, by the degree of policy continuity versus change toward Latin America.
5. In view of the decline of the U.S. hegemony and the rising stance of Latin American influence in the international arena, China will attach more political and economic importance to Latin America in Chinese foreign strategy framework, developing its relationship with Latin America in a more independent and autonomous fashion.

China's reflection on the position of the U.S. government regarding Sino-LAC relations. The perception of Chinese scholars toward the U.S. positions on China-LAC relations is based on following and summarizing public debates on the topic in Washington DC. The general perception in the People's Republic of China (P.R.C.) is that although the United States remains the dominant power in the Western Hemisphere, it looks at the expansion of Sino-Latin American relations with suspicion, trying

to calculate China's interest in Latin America and interpreting China-LAC relations from a strategic perspective. While the U.S. positions on Sino-LAC relations vary, according to spectrum of areas and issues, in general terms, the Chinese perceive that the U.S. assessments generally include the following elements:¹⁹

First, in terms of the economic, trade and investment relationships, China is a commercial competitor with U.S. economic interests in Latin America. Although the current White House has adopted a benign diplomatic posture and welcomes the development of those elements of Sino-Latin American economic cooperation which are in line with the economic interests of the United States, the U.S. retains a deep concern with the expansion of China's economic activity in Latin America, including that U.S. companies will face fierce competition from Chinese business groups. The U.S. also continues to maintain a high degree of vigilance over Chinese innovation with countries in the region to pursue new economic models, worrying that by doing so, China will change the geo-economic landscape of Latin America.

Second, in terms of regional governance, the U.S. expects China to share responsibilities as a partner in the region. With U.S. power and influence on the decline, the U.S. expects China not to act in a way that undermines security, environmental standards and other norms in Latin America. The U.S. argues, for example, that Chinese companies should be required to fulfill their social responsibilities in the region. Similarly, it worries that Chinese engagement with Latin America will adversely affect democratic

19 Sun Hongbo, *The Big Powers' Diplomatic Competition in Latin America and China's Approach*. June 27, 2012. (孙洪波, 《大国对拉美的外交争夺及中国的战略拓展》). Available at: <http://www.china.com.cn/international/txt/2012-06/27/content_25752112.htm>.

process in Latin America. In essence, the U.S. is concerned that China should become a constructive partner, which shares responsibility for the well being of the western hemisphere.

Third, from a strategic perspective, China could be regarded in the future as a threat, at least a great challenge for the U.S., in Latin America. The potential strategic impact of the development of Sino-Latin American relations and associated military ties causes the U.S. to keep alert with respect to Chinese activities there, and to assess what strategic significance Latin America has for China.

With China's expanding interests in Asia, the U.S. worries that it would be possible for the P.R.C. to "take advantage of" Latin America, in order to force the United States to make concessions in Asian affairs. In the era following the 2008 global financial crisis, and in response to the changes in the global security environment and the corresponding shift in the center of gravity of global economic growth, U.S. policy toward Latin America will increasingly be linked with its Asia-Pacific policy addressing China's "reemergence", which the U.S. regards as an important long-term strategic consideration.

Since 2008, the mainstream of the U.S. posture toward China in Latin America has changed from China as a threat to China as a partner. With regard to how to define the nature of China's presence in Latin America, the P.R.C. and the United States have many common interests and goals, which may create the basis for cooperation between the two sides, considering the interests of Latin America and the Caribbean and their willingness to work with both partners. If the United States takes an accommodating policy stance, China may become a constructive partner of the

United States in Latin America and Sino-LAC relation development can benefit all sides with respect to economic development, regional governance, political trust and other dimensions of the relationship.

China and the U.S. have institutionalized the bilateral dialogue on LAC affairs that they began in 2006. Nonetheless, the nations of Latin America and the Caribbean are not happy with such dialogues “about” them, but not “including” them. China is thus concerned that its consultation mechanism with the U.S. on Latin America and the Caribbean may expand the mistrust that the region feels toward it in the future, blocking the expansion of Chinese engagement. According to this logic, the best way for the China-U.S. relationship about Latin America to improve is for the U.S. position in Latin America to improve. To enhance mutual trust with the countries of Latin America and the Caribbean, according to this logic, thus, China should avoid focusing excessively on the U.S. influence, and should instead emphasize the principle of “independence” and “autonomy” in its development of relations with Latin America.

A question can be reasonably asked whether a U.S. factor exists in China-Brazilian relations. In other words, does the triangular relationship among China-U.S.-Brazil exist? One clear point is that China and Brazil has more convergence of interests now they have climbed to the top ranks in the world economy.

Without any doubt, the fast development of China-Brazilian relationship has born great global significance and the White House cannot ignore its rising influence in the global governance transition process.

Under the context of the underway fast-changing geo-politics and the global economic gravity change, China has attached great importance to Brazil for achieving democratic international order

and a multipolar world. It is a turning point for China and Brazil to tap the potential opportunities of deep cooperation in the current global governance throughout a wide range of bilateral, regional and global issues. For these two grand emerging economies in the world, the two countries shall try to reach solid consensus, a basic corner stone for both governments to materialize the great potential strategic significance.

Public perception is that China imagines big things from Brazil. Chinese scholars believe that Brazil can make the world more balanced both politically and economically. In particular, this South American emerging economy possesses the great potential to transform the economic strength and power distribution in the Western Hemisphere and the world. If possible, it will be enormously helpful for China and Brazil to sharpen their mutual policy devices to consolidate cooperation both in global governance and bilateral relations for next decade.

Chinese official positions on the U.S. role in China-LAC relation. No Chinese officials have publicly commented on the issue of U.S. influence on China's relationship with Latin America and the Caribbean. Indeed, the closest that an official Chinese policy document has come to mentioning the impact of the U.S. on the China-LAC relationship was November 2008, when China issued its first policy "white paper" toward Latin America, which emphasized that the China-LAC military relationship was not targeted toward any "third party", although the U.S. was not named explicitly.²⁰

20 The Ministry of Foreign Affairs of P.R.C, *China's Policy Paper on Latin America and the Caribbean*, December 5, 2008. (外交部介绍《中国对拉丁美洲和加勒比政策文件》). Available at: <http://www.gov.cn/jrzg/2008-11/05/content_1140934.htm>.

At the same time, China has publicly recognized various positive comments made by U.S. officials regarding the development of Sino-Latin American relations. In 2012, for example officials from China's Ministry of Foreign Affairs observed in an interview that the United States has repeatedly stressed that China-LAC relations were conducive to the stability and development of the countries of Latin America.²¹

Chinese officials have also discussed the impact of the China-LAC relationship on the United States. In the previously noted interview, for example, the Chinese official stressed that the development of relations between China and Latin America was not only conducive to the development of China and the countries of the region, but also conducive to the development and stability of the whole world, including the United States.

In the domain of China-LAC energy cooperation, Chinese officials have referred to "hype" in some countries or western media about a "China threat", to energy supplies, dismissing such claims by arguing that such claims "will not alter the trend of the in-depth development of energy cooperation between China and Latin America",²² and further clarified that energy cooperation between China and Latin America was based on mutual benefit and would not impair the interests of any "third parties".²³ It went on to note that Latin American countries are also generally willing to continue in-depth energy cooperation in various forms

21 The Ministry of Foreign Affairs of P.R.C, *China-Latin American Relationship Benefits the Stability and Development of this region*, January 17, 2012. (外交部官员：中拉关系加强有利拉美稳定和发展). Available at: < <http://www.chinanews.com/gj/2012/01-17/3611197.shtml>>.

22 Energy ties benefit both sides. Available at: <http://www.chinadaily.com.cn/cndy/2012-01/18/content_14465404.htm>.

23 The Ministry of Foreign Affairs of P.R.C, *China-Latin American Energy Cooperation not against the Third Party*, January 17, 2012. (中国外交部官员：中拉能源合作不针对任何第三方). Available at: <<http://www.chinanews.com/gn/2012/01-17/3611855.shtml>>.

with China, and welcome Chinese enterprises to invest and set up businesses in Latin America.

The P.R.C. perceives that the United States is sensitive over China-LAC military interactions. As an important part of China's military diplomacy, in recent years, China has carried out a positive and pragmatic series of military exchanges and military-to-military cooperation in Latin America, including high-level visits, professional exchanges, institutional visits and personnel training.

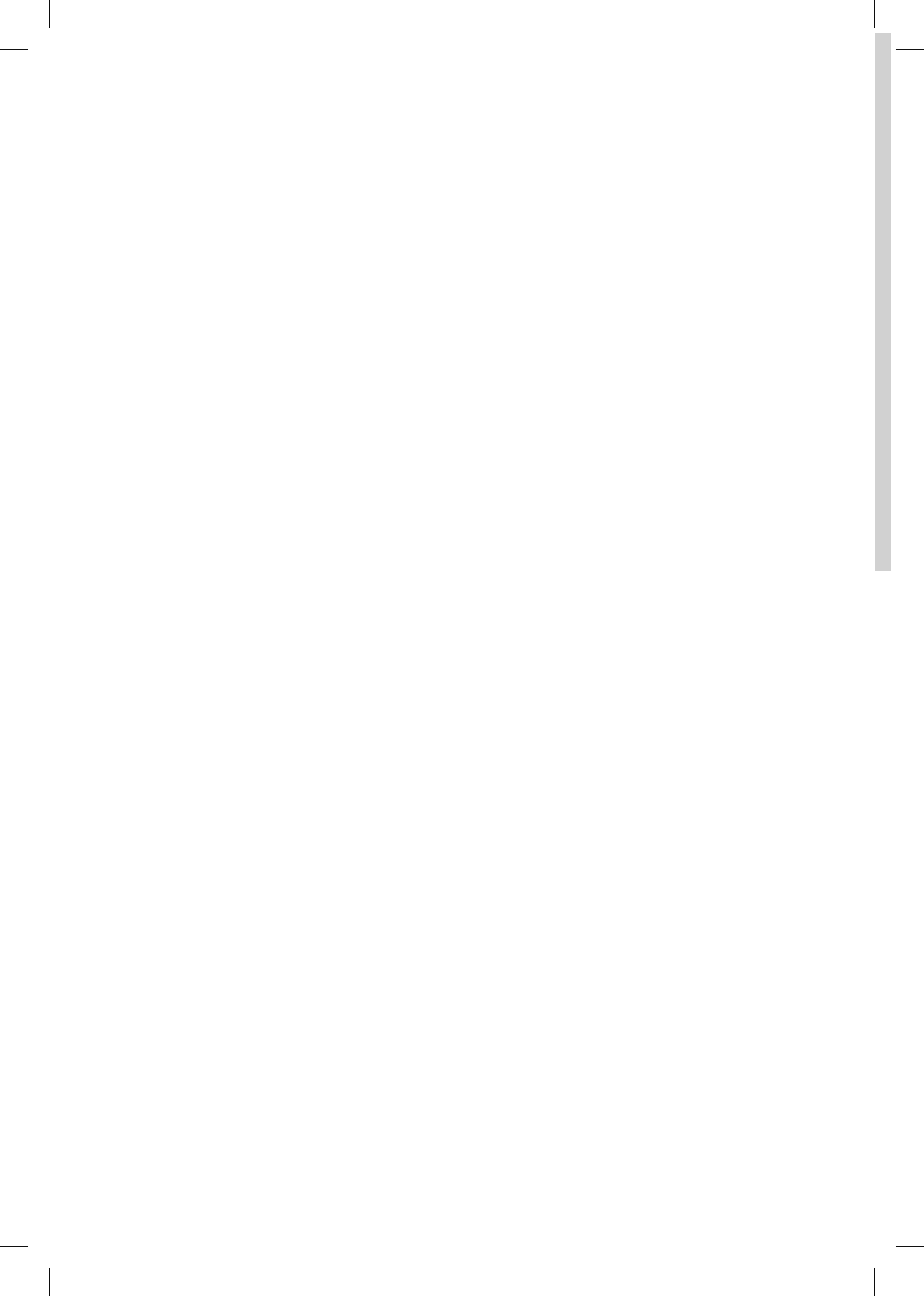
In carrying out military exchanges with Latin America, the spokesman for the Ministry of Defense of the P.R.C has stressed that the P.R.C. has always adhered firmly to the principles of maintaining the peace and stability of the region and the world, and has not directed its activities against third parties, nor used them to threaten any other country.²⁴ China continues to actively carry out military exchanges with Latin American countries, including dialogues on defense matters and other forms of cooperation, in accordance with these principles.

CONCLUSION

The core of global governance is still a power politics and a process of power and interest redistribution. The U.S. dominant influence has witnessed a relative decline in the current global governance transition, although the U.S. hegemony still exists in some special areas and regions. From the Chinese perspective, the global governance should be balanced, democratic, participatory, representative, inclusive and effective.

24 The Ministry of Defense of P.R.C, *China-Latin American Military Exchange not against other countries*, December 16, 2008. (国防部官员与拉美军事交往不威胁其他国家). Available at: <http://news.xinhuanet.com/newscenter/2008-11/16/content_10366058_1.htm>.

The high complexity of China-U.S. relationship has gone beyond the bilateral ties to the regional and global issues with more involvement of the domestic and international politics from both sides. In view of China's nature as a developing country, China and the U.S. have an asymmetrical power, unequal strength and differing advantages, so that it is reasonable to insist upon the principle of "common but differentiated" responsibility sharing.



CHINA AND THE UNITED STATES: CROSSED PERCEPTIONS OR MIRRORING THREATS?¹

*Andrew Scobell**

INTRODUCTION

The United States and China seem to be preparing to embark on what is dubbed “a new type of major country relationship”. In the aftermath of the June 2013 Sunnylands summit between President Xi Jinping of the People’s Republic of China and President Barack Obama of the United States, there appears to be a new

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¹ This paper draws from Andrew Scobell and Andrew J. Nathan, *China’s Search for Security* (Columbia University Press, 2012).

spirit of optimism about the trajectory of U.S.-China relations. But is the upbeat assessment warranted? After all, leading scholars of the bilateral relationship have stressed the chasm of mutual distrust that both countries must somehow overcome.² This paper examines how China perceives the United States. A closer look at how Beijing sees Washington's capabilities and intentions toward China, and an analysis of China's assessment of the prolonged record of negotiations between the two countries over the status of Taiwan all serve to underscore the depth of the distrust and suspicion on the Chinese side. And this distrust and suspicion tends to be mirrored on the U.S. side.

Throughout the Cold War there was a robust American threat to China that derived from Washington's Cold War strategy to weaken the Soviet bloc. The United States had decided at the end of the Chinese civil war that it did not care about China for itself; instead, Washington shaped a policy toward Beijing based on its status as an ally of Moscow and strove to split the two apart. Once the split came about the U.S. moved to capitalize on it, using relations with China to put pressure on the Soviet Union.

For China as well the U.S. was a secondary threat, in light of the Soviet Union's closeness and its apparently rising power until near the end of the Cold War. China shifted from bandwagoning, to isolation and dual deterrence, to balancing on the side of the United States, to equidistance around 1982 as the Soviet threat receded and U.S. assertiveness increased. Then history did China a favor by making the Soviet bloc disintegrate and the Soviet Union collapse. With the end of the Cold War and collapse of the USSR, the United States for the first time became China's principal potential threat.

² Kenneth Lieberthal and Wang Jisi, *Addressing US-China Strategic Distrust* (Washington, DC: Brookings Institution, 2012).

Beginning with the Nixon visit to China in 1972, a succession of American leaders has assured China of their goodwill. Each American administration has stated in one form or another that the prosperity and stability of China are in the interest of the United States. And in actual policies as well, the U.S. has done more than any other power to contribute to China's modernization. The United States has drawn China into the global economy, provided markets, capital, and technology, trained Chinese experts in international law, provided military security for Chinese exports and imports as they moved in growing volumes across the world's oceans, prevented the remilitarization of Japan, maintained the peace in Korea, and avoided a war with China over Taiwan.

Yet what strikes Chinese policy-makers as most significant is the fact that the American military remains deployed all around China's periphery, even though the Soviet threat to the U.S. has disappeared. The U.S. has a wide network of defense alliances and other military relationships with China's neighbors. Washington continues to frustrate Beijing's efforts to gain control over Taiwan. The U.S. pressures China over its economic policies, and maintains a host of official and unofficial programs that seek to influence Chinese civil society and politics.

What are Washington's real intentions? With the U.S. as China's primary security threat, the understanding of American motives is the primary determinant of Chinese decisions about how to evaluate the threat posed by domestic dissent, how to make foreign economic policy, how to deal with Japan, Korea, Taiwan, Vietnam, India, and others, how to arm and train the Chinese military, what strategy to take on energy security, and many other issues. The question is not as simple to answer as it was during the Cold War because, we will suggest, Washington's intentions are ambivalent – wishing Beijing both well and ill.

MIRROR DEBATES

The Chinese effort to understand America's China strategy in some ways mirrors the U.S. effort to understand China's America strategy. Just as Americans wonder whether China's rise is good for U.S. interests or represents a looming threat, so Chinese policy-makers puzzle over whether the United States intends to use its power to help or hurt China.³ But there are some important differences. The American debate is public and the Chinese debate is largely held behind closed doors, so it is easier to know what the Americans are saying and doing. But in another sense the American debate is the more inscrutable of the two. While the long-term strategic intentions of the Chinese elite are secret, they probably do exist. In the pluralist American system long-term strategic intentions may not actually exist in a stable sense, because power is so divided and the top leadership changes at least every eight years. Even so, a long-term U.S. strategy seems to have emerged out of a series of American actions toward China. So it is not a hopeless exercise – indeed it is necessary – for the Chinese to try to analyze American capabilities and intentions.

Three reinforcing perspectives shape Beijing's understanding of U.S. policy. First, Chinese analysts draw a set of ideas that are part of Chinese strategic culture, including “preconceived stereotypes of the strategic disposition [of China and other countries] derived from a selective interpretation of history, traditions and self-image”.⁴ They see their own country as heir to an “oriental” strategic tradition that dates back thousands of years, that is pacific, defensive-minded, and non-expansionist.

3 On the range of Chinese views of the United States, see Carola McGiffert, ed., *Chinese Images of the United States* (Washington, D.C.: Center for Strategic and International Studies, 2005).

4 Andrew Scobell, *China and Strategic Culture* (Carlisle, PA: U.S. Army War College Strategic Studies Institute, 2002), p. 2. This conception was derived from Allen S. Whiting, *China Eyes Japan* (Berkeley: University of California Press, 1989).

They consider China's approach to interstate relations ethically fair and reasonable, and attribute the existence of this unusual approach to the fact that China is a continental power that was historically agrarian and sedentary. In contrast, they see Western strategic culture as militaristic, offensive-minded, and expansionist, growing out of the experience of maritime powers that are mobile and mercantilist. The two images define each other by contrast.⁵

Chinese analysts are prone to interpret American actions almost anywhere in the world as secretly directed against China. For example, few Chinese have ever accepted the American claim that the bombing of the Chinese embassy in Belgrade in 1999 was the accidental result of faulty CIA maps. They respect the CIA too much to accept such claims, and believe that by giving such an obviously weak excuse the Americans seek to reinforce the message of the bombing itself, which was that the U.S. will punish any challenger with brutal force. Likewise, Chinese analysts interpret American protestations about human rights and democracy as a screen for cynical strategic power plays.⁶

These preconceptions are reinforced by a second, more recent Chinese tradition, Marxism. It posits that the relations of imperialist powers with the rest of the world are economically exploitative. To perpetuate its economic advantage an imperialist power extends its military force around the world and politically manipulates foreign governments. Even though China runs trade surpluses with the United States and accumulates foreign exchange, its analysts believe the U.S. is getting the better of the relationship by using cheap Chinese labor and credit to live beyond its real means. As China increasingly moves out into the

5 Scobell, *China and Strategic Culture*, and Andrew Scobell, *China's Use of Military Force: Beyond the Great Wall and the Long March* (New York: Cambridge University Press, 2003), Ch. 2.

6 See, for example, Zhang Liang, comp., Andrew J. Nathan and Perry Link, ed., *The Tiananmen Papers* (N.Y.: PublicAffairs, 2001), pp. 338-348.

world to protect its own economic security by competing with the U.S. for resources and markets, it believes it can expect American resistance.⁷

Third, in the last twenty years American theories of international relations have enjoyed a vogue among younger Chinese policy analysts, many of whom took advanced degrees in the United States. The most influential body of IR theory in China is offensive realism. It reinforces the two older views by arguing that a country will try to control its security environment to the full extent that its capabilities permit.⁸ According to this theory the U.S. cannot be satisfied with the existence of an independent China. It naturally tries to promote a “color revolution” that will replace the Chinese Communist Party with a regime that is weaker and more pro-American. Many in Beijing see evidence of this intent in the long American record of anti-communism, in Washington’s regular calls for greater democracy and more respect for human rights in China, and in its stubborn support for what China sees as separatist movements in Taiwan, Tibet, and Xinjiang.

China’s U.S. specialists understand that the American system is politically and ideologically pluralistic. But all three Chinese analytic traditions converge on the view that a great power like the United States must ultimately *have* a strategy toward China. When confusing and contradictory signals emanate from the American political system, as they often do, Chinese analysts deploy an idea that is similar to one that Americans often use about China: the

7 See the quotations and analysis of the views of China’s fourth generation of leaders in Andrew J. Nathan and Bruce Gilley, *China’s New Rulers: The Secret Files* (New York: New York Review Books, 2002), Ch. 8.

8 John Mearsheimer’s theory of offensive realism has attracted even greater attention in China than it has in the United States. He has been invited to China and his book, *The Tragedy of Great Power Politics* (New York: W.W. Norton, 2001), has been translated into Chinese. Western realism is compatible with premodern Chinese understandings of political behavior; Alastair Iain Johnston, *Cultural Realism: Strategic Culture and Grand Strategy in Chinese History* (Princeton: Princeton University Press, 1995).

idea of deviousness. The U.S. may hide its strategic intentions behind soothing words; it may justify its actions as a search for human rights, peace, and a level playing field; it may put forward apparently pro-China persons to manage its dealings with China; it may even give China some real help out of a search for short-term gain. But its words and actions are “two-faced”.⁹ Washington’s ruses reveal, rather than hiding, its true intention to remain the unchallenged global hegemon and its determination not to allow China to grow strong enough to challenge American power.

There is not much disagreement over these core views, because virtually all foreign policy analysts in China work directly or indirectly for the government. A small group of analysts argues that Chinese and American interests are not totally at odds. The two countries are sufficiently remote from one another that their core security interests do not inevitably clash. They can gain mutual benefit from trade and from policies that pursue such common interests as keeping Japan from embarking on an autonomous security policy. Therefore Beijing can usefully engage Washington even though it has to keep struggling to free itself from the constraints imposed by the U.S. But there is larger body of dissenters on the other side of the spectrum who hold harsher rather than softer views of American policy, and have more confrontational ideas about how China should respond. They believe China must stand up to the U.S. militarily, and that it can win the inevitable conflict by leapfrogging U.S. military technology and mobilizing its superior morale. These views are widespread in

9 E.g., “China condemns US two-faced human rights report.” *People’s Daily Online*. May 20, 2004. Available at: <http://english.peopledaily.com.cn/200405/20/eng20040520_143933.html>, accessed December 10, 2008; “Opinion: US two-faced stance on Taiwan damaging,” *China Daily*. December 5, 2003. Available at: <http://www.chinadaily.com.cn/en/doc/2003-12/05/content_287410.htm>, accessed December 10, 2008.

the military and security agencies. But they are usually kept out of sight to avoid frightening both China's rivals and its friends.¹⁰

AMERICAN CAPABILITIES

To peer more deeply into the logic of American China strategy, Chinese analysts – like analysts everywhere – look at both capabilities and intentions. American military, economic, ideological, and diplomatic capabilities are relatively easy to discover, and from the Chinese point of view they are potentially devastating.

Military Threat. American armed forces are globally deployed and technologically advanced, with massive concentrations of firepower all around the Chinese rim. The U.S. military is divided into six regional “combatant commands”, of which the largest in geographic scope and manpower¹¹ is the United States Pacific Command (PACOM), whose area of responsibility includes China (there are also four functional commands). PACOM has its headquarters in Honolulu and has forces stationed throughout Asia and the Pacific. More than 230 of the U.S.’s 800 overseas military installations are located in Japan and South Korea, as well as major air and naval bases on the island of Guam, 2000 miles from China.¹² Besides China, PACOM’s area of responsibility (AOR) includes Taiwan, the South China Sea, Southeast Asia, Australia, New Zealand, and most of the Pacific and Indian Oceans. PACOM’s assets include hundreds of thousands of military personnel from

10 Michael Pillsbury, *China Debates the Future Security Environment* (Washington, D.C.: National Defense University Press, 2000).

11 Except when there is an active war going on within the territory of another combatant command.

12 *Base Structure Report Fiscal Year 2007 Baseline* (Washington, D.C.: Department of Defense, 2007), p. 6. Available at: <www.defenselink.mil/pubs/BSR_2007_Baseline.pdf>, accessed November 8, 2008.

the Army, Navy, Air Force, and Marine Corps; some 180 ships and 1900 aircraft.¹³ At the western borders of China and India the PACOM gives way to the U.S. Central Command (CENTCOM). CENTCOM is responsible for the area from Pakistan and Central Asia west to Egypt. Before 9/11, CENTCOM had no forces stationed directly on China's borders except for its training and supply missions in Pakistan, but after 9/11 CENTCOM placed tens of thousands of troops in Afghanistan and gained access to an air base in Kyrgyzstan. As one Chinese analyst put it:

*The United States has taken... steps to build... [a] strategic ring of encirclement in China's neighboring regions;... significantly strengthened its network of military bases in the Asia-Pacific region and its alliance relationship with China's neighboring countries; further strengthened the U.S. Pacific Fleet and established forward military bases in Central Asia which is contiguous to China's Western region, in the name of counterterrorism.*¹⁴

The operational capabilities of American forces in the Asia-Pacific are magnified by five bilateral defense treaties (with Australia and New Zealand, Japan, Korea, and the Philippines), a collective defense treaty with Australia, France, New Zealand, the Philippines, and Thailand, and a host of cooperative arrangements with other countries in the region. U.S. forces have access to port facilities and airfields throughout the region for refueling, resupply, and repair. Australian, Japanese, and South Korean forces are trained to operate in conjunction with U.S. forces. Despite assurances that Washington would wind down weapons sales to

13 Official figures from U.S. Pacific Command. Available at: <www.pacom.mil/about/pacom/shtml>, accessed September 19, 2010.

14 Qian Wenrong, "What Has Influenced Bush?" *Shijie Zhishi* (September 2005), p. 43, cited in Susan L. Craig, *Chinese Perceptions of Traditional and Nontraditional Security Threats* (Carlisle, PA: U.S. Army War College Strategic Studies Institute, 2007), p. 49.

Taiwan, the U.S. continues to equip and train the Taiwanese armed forces. To backstop its capabilities in the region, the U.S. possesses some 5200 strategic nuclear warheads deployed in an invulnerable “triad” of land-based missiles, submarine-based missiles, and aircraft-borne bombs.¹⁵

Chinese analysts became fully aware of the technological level of U.S. military capabilities only when the U.S. put them on global display during the televised Persian Gulf War of 1990-91. In the two decades preceding that war, the American military had quietly carried out a program of modernization labeled the Revolution in Military Affairs (RMA). By the early 1990s the U.S. possessed a global network of space satellites that provided real-time intelligence on the state of any battlefield in the world. The operations of all U.S. service arms were integrated through computer-networked communications that allowed so-called joint operations of air, naval, and land forces. Smart bombs and drone aircraft provided accurate targeting with low risk of injury to American troops. Advanced “logistic lift” allowed the transport of the required quantities of troops, weapons, and supplies to distant battlefields in short time frames.

Since 1991, the Chinese have tried to keep informed about continuing advances in American military capabilities. This was undoubtedly one reason behind the agreement Beijing made with Washington in 1997 to permit U.S. naval vessels to make regular port visits to Hong Kong after the retrocession of the colony from British to Chinese sovereignty.¹⁶ For their part, American officers are happy selectively to display U.S. capabilities to Chinese

15 Wolfgang K.H. Panofsky, “Nuclear Insecurity”, *Foreign Affairs* 86, no. 5 September/October 2007, pp. 109-118; Keir A. Lieber and Daryl G. Press, “The Rise of U.S. Nuclear Primacy”. *Foreign Affairs* 85, no. 2 (March/April 2006), pp. 42-54. Another 5000 nuclear weapons are in reserve.

16 The requests for such port calls are routinely granted except when Beijing wishes to express its displeasure with U.S. policy decisions.

officers during “military-to-military” exchanges in order to impress Chinese officers with the destructive power they would face if a conflict broke out, and to send the message that the U.S. constantly adjusts its capabilities in order to keep a step ahead of any rival’s military modernization.

To Chinese analysts the message is clear. China for now has no forces stationed outside its borders in Asia except for a small anti-piracy patrol in the Gulf of Aden and a few hundred personnel in UN Peace-Keeping Operations (PKOs). It has limited access to port facilities outside its borders for naval and air operations, and no military alliances save for the 1961 treaty still technically in effect with North Korea. Its military capabilities, in short, are located within its own borders and around its coasts and stretched thin.¹⁷ As it builds up these capabilities, it sees the U.S. respond by reinforcing its own position around China’s periphery. This is the message China receives from the new Pentagon strategy focused on the Asia-Pacific issued in January 2012 and the recently articulated doctrinal concept called “Air-Sea Battle”. And any U.S.-China conventional conflict that might occur would have to take place around – and possibly within – China, because there are no Chinese forces anywhere else.

Economic Threat. Chinese security analysts observe an extensive American capability to damage Chinese economic interests. Even though China has diversified its export markets and sources of investment and technology, the U.S. is still its single most important market (unless one counts the EU as whole) and one of its major sources of Foreign Direct Investment and advanced technology. Since the 1980s, the U.S. has used its economic power

17 Andrew Scobell and Andrew J. Nathan, “China’s Overstretched Military”, *The Washington Quarterly* 35:4 (Fall 2012), pp. 135-148.

more to help than to harm China, contributing in many ways to China's growth. But it has occasionally sent the signal that it could turn this help into a weapon if it wanted to. For example, after the 1989 Tiananmen crackdown Washington imposed economic (as well as diplomatic) sanctions on China. The sanctions included restrictions on advanced technology transfers that the U.S. has not only continued to enforce but has pressured its European allies to maintain as well. At that time Congress also debated whether to punish China by cancelling the low tariff rates enjoyed by Chinese imports – so-called Most Favored Nation (MFN) tariff treatment. Again in the 2000s, American legislators discussed whether to sanction China for what they called currency manipulation, that is, Beijing's refusal to allow a more rapid increase than it wanted in the exchange rate of the Chinese currency, the *renminbi* (RMB). Even though the post-Tiananmen sanctions were mild and the trade sanctions that Congress discussed were not imposed, to Chinese analysts these political events were signals of how vulnerable China would be to U.S. actions if Washington decided to punish China economically. In addition, crucial raw materials reach China across sea lanes whose security is controlled by the U.S. Navy. Even though the U.S. has never threatened to do so, Chinese analysts believe that in a crisis the U.S. could cut off China's supplies, with or without the cooperation of its allies.

Even without the intent to punish, the U.S. economy is so huge that it can hurt China by scrambling for its own interests. For example, Beijing does not believe that strategic commodities like oil and ores are distributed through an open global market to which every country has equal access. Instead, they believe that these commodities are largely controlled by enterprises based in the U.S. and its allies through ownership stakes, long-term contracts, and political influence, so that price relationships and shortages are often solved in ways that help the West and hurt

others. To deal with this unfavorable situation China has been purchasing part-ownership of oil fields and iron, copper, and other mines wherever it could around the world. In response, Western media and politicians expressed anxiety about these moves, revealing their reluctance, in Beijing's view, to allow others to play the game the same way that they play it. In 2005 U.S. politicians halted the acquisition of the Unocal energy company by the China National Offshore Oil Corporation (CNOOC), and in 2009 political resistance in Australia blocked a Chinese state-owned corporation's acquisition of a stake in mining giant Rio Tinto. To Chinese analysts these acts confirmed that their original suspicions were correct: if the market were open, why would Chinese ownership be an issue?

Finally, the U.S. economy is so big that it can hurt China simply by mismanaging itself. For example, the U.S. dollar has become the main currency that countries use to trade with one another, and the main currency that most countries use to accumulate foreign exchange. The makeup of China's foreign exchange reserves is not publicly known, but they probably include about 70% of dollar-denominated assets. Even if China would like to hold fewer dollar assets, it is hard to do so when the dollar accounts for nearly half of international bank deposits and debt securities, 60% of global foreign exchange reserves, and 80% of all foreign exchange transactions.¹⁸ This gives the U.S. the ability to damage Chinese interests simply by trying to solve its own economic problems by printing dollars and borrowing. When the U.S. does these things, it drives down the value both of China's exports and of its foreign exchange reserves.

China is not as vulnerable to economic pressure as some countries because it is a large continental economy with vast

18 Harold James, "The Enduring International Preeminence of the Dollar", in Eric Helleiner and Jonathan Kirshner, eds., *The Future of the Dollar* (Ithaca, N.Y.: Cornell University Press, 2009), Ch. 2.

natural resources, diversified overseas markets, and an increasingly robust domestic market. Still, the U.S. possesses a substantial capability to damage China's prosperity. So far it has not used this capability with that intention in mind. But if it did, China's ability to retaliate would be limited. Its supplies to the U.S. consist mostly of consumer products that are not strategically significant, and it cannot dump American dollars without damaging its own ability to conduct foreign trade and the value of its foreign exchange holdings.¹⁹

Ideological Threat. Chinese analysts see the United States as possessing potent ideological weapons and the willingness to use them. "Democracy" and "human rights" are ideas that are accepted everywhere, and the U.S. has gained an outsized ability to define what these ideas mean. This is not – in the eyes of Chinese officials – because American ideas are better. Instead, the U.S. took advantage of its position as the dominant power after World War II to write its ideas into the Universal Declaration of Human Rights and other human rights instruments and to install what China sees as "Western-style" democracies in Japan and, eventually, in Korea, Taiwan, and other countries around the world. Today the U.S. uses the ideas of democracy and human rights to cover up class exploitation at home and neocolonialism abroad. Ideological power supports military and economic power. The U.S. has used it to delegitimize and destabilize regimes that espouse alternative ideas like socialism and Asian-style developmental authoritarianism.

In the Chinese analysis the U.S. government – abetted by foundations and NGOs that claim to be private but work in parallel with national policy – keeps rivals on the defensive

¹⁹ Daniel W. Drezner, "Bad Debts: Assessing China's Financial Influence in Great Power Politics", *International Security*, 34:2 (Fall 2009), pp. 7-45.

by carrying out “democracy promotion” and promoting “color revolutions”. The Ford Foundation and Asia Foundation support pro-reform activists in China. The National Endowment for Democracy supports dissidents. Freedom House rates China as “unfree”. Voice of America and Radio Free Asia broadcast news and opinions that the Chinese media try to suppress. The U.S. offers political asylum to those who have opposed the Chinese regime and provide refuge and support for Tibetan and Uighur activists. American missionaries in China promote unauthorized forms of Christian belief, the so-called house churches. U.S. based NGOs subject Chinese practices to a wide range of criticism and seek to embarrass the government in front of its own people. American universities expose Chinese students to Western ideas. To be sure, foundation support has benefited China by contributing to regime priorities, and the training of Chinese students has helped China learn valuable technology. Yet none of these benefits came for free. No other country has fielded such a robust a set of tools to challenge other regimes’ ideological control of their own societies.

Diplomatic Threat. Chinese analysts believe that the U.S. uses its dominant diplomatic position in the world to reinforce its other capabilities. The U.S. military presence outside its borders is put into legal form by treaties and other agreements that other nations have signed under U.S. pressure, and by UN Security Council resolutions that the U.S. has extracted by arm-twisting. The U.S. uses arms control to prevent other countries from challenging its dominance and manages the arms control regime in such a way that attempts by North Korea, Iran and other countries to protect themselves from U.S. pressure by acquiring nuclear weapons get classified as violations of international law. The U.S. dominates the World Bank, International Monetary Fund, World Trade Organization, and other rule-making bodies of

the international economy in such a way as to benefit itself. It has by and large dominated the international human rights regime, although it refuses to subject itself to some of the key treaties.²⁰ The U.S. arrogates to itself the right to label some governments rogue regimes, such as in Myanmar, Sudan, and Iran, and to force other countries to join in imposing sanctions on them. Although the diplomatic power of the U.S. has been weakening, it can still use the international system to benefit itself and, often enough, to make life more complicated for China.

To all three schools of Chinese analysts that we described above – the cultural, Marxist, and realist schools – it is only logical to assume that a country as powerful as the U.S. will do everything it can to preserve its privileges, and will treat efforts by other countries to protect their interests as threats to its own security. The implications are pessimistic: as China rises, the U.S. can be expected to resist.

LESSONS OF HISTORY: NEGOTIATIONS OVER TAIWAN

Beyond capabilities, Chinese analysts look at the history of U.S.-China relations to sharpen their understanding of U.S. intentions and practices. The lessons of history reinforce the logic of capabilities: in Beijing's view, the U.S. has treated China harshly in pursuing its power interests. From 1950 to 1972, the U.S. tried to "contain and isolate" China. Among other actions, it forced its allies to withhold diplomatic recognition from the P.R.C., organized a trade embargo against China, built up the Japanese military, intervened in Korea, supported the rival regime in

20 Key treaties to which the U.S. has not acceded include the International Covenant on Civil and Political Rights, the Convention on the Elimination of All Forms of Discrimination against Women, the Convention on the Rights of the Child, and the Rome Statute that created the International Criminal Court.

Taiwan, supported Tibetan guerillas fighting P.R.C. control, and threatened to use nuclear weapons. U.S. China policy changed after 1972, but only to serve Washington's needs – at first to counter the Soviet Union, and after China adopted an open-door policy, for the economic advantage of doing business in China. Even then the U.S. continued to hedge against China's rise by maintaining Taiwan as a strategic distraction, further building up Japanese military strength, continuously modernizing its naval and other forces in Asia, and pressuring China on human rights.

More specifically, the Chinese have taken lessons about American China policy from several sets of negotiations with Washington. These included intermittent ambassadorial talks during the 1950s and 1960s,²¹ negotiations over arms control in the 1980s and 1990s,²² and negotiations over climate change in the 2000s. Two sets of negotiations made especially strong impressions on the Chinese: those over Taiwan in the 1970s and 1980s, and those over the World Trade Organization (WTO) in the 1990s. In summary, the Chinese believe that the Americans dragged them out, drove an unduly hard bargain, and ratcheted up their demands in bad faith at the last moment when Premier Zhu Rongji came to Washington in 1999 to offer what China thought would be final concessions. After initially agreeing to Zhu's offer, President Bill Clinton cited Congressional dissatisfaction with the deal as a reason for demanding still more concessions. The lessons of this experience for Beijing were that the U.S. never relents even on minor details, that negotiating with the U.S. is politicized and chaotic with no one really in charge, and that the U.S. drives the

21 Zhang Baijia and Jia Qingguo, "Steering Wheel, Shock Absorber, and Diplomatic Probe in Confrontation: Sino-American Ambassadorial Talks Seen from the Chinese Perspective", in Robert S. Ross and Jiang Changbin, eds., *Re-examining the Cold War: U.S.-China Diplomacy, 1954-1973*, (Cambridge, MA: Harvard University Asia Center, 2001), pp. 173-199.

22 Evan S. Medeiros, *Reluctant Restraint: The Evolution of China's Nonproliferation Policies and Practices, 1980-2004* (Stanford: Stanford University Press, 2007).

hardest possible bargain to maximize its own benefits rather than seeking a fair deal that serves both sides.

Even more decisive for Chinese understandings of U.S. policy were the three rounds of negotiations that took place over Taiwan in 1971-72, 1978-79, and 1982. These negotiations are worth studying in detail because they created the “communiqué framework” that governs American Taiwan policy to this day.²³ The P.R.C. has always labeled Taiwan as its highest priority issue in its relations with Washington. The issue has existential importance for China because control of Taiwan is essential to Chinese security. To Chinese policy-makers the crux of the “Taiwan problem” has never been Taiwan’s separation from the mainland as such, but the U.S. role in perpetuating that separation. Had the U.S. not intervened in the Chinese civil war to protect the losing KMT side, Chinese policy-makers believe that Taiwan would long since have been taken over by the P.R.C. Instead, with the outbreak of the Korean War in 1950, President Harry S. Truman directed the U.S. Navy to interpose itself in the Taiwan Strait; the U.S. maintained diplomatic recognition of the R.O.C. as the government of all China instead of shifting recognition to the P.R.C.; and Washington hedged its bets on the relationship of Taiwan to China by stating that “sovereignty over Taiwan ... is an unsettled question subject to future international resolution”, a legalism that allowed the possibility of Taiwanese independence to remain permanently on the table. In 1954 Washington signed a defense treaty with Taipei and started supplying military aid, which further consolidated the island’s independence from the mainland. These events formed the background for U.S.-China negotiations over Washington’s Taiwan policy.

23 For authoritative discussion of the texts, see Richard C. Bush, *At Cross Purposes: U.S.-Taiwan Relations since 1942* (Armonk, N.Y.: M.E. Sharpe, 2004).

When U.S.-China rapprochement began, P.R.C. policy-makers assumed that the U.S. would give up its support for Taipei in exchange for the benefits of normal state-to-state relations with Beijing. Indeed, at each stage of the negotiations the Americans seemed willing to disengage. Yet, decades later, the U.S. remains involved in Taiwan and is, in Beijing's view, still the chief obstacle to the realization of its reunification policy. How did this happen?

When Richard Nixon went to China in 1972, he told the Chinese that he was willing to sacrifice Taiwan because it would no longer be strategically important to the United States once the U.S. and China started cooperating. But he told Mao and Zhou that it was politically impossible to sever ties with Taipei at the same time that he opened ties with Beijing. He promised to break diplomatic and military relations with the R.O.C. in his second term. After hard bargaining, the Chinese side accepted this two-step solution. In the 1972 Shanghai Communiqué they restated their absolutist position – “The liberation of Taiwan is China's internal affair in which no other country has the right to interfere; and all U.S. forces and military installations must be withdrawn from Taiwan” – but they also allowed the U.S. to make a parallel declaration within the same document. The crucial language read as follows.

The U.S. side declared: The United States acknowledges that all Chinese on either side of the Taiwan Strait maintain there is but one China and that Taiwan is a part of China. The United States Government does not challenge that position. It reaffirms its interest in a peaceful settlement of the Taiwan question by the Chinese themselves. With this prospect in mind, it affirms the ultimate objective of the withdrawal of all U.S. forces and military installations from Taiwan. In the meantime, it will progressively reduce its forces and military installations on Taiwan as the tension in the area diminishes.

In this way the Chinese obtained what they read as a definitive acknowledgment of Chinese sovereignty over Taiwan and a commitment to end U.S. military support for the R.O.C. government.

Yet U.S. negotiators later maintained that they had not “recognized” (*chengren*) Chinese sovereignty over Taiwan but merely “acknowledged” (*renshi*) the Chinese *belief* in this sovereignty. As for Washington’s pledge to break relations with Taipei, it was an oral side promise, not a written commitment, and it turned out to be hard to achieve. Although the U.S. undertook to reduce its military presence in Taiwan, it made this contingent on the reduction of the Chinese military threat, a threat that Chinese negotiators had always insisted was a sovereign right that they could not give away. The U.S. even managed in a certain sense to tighten its commitment to Taiwan even while loosening it, by asserting a never-before-stated “interest” in the *manner* in which the Taiwan question would be settled (i.e., peacefully), an interest that it would later use to justify continuing to support Taiwan militarily and in some ways diplomatically even after it broke formal diplomatic relations with the island. In sum, after the 1972 communiqué, Washington remained on exactly the same footing as before with the R.O.C., with all its promises in the future, while China had given ground by allowing the U.S. position to be stated in a joint communiqué on Chinese soil and even to be strengthened. In retrospect, Chinese analysts came to believe that the Americans had taken advantage of Mao Zedong and Zhou Enlai, using their legalistic attention to the letter of an agreement to trap the Chinese who naively put faith in the spirit of the agreement.

As events played out, Nixon was unable during his second term to normalize relations with Beijing because of Watergate. His successor, Gerald Ford, was also too weak politically to fulfill Nixon’s promise. The Chinese learned a second lesson – surprising to them – about the weakness of leaders in democratic systems and the unreliability of their promises.

When the next president, Jimmy Carter, wanted to normalize relations with China in order to increase pressure on the Soviet Union, the Chinese insisted that the flaws in the 1972 communiqué be repaired. After tense negotiations, as part of the deal to establish diplomatic relations with Beijing on January 1, 1979, Washington agreed to break diplomatic relations with Taipei, give the legally required one-year notice of termination of the mutual defense treaty, and repeated that it “acknowledges the Chinese position that there is but one China and Taiwan is part of China”.²⁴ The U.S. insisted, however, on including a sentence in the joint normalization communiqué that said, “Within this context, the people of the United States will maintain cultural, commercial, and other unofficial relations with the people of Taiwan”. Moreover, despite Chinese objections it issued a unilateral statement which said that “the United States continues to have an interest in the peaceful resolution of the Taiwan issue and expects that the Taiwan issue will be settled peacefully by the Chinese themselves”. The Chinese responded with their own unilateral statement saying, “as for the way of bringing Taiwan back to the embrace of the motherland, it is entirely China’s internal affair”. But this could only contradict, not undo, Carter’s reaffirmation of the American “interest” in a peaceful resolution of the Taiwan question first asserted by Nixon. As to U.S. military assistance to Taiwan, China demanded that Washington give an exact date for its termination but the American negotiators refused. The normalization deal thus brought some steps forward for China but reinforced the lesson that Washington would not let go of any advantage unless the other side had an absolute upper hand in the negotiations.

24 Specialists have argued over whether recognizing the Chinese position was the same as accepting it as the U.S. position. However, there has been no exploitation of this ambiguity in U.S. diplomacy, so for all practical purposes it is a nonissue.

What happened next was a yet another painful lesson for the Chinese side. On April 15, 1979, the U.S. Congress carried out a partial rebellion against the deal Carter had struck – careful though it was – by adopting the Taiwan Relations Act (TRA). The TRA restated the U.S. “interest” in peaceful methods of “determining the future of Taiwan” (as if, Chinese commentators protested, there was something about the future of Taiwan that still needed to be determined). The act expressed Congress’s intent to “maintain the capacity of the United States to resist any resort to force or other forms of coercion that would jeopardize the security ... of the people on Taiwan”. It committed the United States to provide defense “articles and services” sufficient to enable Taiwan to defend itself, “based solely [on]... the needs of Taiwan” – meaning that future administrations were forbidden to bargain with Beijing over U.S. arms sales to Taiwan. It established a quasi-governmental framework that enabled Washington to maintain state-to-state relations with Taipei,²⁵ and said that the U.S. would continue to treat Taiwan in every way except in protocol terms as if Taiwan were a state under international and domestic law.

In short, from Beijing’s perspective the TRA took away much of what Nixon and Carter had given them. In place of the old U.S. policy that recognized the Republic of China as the government of all China – and hence at least acknowledged the unity of China – the TRA now recognized an entity called Taiwan which the U.S. would treat as if it was separate from China and which enjoyed all the substantive attributes of statehood in its dealings with the U.S. except for formal diplomatic recognition. Instead of moving

²⁵ Under this framework, the interests of the U.S. government are handled by an ostensibly nongovernmental organization that is government-funded, staffed and directed, called the American Institute in Taiwan (AIT). Taiwan created a counterpart entity, which after subsequent renaming is known as the Taipei Economic and Cultural Office (TECO), to perform the duties of the ROC’s former embassy and consulates in the U.S.

forward with the progressive abandonment of the American military commitment to Taiwan, the TRA entrenched the U.S. in the position of guaranteeing protection as long as Taiwan needed it. Indeed over the years the TRA has been used by American officials to justify a range of public and private diplomatic interventions, arms sales, military contingency planning, and even shows of force to defend Taiwan from P.R.C. threats. When Chinese diplomats complained about the TRA's inconsistency with Nixon's and Carter's promises, they were told that in the American constitutional system the Congress could do what it wanted. Beijing had already learned that the power of the presidency was unstable. Now it discovered that the U.S. administration could use the principle of separation of powers to claim the right in effect to renege on its agreements.

In 1982, Beijing saw another chance to correct the errors of its previous negotiations with the United States. As a presidential candidate, Ronald Reagan had signaled his intention to upgrade relations with Taiwan. But when he became president he found that he needed Chinese cooperation against the Soviet Union. Beijing insisted in return on some concessions on the issue of American arms sales to Taiwan. After intense negotiations, the two sides issued a second Shanghai Communiqué on August 17, 1982. The key passage read:

Having in mind the foregoing statements of both sides [that is, that China is seeking peaceful resolution of the Taiwan issue while the US has no intention of infringing Chinese sovereignty], the U.S. Government states that it does not seek to carry out a long-term policy of arms sales to Taiwan, that its arms sales to Taiwan will not exceed, either in qualitative or in quantitative terms, the level of

those supplied in recent years since the establishment of diplomatic relations between the United States and China, and that it intends to reduce gradually its sales of arms to Taiwan, leading over a period of time to a final resolution.

China had now forced the U.S. to make its 1972 commitment to reduce arms sales to Taiwan more specific. But once the agreement was in place the Americans proceeded to use legalistic reasoning to empty it of all meaning. They set the benchmark year at 1979, when arms sales had been at their highest; calculated annual reductions at a small marginal rate, adjusted for inflation, so that they were actually increased; interpreted more advanced weapons systems as being the qualitative equivalents of older systems rather than advances on them; and allowed commercial firms to cooperate with Taipei's armaments industry under the rubric of technology transfer rather than arms sales. By the time that George W. Bush approved large package of advanced arms to Taiwan in April 2001, it was clear that the 1982 communiqué was a dead letter. Meanwhile, while America indefinitely prolonged its involvement with Taiwan, changes took place there that put unification further out of Beijing's reach.

Chinese strategists ask themselves why the Americans are so stubbornly committed to Taiwan. Although Americans often answer this question by citing the imperative to defend a loyal, democratic ally from subjugation by a dictatorship, most Chinese see strategic motives at the root of American behavior. They believe that keeping the Taiwan problem going helps tie China down. As one group of mainland military strategists framed it, "since the end of the Cold War, Taiwan has become an increasingly important chess piece used by the United States to keep China in check".²⁶ The

²⁶ Zhu Chenghu, editor-in-chief, *ZhongMei guanxi de fazhan bianhua ji qi qushi* (Changes in the development of China-U.S. relations and their trends) (Nanjing: Jiangsu renmin chubanshe, 1998), p. 194.

lessons of this experience thus confirm Chinese expectations from theory. The U.S. will use all its instruments of power to hold back the rise of a rival.

U.S. CONGRESS AND CHINA POLICY

Congressional intervention in U.S-China relations in the case of the TRA was not an aberration. It was part of a trend of Congressional assertiveness in foreign policy that had started several years earlier and which has continued to complicate the American relationship with China. During the Cold War, the principle of foreign policy bipartisanship decreed that “politics stops at the water’s edge”. With the exception of the sterile debate in the early 1950s over “who lost China”, China policy enjoyed the support of both parties until 1979 because of the broad consensus on the contribution U.S.-China cooperation made to the containment of the Soviet Union. Maoist totalitarianism created one of the most brutal governments in history, yet Americans rejoiced at the warm reception that Chairman Mao offered Richard Nixon. Deng Xiaoping’s regime, although an improvement over Mao’s, remained a repressive government. But Americans focused on positive trends in Chinese politics and economics, believing that the Chinese were moving toward American values.

But congressional deference on issues of foreign policy had been eroding in the late 1960s and early 1970s under the impact of the Vietnam War and Watergate, both of which undermined trust in the president’s word. The 1973 War Powers Resolution, limiting the president’s ability to deploy troops into hostile situations, was an early sign of the new mood. The battle over the Taiwan Relations Act was another benchmark in the assertion of foreign policy power by the Congress. The June 1989 Tiananmen incident, followed by the end of the Cold War, transformed attitudes toward China in the

United States. What had been perceived as a liberalizing Chinese regime was now seen as an atavistic Communist dictatorship imprisoning the Chinese people. The collapse of the Soviet Union eliminated the strategic imperative for cooperation with China. Closer U.S.-China economic ties generated frictions in various affected sectors of society. China policy became one of the most divisive issues in American foreign policy.

In these circumstances interest group politics has assumed an increased importance in U.S. China policy, working its effect partly through Congress. China's political system elicits opposition from human rights organizations; its population control policies anger the Right to Life movement; its repression of unofficial "house churches" is condemned by religious communities; its inexpensive consumer goods exports trigger demands for protection from organized labor; its reliance on coal and megadams for energy worries environmental groups; its arms and technology exports offend arms control activists; its sovereignty over Tibet arouses protests from Tibetan expatriates and their American supporters; the film, software, and pharmaceutical industries demand protection of their copyrights in the Chinese market. Indeed, starting in the 1980s China seemed to attract the attention of more American interest groups than any other country. The media and think tanks devoted increasing attention to China, usually following the principle that only bad news is worth reporting. Starting in the late 1990s public discussion focused on the idea of a "China threat", an idea that, in Chinese eyes, denies the legitimacy of Chinese aspirations and seems itself to voice a threat to Chinese interests.²⁷

²⁷ This point is made by Yong Deng, *China's Struggle for Status: The Realignment of International Relations* (New York: Cambridge University Press, 2008), Ch. 4.

Members of Congress pressured the White House or voted for legislation to promote policies toward China that met the demands of vocal constituencies. In recent years the spectrum of congressional critics of U.S. policy towards China has run from the progressive wing of the Democratic party to the Republican right, and has covered the gamut of issues from human rights and Tibet to trade barriers and currency manipulation, from Taiwan to intellectual property rights, from climate change and the environment to the Chinese military threat. The more important China has become, the more necessary it is for a member of Congress to take strong positions on issues relating to China. Some members specialize in issues they feel strongly about personally – often religious freedom, Tibet, and human rights. Others respond to issues important to their constituents for reasons of economic interest or ethnic identity – currency, trade, Taiwan. And others select issues related to the policy specializations they have carved out in Congress, such as trade or defense. Members increasingly need a position on China in order to demonstrate their competence on global issues and their support for an assertive foreign policy. Small groups enhance their influence by “bundling” campaign contributions, which the campaign finance law otherwise limits to \$1,000 per individual donor and \$5,000 per group.

Most Congressional debate on China is only that – debate –, but occasionally the Congress takes action, sometimes in unexpected ways that can make a real impact on Chinese interests. Passage of the TRA in 1979 was a prime example. From 1990 to 1994, Congress debated every year whether to cancel China’s “most-favored nation” trade status, which would have raised tariffs on Chinese imports into the United States.²⁸

28 Since China was a “non-market economy”, under U.S. law MFN status was extended on an annual basis and subject to congressional review, until China’s entry into the WTO in 2001 gave it “permanent normal trade relations” with the U.S.

Although it never did so, the possibility that it might happen caused China to make concessions every year on human rights issues. In 1995, a sense of the Congress resolution forced the administration to grant a visa to Taiwan president Lee Teng-hui in contravention of previous administration commitments to Beijing, an event that led to the 1995-96 Taiwan Strait Crisis. In 1997, the Congress forced the State Department to appoint an ambassadorial-level “special coordinator” for Tibetan issues, a step that China protested as infringing on its internal affairs. In 1999, as noted above, Congressional opposition forced President Bill Clinton to raise the price he demanded for U.S. approval of Chinese admission to the WTO. Often Congress only barked, but sometimes it bit.

Of course, many in Congress, the think tanks, the media, and academia support positions favorable to China, on the basis that cooperation is important for American farmers, exporters, banks, and Wall Street, or that strategic cooperation over issues like Korea or climate change is more important than disputes over rights or religion. Those voices may be more powerful in the long run than the voices critical of China. But they tend to speak more quietly and work more often behind the scenes.²⁹ To Chinese analysts trying to make sense of the cacophony of views expressed in the policy community, the signals are mixed and often alarming.³⁰

SUGAR-COATED THREATS

In trying to ascertain American intentions, Chinese analysts also look closely at authoritative statements by senior figures from the executive branch. Coming from a political system where the

29 James Mann, *The China Fantasy: How Our Leaders Explain Away Chinese Repression* (New York: Viking, 2007).

30 Scobell interviews, Shanghai and Beijing, May-June 2008; Beijing, October 2008 and October 2009.

executive dominates, Chinese analysts consider these statements the most authoritative public expressions of American strategy. They find that such statements often combine two themes. They seek to reassure Beijing that Washington's intentions are benign, while reassuring the American public that Washington will make sure that China's rise does not threaten American interests. This combination of themes produces what Chinese analysts perceive as sugar-coated threats.

For example, in 2005 Deputy Secretary of State Robert B. Zoellick delivered a major China policy statement on behalf of the George W. Bush administration. He told his American audience that China's rise was not a threat because China "does not seek to spread radical, anti-American ideologies", "does not see itself in a death struggle with capitalism" and "does not believe that its future depends on overturning the fundamental order of the international system". On that basis, he said, the two sides could have "a cooperative relationship". But cooperation would depend on certain conditions. "China's ... national interest would be much better served by working with us to shape the future international system" – rather than, implicitly, by working against Washington. China should take measures to calm what he called a "cauldron of anxiety" in the U.S. about its rise. It should "explain its defense spending, intentions, doctrine, and military exercises"; reduce its trade surplus with the U.S.; and cooperate with Washington on North Korea and Iran. Above all, Zoellick advised, China should give up "closed politics". In the American view, he said, "China needs a peaceful political transition to make its government responsible and accountable to its people". In conclusion, he said that the U.S. welcomed China to play the role of a "responsible stakeholder" in world affairs, and that

meanwhile the U.S. and its allies would “hedge relations with China” to see how China would act.³¹

Chinese analysts were fascinated, because a speech like Zoellick’s is carefully vetted through an inter-agency process and reflects the considered opinion of the whole government. They fanned out to ask their U.S. contacts what was meant by the Americanisms “stakeholder” and “hedge”. They concluded that Zoellick was telling Beijing that it must cooperate with Washington or else.

Other authoritative statements in the Bush administration sounded similar themes. The 2006 *Quadrennial Defense Review* (QDR) – a document issued every four years by the Defense Department – said:

*U.S. policy seeks to encourage China to choose a path of peaceful economic growth and political liberalization, rather than military threat and intimidation. ... The United States ... will attempt to dissuade any military competitor from developing disruptive or other capabilities that could enable regional hegemony or hostile action against the United States or other friendly countries, and it will seek to deter aggression or coercion. Should deterrence fail, the United States would deny a hostile power its strategic and operational objectives.*³²

The 2006 edition of *The National Security Strategy of the United States of America* – a policy statement issued periodically by the White House – said:

31 Robert D. Zoellick, “Whither China: From Membership to Responsibility? Remarks to National Committee on U.S.-China Relations”, September 21, 2005, Available at: <http://www.ncuscr.org/files/2005Gala_RobertZoellick_Whither_China1.pdf>, accessed August 10, 2010.

32 Quadrennial Defense Review Report, February 6, 2006, Available at: <<http://www.defenselink.mil/pubs/pdfs/QDR20060203.pdf>>, accessed August 11, 2010.

*China's leaders must realize, however, that they cannot stay on [a] peaceful path while holding on to old ways of thinking and acting that exacerbate concerns throughout the region and the world... Only by allowing the Chinese people to enjoy these basic freedoms and universal rights can China honor its own constitution and international commitments and reach its full potential. Our strategy seeks to encourage China to make the right strategic choices for its people, while we hedge against other possibilities.*³³

The same ideas were repeated – albeit in gentler language – by the Barack Obama administration.³⁴ The first major policy speech on China under that administration, given by Deputy Secretary of State James B. Steinberg in 2009, introduced the idea of “strategic reassurance”. Steinberg defined the principle in the following way:

Just as we and our allies must make clear that we are prepared to welcome China's 'arrival' ... as a prosperous and successful power, China must reassure the rest of the world that its development and growing global role will not come at the expense of security and well-being of others.

This would require China to “reassure others that this buildup does not present a threat..., increase its military transparency in order to reassure all the countries in the rest of Asia and globally about its intentions, ... [and show that it] respects the rule of law

33 *The National Security Strategy of the United States* (The White House, March 2006). Available at: <<http://georgewbush-whitehouse.archives.gov/nsc/nss/2006/sectionVIII.html>>, accessed August 11, 2010.

34 For analyses of the consistency between the Bush and Obama administration policies, see Zhu Feng, “A Return of Chinese Pragmatism”, *PACNET* #16 (CSIS Pacific Forum) April 5, 2010; Zhao Yang, “China is More Confident, But by No Means ‘Arrogant’”, *Nanfang Ribao* (on-line edition) May 13, 2010. Available at: <<http://www.nanfangdaily.com.cn>>; “The US Pursuit of Hegemony Unchanged”, *Study Times* June 7, 2010. Available at: <http://www.studytimes.com.cn:9999/epaper/xsxb/html/2010/06/07/07/07_46htm>.

and universal norms”.³⁵ The Obama Administration’s first *National Security Strategy*, issued in 2010, said:

*We will monitor China’s military modernization program and prepare accordingly to ensure that U.S. interests and allies, regionally and globally, are not negatively affected. More broadly, we will encourage China to make choices that contribute to peace, security, and prosperity as its influence rises.*³⁶

The first *Quadrennial Defense Review* of the Obama years, issued in 2010, said:

*[L]ack of transparency and the nature of China’s military development and decision-making processes raise legitimate questions about its future conduct and intentions within Asia and beyond. Our relationship with China must therefore be multidimensional and undergirded by a process of enhancing confidence and reducing mistrust in a manner that reinforces mutual interests.*³⁷

To Chinese analysts, these statements were consistent in substance, and conveyed the message that Washington wanted cooperation on its own terms, and would seek to deter China from developing a military capability adequate to defend its own security interests.

Rendering U.S. policy even more dangerous and inflexible, in Chinese eyes, is its ideological character. Policy-makers in a

35 “China’s Arrival: The Long March to Global Power”, speech at the Center for a New American Security, September 24, 2009. Available at: <<http://www.cnas.org/files/multimedia/documents/Deputy%20Secretary%20James%20Steinberg's%20September%2024,%202009%20Keynote%20Address%20Transcript.pdf>>, accessed August 11, 2010>.

36 “National Security Strategy” (The White House, May 2010). Available at: <http://www.whitehouse.gov/sites/default/files/rss_viewer/national_security_strategy.pdf>. Accessed August 11, 2010.

37 “Quadrennial Defense Review Report”, February 2010. Available at: <<http://www.defense.gov/qdr/qdr%20as%20of%2029jan10%201600.pdf>>. Accessed August 11, 2010.

democracy use ideology – clear, simple themes that make sense out of complex actions – to unify influential political actors, mobilize public support, and coordinate the bureaucracy.³⁸ Chinese leaders do the same but less so, because the public pays less attention to foreign policy than in the U.S. and there are fewer actors with independent influence. According to one Chinese analyst, “The United States needs ideology to distinguish friend from foe”.³⁹ The Chinese find it easy to deal with Americans on a pragmatic basis behind closed doors. But they see the public ideology of U.S. diplomacy as evangelical – both literally, as the U.S. sees itself as promoting Judeo-Christian values, and figuratively, as the U.S. promotes its values of democracy and market economics with religious fervor, the more insistently the more others resist. This helps Chinese elites make sense of policies that otherwise do not seem coherent to Beijing, like the U.S. intervention in Somalia in 1992-1994 and in Serbia in 1999, and Washington’s prolonged anti-Castro policy toward Havana.

Indeed, in the eyes of many in Beijing, since the end of the Cold War the U.S. has revealed itself to be not so much a conservative power intent on resisting structural change in the international system, but a revisionist power that is taking new initiatives to reshape the global environment in its favor. These initiatives include NATO expansion; interventions in Panama, Haiti, Bosnia, and Kosovo; two Persian Gulf wars; the Afghanistan war; the extension of U.S. military power into Central Asia; and the effort to deny North Korea’s and Iran’s rights to self-defense. In the economic realm, the U.S. has tried to expand its

38 Thomas J. Christensen, *Useful Adversaries: Grand Strategy, Domestic Mobilization, and Sino-American Conflict, 1947-1958* (Princeton: Princeton University Press, 1996); Michael H. Hunt, *Ideology and U.S. Foreign Policy* (New Haven: Yale University Press, 1987).

39 Feng Changhong, “How to View U.S. Strategic Thinking”, in McGiffert, ed., *Chinese Images of the United States*, p. 40.

advantage by pushing for free trade, running down the value of the dollar while other countries are forced to use it as a reserve currency, and trying to make developing countries bear an unfair share of the cost of mitigating global climate change. The U.S. has shown its aggressive designs by promoting its version of human rights and democracy in other countries and by promoting color revolutions in Georgia, the Ukraine, and Kyrgyzstan. According to one rising star in the CCP:

Their [the Americans'] real purpose is not to protect so-called human rights but to use this pretext to influence and limit China's healthy economic growth and to prevent China's wealth and power from threatening [their] world hegemony.⁴⁰

There is, Chinese analysts conclude, a pattern of aggressiveness to the American use of power.⁴¹

This Chinese suspicion of the U.S. confronts the huge anomaly that the U.S. has done so much to promote China's rise. For Chinese analysts history provides an answer to this puzzle. The U.S. contained China for as long as it could. When the rising strength of the Soviet Union made it necessary, the U.S. was forced to engage with China in order to strengthen its hand against Moscow. Once it started to engage with China, the U.S. came to believe that engagement would make China into a democracy and would win back a strategic base in Asia that Washington had lost in 1949. Moreover, after China started down the path of reform and opening, the U.S. began to earn huge economic benefits from its investments in China, the supply

40 Li Qun, a prominent official on the Shandong Provincial Party Committee, quoted in Andrew J. Nathan, "Medals and Rights: What the Olympics reveal, and conceal, about China", *The New Republic* July 9, 2008, p. 46.

41 Scobell, *China and Strategic Culture*, pp. 16-18.

of cheap Chinese goods, and the Chinese willingness to support the U.S. trade and fiscal deficits by buying U.S. treasury bonds. None of this was done out of idealism or generosity. Meanwhile, until the late 1990s, American strategists underestimated China's potential. Now, Chinese analysts believe, the U.S. perceives China as a threat but no longer has any realistic way to prevent it from continuing to develop. In this sense, the U.S. strategy of engagement failed, while Deng Xiaoping's strategy of "hiding our light and nurturing our strength" worked. The U.S. can now do no more than it is doing: demand cooperation on American terms, threaten China, hedge militarily, and continue to try to change the regime.

SLIVERS OF HOPE

These depressing views have not prevented China from cooperating with the U.S. in many areas of common interest. It had no choice but to do so. According to Hu Jintao, "Neither side gains if relations deteriorate". Former P.R.C. vice president Zeng Qinghong said, "Avoiding conflict is a long-term task for both sides". According to former premier Wen Jiabao, "What determines the direction of development of U.S.-China relations is the two countries' basic interests. ... Common interests are greater than the divisions between the two countries".

Such thinking reflects the instrumental thinking that guides Chinese foreign policy, in which common interests should trump ideological differences. The more the U.S. needs China for its own economic prosperity and to solve issues like North Korean nuclearization, proliferation of nuclear weapons to Iran, and global climate change, Beijing believes, the more likely Washington is to chose cooperation over conflict. As Zeng Qinghong put it:

*[G.H.W.] Bush and Clinton are both clear – to form bad relations with China is against their long-term basic national interest. Therefore, the United States will not develop bad relations with China in the long term, and U.S.-China relations cannot evolve into [something similar to] the former U.S.-Soviet relations.*⁴²

For China, as for the U.S., however, the logic of security has no horizon. The stronger – and in a certain sense the more secure – a country is, the more security it needs. Each major power prefers to dominate the other rather than to compromise. Beijing analysts expect the U.S. to remain the global hegemon for several more decades, despite the best efforts of Russia, China, and others to restrain it and despite what they perceive as the initial signs of U.S. decline. For now, as one leading Americanist put it, “The superpower is more super, and the many great powers less great”.⁴³ Survey research among Chinese elites shows that most do not think the hegemonic power of the United States will disappear quickly.⁴⁴

Chinese policy-makers thus assume that each power is likely to continue to build up its capability to constrain the other, aiming to be free of dependence on the other for its own security. But that is a distant goal for either side, unless the other side withdraws from the race. Instead, the two are growing increasingly interdependent economically and as China’s military power grows the two sides – while not equal – have the increasing ability to cause each other substantial harm. In this mutual vulnerability lies the best hope for cooperation.⁴⁵ Fear of each other will keep alive the imperative to cooperate even in the face of mutual suspicions.

42 Quotations from Chinese leaders are drawn from Nathan and Gilley, *China’s New Rulers*, pp. 235-238.

43 Wang Jisi, “Building a Constructive Relationship”, in Morton Abrahamowitz, Yoichi Funabashi, and Wang Jisi, eds., *China-Japan-U.S.: Managing Trilateral Relations* (Tokyo: Japan Center for International Exchange, 1998), p. 22.

44 Zhou Mei, “Chinese Views of America: A Survey”, in McGiffert, ed., *Chinese Images of the United States*, p. 65.

45 David C. Gompert and Phillip C. Saunders, *The Paradox of Power: Sino-American Strategic Restraint in an Age of Vulnerability* (Washington, DC: National Defense University Press, 2011).

**21ST CENTURY GLOBAL GOVERNANCE:
HOW THE UNITED STATES AND CHINA
SEE EACH OTHER AND THE WORLD**

*Michael Werz**

THE EMERGENCE OF THE PACIFIC RIM

The impact of the end of the Cold War in 1989 has profoundly affected the Pacific Rim by spurring economic development, sustaining democratization efforts in many

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parts, and deepening new interconnections between the regions. In a programmatic speech on the Pacific “rebalance” (formerly referred to as the “pivot”), Vice President Biden recently insisted that the United States and Latin American countries have a similar geographic outlook onto the Pacific, an important strategic achievement of an increasingly democratic and unified Western Hemisphere. Referring to the recently established Alliance of the Pacific – consisting of Mexico, Colombia, Peru, and Chile – he said that the Americas “connected economically, strategically and through common values can make a great contribution to a more prosperous and secure Pacific”.¹ It is not a coincidence that President Obama, in a speech to the Australian Parliament in November of 2011, described the U.S. as a Pacific nation, promising that his administration “will play a larger and long-term role in shaping this region and its future”.² America increasingly looks westward to define future opportunities and challenges alike.

In the short run, traditional challenges in the Middle East will remain relevant for the United States. While over-invested in the region, the U.S. cannot extract itself from the Levant and the Persian Gulf, and Europe will remain an important trading partner and diplomatic ally. But the real 21st century dynamic is more likely to unfold elsewhere. Looking at Asia and the developing global order, one has to acknowledge that – for the first time since 1492 – there is now a world emerging that is not shaped by the West.

The Pacific Rim region exhibits incredible diversity – the economic depth of Hong Kong, Taiwan, and Singapore;

1 Address by Joseph R. Biden Jr., the Vice President of the United States of America, “The United States and the Asia Pacific”, The Center for American Progress, Washington, DC. July 18, 2013. Available at: <<http://www.americanprogress.org/events/2013/07/11/69351/the-united-states-and-the-asia-pacific/>>.

2 Remarks by Barack Obama, the President of the United States, The Australian Parliament House, Canberra, Australia. November 17, 2011. Available at: <<http://www.whitehouse.gov/the-press-office/2011/11/17/remarks-president-obama-australian-parliament>>.

the technological expertise of Japan, Korea, and the Western United States; the natural resources of Australia, Colombia, Canada, Mexico, the Philippines, the Russian Far East, and the United States; the human resources of China and Indonesia; as well as the agricultural productivity of Australia, Chile, New Zealand, and others. A few data points illustrate the scope of this region's prevalence: The Asia-Pacific Economic Cooperation (APEC), with its 21 Pacific Rim countries, accounts for approximately 39% of the world's population, approximately 53% of world GDP and about 44% of world trade, and for these reasons the organization is becoming increasingly relevant.

But one institution captures this new dynamic like no other: the Trans-Pacific Partnership (TPP), a free-trade agreement initiated in the summer of 2005 by Brunei, Singapore, Chile, and New Zealand, joined in 2008 by the U.S., Australia, Peru, and Vietnam, subsequently by Malaysia, and finally last June by Mexico and Canada. The increasing Pacific trade is resulting in new alliances and institutions that were inconceivable only a decade or two ago. This is especially true in countries of great importance to the United States like Mexico and Colombia. The U.S. pivot towards the Pacific puts West Coast countries from North and South America into the spotlight. Annual economic growth in Latin America has averaged about five percent, and per capita income could double by 2025 as a result. These developments, in combination with greater awareness in the United States and the rapidly growing influence of the U.S. Hispanic population, have set the stage for many opportunities. Countries in the Western Hemisphere have become serious economic and political actors in their own right and a redefinition of North-South relations is overdue.

From a U.S. perspective, the emergence of the Pacific Rim is tied to the globalization of the Western Hemisphere: Mexico has played a critical role bridging gaps between developed and

developing countries in forums like the G20 and the U.N. climate talks; Mexico, Chile, and Peru sit alongside the United States in the Trans-Pacific Partnership negotiations. As the Pacific Basin becomes a global focal point for trade and investment, these countries will find themselves increasingly aligned with the United States as East-West geopolitics begins to trump North-South geopolitics. For example, Colombia has been the most important South American political ally of the United States for several decades. It enjoys close economic and political relations with the U.S. and under the leadership of Colombian President Juan Manuel Santos has begun to play a more active role in the central and southern parts of the continent. The Santos administration has successfully widened international commercial relations with as many countries as possible, recently enacting free-trade agreements with the U.S., Panama, and Canada while initiating trade talks with Brazil, Mexico, South Korea, Japan, China, and others. Part of this outreach is an increased international presence, cultivated through participation in multinational organizations like the United Nations or the OECD as well as the opening of additional diplomatic and commercial relations with Pacific Rim countries.

While the Trans-Pacific Partnership is the economic pillar of this rebalancing strategy, another part of this shift is the Obama administration's attempt to strengthen existing alliances and shape new partnerships in the region – especially with Japan, South Korea, Australia, the Philippines, and Vietnam. Former U.S. National Security Advisor Thomas Donilon described the U.S. Pacific rebalance in March of 2013 as:

[...] implementing a comprehensive, multidimensional strategy: strengthening alliances; deepening partnerships with emerging powers; building a stable, productive, and constructive relationship with China; empowering regional

*institutions; and helping to build a regional economic architecture that can sustain shared prosperity.*³

In addition, there is an important domestic dimension within the United States that is often overlooked: The future of America itself lies in the Southwest, both demographically and in terms of economic potential. This is all the more true since the Pacific Rim is becoming a coherent economic and political entity. California is the tenth largest economy in the world, roughly equivalent to Italy and Russia. Hispanics constitute more than a third of the states' population. In Los Angeles County alone, Hispanics number 4.8 million, and the city has a GDP larger than Switzerland, Sweden, or Saudi Arabia.

These facts reflect a new demographic reality in the United States: The North American continent is very literally drifting away from Europe. Recent census reports document that the geographic center of the North American population is moving south and west as the Western United States is growing much more rapidly than the aging East; people move for better jobs and a milder winter and many migrants settle in a part of the country where almost one in four children born is now Latino. The shift away from the Eastern seaboard is happening at a speed of approximately five miles per year. Indeed, the future of America seems to lie in the Southwest, where sizable Hispanic and Asian-American communities maintain and deepen already strong ties to Latin America and Asia.

Numbers alone may not be enough to complete the picture, but they offer a glimpse of the future: within a few decades, the Hispanic population has become the largest minority in the United

3 Remarks by Tom Donilon, National Security Advisor to the President: "The United States and the Asia-Pacific in 2013", The Asia Society, New York, Monday, March 11, 2013. Available at: <<http://www.whitehouse.gov/the-press-office/2013/03/11/remarks-tom-donilon-national-security-advisory-president-united-states-a>>.

States (53.05m, 16.9%). In 2050, this community is expected to number over 100 million. Asian-American communities are smaller in numbers but growing even more quickly. Until very recently, interest in foreign policy and international relations in this community was at best secondary, but that has started to change. The business community discovered the large and lucrative Hispanic market long ago; similarly, government agencies from the State Department to the CIA have started to establish outreach programs to broaden the pool of potential Hispanic job applicants and bring more members of this community into decision-making positions. Within the next generation, the political and economic elite of the United States will have become significantly more Hispanic and Asian.

The emergence of the Pacific Rim, the U.S. policy of the Pacific rebalance and domestic demographic developments go hand in hand and will only intensify each other – and China will increasingly serve as a point of reference in this debate. For that reason, the United States must develop a China policy that is realistic and useful in the long term, for decades.

Given a complicated economic and political environment in which China will be both a strategic partner and competitor at the same time, the bilateral relationship must be constructive and requires a stable foundation. This challenging task is made even more difficult by distorted perceptions about China in the United States and vice versa. Since the United States is and will remain a Pacific Power with a deepening engagement in Asia, the potential for misperception and conflict abounds. For this reason, examining the U.S.'s view of China is a crucial endeavor.

HOW THE UNITED STATES LOOKS AT CHINA

China sits at the center of the Pacific rebalance, and its interactions with the United States represent the world's most important bilateral relationship. However, that relationship has been strained in recent years as China has aggressively pushed territorial claims against its neighbors, including two U.S. treaty allies (the Philippines and Japan), while complaining that the U.S. rebalance could be the beginning of a *de facto* containment strategy against it. While fears of a situation reminiscent of the Cold War between the two are overblown, due to the lack of ideological conflict between the countries and deep Sino-American economic ties, the situation is still worrying. Historically, great power conflicts have been devastating events, with World War I and II standing out as particularly destructive. Though officials in both the U.S. and China have emphasized time and again that neither side sees the other as an enemy, their size and importance means that even small changes in the relationship can have a major global impact. The recent strain is thus worth watching, especially as it begins to affect how the public in each country views the other.

Economic concerns about China have been a near constant presence in the U.S. for decades now. This has been aggravated in recent years as China's GDP looks set to match and surpass the U.S.'s economic productivity. In fact, polling in 2010 showed that almost half of Americans believed China was already the world's number one economic power, while less than a third correctly identified the U.S. as the world's largest economic power, this despite the fact that in 2010 the U.S.'s GDP was twice that of China.⁴ These worries are reminiscent of the concerns felt during Japan's economic boom

4 "How Americans and Chinese View Each Other", Pew Research Global Attitudes Project, November 1, 2012. Available at: <<http://www.pewglobal.org/2012/11/01/how-americans-and-chinese-view-each-other/>>.

from the 1950s to 1980s, when Japan seemed poised to overtake the U.S. and books with titles such as “Japan as Number One” flew off the shelves. As we all know, shortly thereafter Japan’s economic growth stagnated for two decades, while the U.S. boomed during the 1990s. But China’s size – which makes it a serious geopolitical stakeholder and economic competitor with the U.S. – is far more worrisome for most Americans.

These fears have been further exacerbated by the impact of outsourcing and the Great Recession on American households, though the data is unclear about what China’s role has been. Despite massive productivity gains since 1973 (nearly 80 percent), median hourly compensation has grown by 1/8th of that amount after being adjusted for inflation – this wage stagnation has only grown worse since 2000.⁵ Economists have argued a great deal about China’s role in this state of affairs. Robert Scott, an economist at the Economic Policy Institute, estimates that outsourcing to China has led to as many as six million jobs being displaced, with a heavy percentage of those jobs in the manufacturing sector.⁶ On the other side of the spectrum, Daniel Ikenson of the Cato Institute, argues that these job losses are due more to the “adoption of more productive manufacturing techniques and new technologies that require less labor”, further arguing that “overall, [we] are much wealthier for it”.⁷ The argument may soon become moot as labor costs continue to rise in China; a study earlier this year by consulting firm AlixPartners estimated that by 2015 the cost of outsourcing

5 Steven Greenhouse, “Our Economic Pickle”, *The New York Time*, January 12, 2013. Available at: <<http://www.nytimes.com/2013/01/13/sunday-review/americas-productivity-climbs-but-wages-stagnate.html>>.

6 Ray Suarez, “Candidates Trade Barbs on Outsourcing”, *PBS Newshour*, Public Broadcasting Service, July 13, 2012. Available at: <http://www.pbs.org/newshour/bb/politics/july-dec12/election_07-13.html>.

7 Daniel J. Ikenson, “Outsourcing for Dummies (Including the Willfully Ignorant)”, *Cato at Liberty*, Cato Institute, July 12, 2012. Available at: <<http://www.cato.org/blog/outsourcing-dummies-including-willfully-ignorant>>.

manufacturing to China will equal the cost of manufacturing in the United States.⁸ But the public perception of China as a major factor in stagnant wages and lost jobs is likely to persist for many years to come. It is fair to assume that

*until America is back on track, continued economic insecurity... will lead many Americans to see China as more of a predatory, unstoppable economic engine than it is. This misperception will combine with China's insecurity about American intentions, causing, in turn, more Chinese to see America as a predatory, unstoppable political and militar machine that wants to contain them.*⁹

When President Obama moved into the White House in 2009, he signaled his intention to work with China on a number of important policy issues, including the global economic crisis affecting both countries. It was clear to him and his advisors that the United States “could not tackle the financial crisis, or three other pressing global challenges – nuclear proliferation, pandemic diseases, and global warming – without Beijing”. However, the U.S. initiative was “met with suspicion in Beijing. A number of Chinese analysts surmised that the request to contribute to the global good was just another way to drain China’s resources”.¹⁰

Within the United States, those economic concerns are matched by security concerns as China’s military power grows. Since 1990, China’s military spending has grown in nominal terms

8 Philip LeBeau, “US Manufacturing No More Expensive Than Outsourcing To China by 2015: Study”, CNBC, *The Huffington Post*, April 19, 2013. Available at: <http://www.huffingtonpost.com/2013/04/19/china-manufacturing-costs_n_3116638.html>.

9 Nina Hachigian, “Managing Insecurities Across the Pacific”, Center for American Progress, Washington D.C., February 2012. Available at: <<http://www.americanprogress.org/issues/china/report/2012/02/09/11169/managing-insecurities-across-the-pacific/>>.

10 Nina Hachigian, “Managing Insecurities Across the Pacific”, Center for American Progress, Washington D.C., February 2012. Available at: <<http://www.americanprogress.org/issues/china/report/2012/02/09/11169/managing-insecurities-across-the-pacific/>>.

at an average annual rate above 10 percent,¹¹ albeit from a low baseline, and it is now the second-largest military power in the world behind the U.S. While China's stated military budget for 2013 is \$119 billion, the U.S. Department of Defense estimates that figure could be as high as \$215 billion, still less than one-third what the United States spends on defense.¹² Nonetheless, in the context of growing Chinese military spending "the Obama administration began to draw some clear lines to ensure that Beijing understood the United States would defend its interests and its allies". At a July, 2010 meeting of the Association of Southeast Asian Nations, Secretary of State Hillary Clinton and other members of ASEAN delivered a forceful, unified message demanding a multilateral process to resolve territorial disputes in the South China Sea, rejecting Beijing's preferred patchwork of bilateral arrangements.¹³ The statement was meant to convey three messages; that China's neighbors would not be bought or bullied, that the region demanded a coherent multilateral framework within which to resolve disputes, and that these positions enjoyed the full support of the United States.

Real conflicts as well as misperceptions make China an easy target for American politicians looking to score points during their campaigns. The 2010 U.S. Congressional campaign in particular was an example of how criticizing China can be used for political gain by politicians from both sides of the aisle. For example, an ad for Congressman Zack Space (a Democrat from Ohio) accused his opponent of supporting free-trade policies that sent jobs over

11 Andrew Erickson, "Demystifying China's Defense Spending", *The China Quarterly*, p. 4.

12 "Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2013", Office of the Secretary of Defense. Available at: <http://www.defense.gov/pubs/2013_china_report_final.pdf>.

13 Nina Hachigian, "Managing Insecurities Across the Pacific", Center for American Progress, Washington D.C., February 2012. Available at: <<http://www.americanprogress.org/issues/china/report/2012/02/09/11169/managing-insecurities-across-the-pacific/>>.

to China, while Spike Maynard, a Republican challenger in West Virginia, accused the incumbent of supporting a bill that created jobs in China. In just one week in October, *The New York Times* estimates that 29 candidates ran advertisements suggesting the opposition was too friendly to China.¹⁴ A particularly ugly example of how China can be used in ads was in the Michigan Senatorial race between Republican Pete Hoekstra and incumbent Democrat Debbie Stabenow. Hoekstra ran an ad that featured an Asian woman on a bicycle riding by a rice paddy. When she stops, the woman says, in accented English, “Debbie spend so much American money you borrow more and more from us. Your economy get very weak. Ours get very good. We take your jobs. Thank you, Debbie Spend-it-now”. While this is an extreme example, and it is notable that Hoekstra was heavily criticized for the ad and eventually went on to lose by 20%, China bashing presents a tempting line of attack for many U.S. politicians.

The presidential election of 2012 was also notable for these misperceptions. Attacks on President Obama’s record by his Republican challenger Mitt Romney mostly centered on arguments that China was manipulating its currency. Romney criticized the Obama administration for being “near supplicant to Beijing”, and promised that he would label China a currency manipulator on “day one” of his administration.¹⁵ In addition, Romney also claimed that he would be better for the auto industry than President Obama because Obama had not prevented jobs from leaving the country.¹⁶ President Obama hit back, saying that Romney’s business record

14 David W. Chen, “China Emerges as a Scapegoat in Campaign Ads”, *The New York Times*, October 9, 2010. Available at: <<http://www.nytimes.com/2010/10/10/us/politics/10outsources.html>>.

15 For a summary of what effect this action would have had, see <http://www.foreignpolicy.com/articles/2012/10/17/what_happens_after_you_label_a_country_a_currency_manipulator>.

16 July Bykowicz. “Romney China-Made Jeep Comments Fuel Campaign Flashpoint”. *Bloomberg*. October 30, 2012. Available at: <<http://www.bloomberg.com/news/2012-10-30/romney-china-made-jeep-comments-fuel-campaign-flashpoint.html>>.

showed he helped ship jobs to China, while also noting China's currency had appreciated markedly during Obama's first term.¹⁷ The administration also filed two disputes with the WTO against China on Chinese subsidies to domestic automobile companies in September of 2012, just as the campaign was entering its final stretch.

Given that politicians are so willing to bash China during campaign seasons, it is perhaps unsurprising that polls show Americans have mixed feelings about China's rise. Pew Research found that only one-third of Americans felt building a strong relationship with China should be the most important priority for the U.S. in the bilateral relationship, with one-quarter thinking the U.S. should be tough on economic and trade issues and one-fifth believing promoting human rights in China should be most important. Another Pew Research poll showed that the percentage of Americans holding a favorable view of China has declined precipitously since 2009.¹⁸ And while many Americans considered U.S.-China relations to be good in 2012, a vast majority also said that China was not trustworthy, looked at the country as a competitor, and suggested the U.S. needed to get tougher with China on economic issues. Though some reports have found more mixed results, with a report by the *Committee of 100* finding more than half of Americans holding a favorable view of China and a 2012 *Chicago Council on Global Affairs* poll finding Americans supporting friendly engagement and cooperation, the trend has generally been in a negative direction over the past few years.

17 Stan Grant. "Why is China election scapegoat for Romney, Obama?" *CNN*, October 23, 2012. Available at: <<http://www.cnn.com/2012/10/22/world/asia/grant-china-us-election-scapegoat/index.html>> .

18 Richard Wike, "Americans and Chinese grow more wary of each other", *FactTank*, Pew Research Center, June 5, 2013. Available at: <<http://www.pewresearch.org/fact-tank/2013/06/05/americans-and-chinese-grow-more-wary-of-each-other/>> .

Nor are Americans alone when it comes to these concerns. A recent report found the majority of Europeans view Chinese leadership as undesirable, whereas fewer Americans take that stance.¹⁹ Opposition to Chinese leadership was strongest in Spain (83%), Slovakia (77%), Italy and France (both 71%), while Britain was the most positive about Chinese leadership with only 42% saying it was not desirable. Pew Global's 2013 survey found that China's median favorability rating in Europe was 43% compared to the U.S.'s 58%. But China is viewed far more favorably in East Asia (58% favorability), Latin and South America (58%), and Africa (72%), although those numbers are all lower than the U.S.'s favorability rating in the respective regions. Interestingly, the only place where China outshines the U.S. is in the Middle East, with a 45% to 21% advantage.

Misperceptions are dominant on the other side of the Pacific as well – and they are enforced by political leaders and news outlets alike. In 2012, President Hu suggested that Western countries were trying to undermine China through culture when he said that “international hostile forces are intensifying the strategic plot of westernizing and dividing China, and ideological and cultural fields are the focal areas of their long-term infiltration”.²⁰ Nationalist mobilization through anti-Western resentment is a strong political currency in China (and many other emerging countries) and “the meme of American containment is reinforced continually in the state-run media”.²¹ Hence it is no surprise that Chinese

19 Tony Barber, “China and Russian global leadership ‘undesirable,’ poll finds”, *The Financial Times*, September 18, 2013. Available at: <<http://www.ft.com/intl/cms/s/>>.

20 “China’s President Lashes out at Western Culture”, *New York Times*, January 3, 2012. Available at: <http://www.nytimes.com/2012/01/04/world/asia/chinas-president-pushes-back-against-western-culture.html?_r=1&hp>.

21 Nina Hachigian, “Managing Insecurities Across the Pacific”, Center for American Progress, Washington D.C., February 2012. Available at: <<http://www.americanprogress.org/issues/china/report/2012/02/09/11169/managing-insecurities-across-the-pacific/>>.

public opinion about the U.S. has also undergone a shift in a negative direction in recent years. Pew found that the percentage of Chinese who believed China's relationship with the U.S. was hostile increased threefold from 2010 to 2012, while the percentage who believed it was cooperative fell by 30% within the same two year period – a staggering decline in so short a time span.²² Accordingly, the percentage of Chinese who approved of President Obama's international policies also dropped by a third. Not everything is negative, however, as more than one-half of those polled in China say they like American ideas on democracy and three-quarters have an admiration for U.S. science and technology. Nonetheless there has clearly been a major shift in how ordinary Chinese people perceive the United States.

Worries about tensions between the two countries are far from academic, as the history of rising power and declining power account for many of the more devastating episodes in history. However, there is nothing inevitable about a negative outcome to China's rise. To the contrary, while China's rising influence is worrying for the U.S. and, notably, many other nations, Chinese economic engagement with the world economy means that Chinese collapse or stagnation is a greater threat than Chinese hegemony. It is for these reasons that it is in the U.S. and the global community's interests that China must become a responsible stakeholder in global economic and political structures. Given the lack of functional international institutions that allow for these political developments to play out in a constructive manner, it might make sense to look at the potential role the G20 could play in shaping a world order of old and new stakeholders.

22 "How Americans and Chinese View Each Other". Pew Research Global Attitudes Project. November 1, 2012. Available at: <<http://www.pewglobal.org/2012/11/01/how-americans-and-chinese-view-each-other/>>.

BEYOND CRISIS MANAGEMENT AND MUTUAL DISTRUST: THE FUTURE OF THE G20

The increased prominence of the G20 as a mechanism for international economic cooperation reflects the interdependent nature of the global economy and mirrors tectonic shifts in foreign policy, particularly the rise of the Pacific Rim. Indeed, no effective response to an economic crisis could have succeeded without the participation of emerging middle-income countries. While the G20 came to life in response to major economic crisis, and thus focuses mainly on economic issues, the question is whether the global community will have the luxury to keep this exclusive focus.

Given that policy issues like food security, climate change, anticorruption, development, and security increasingly dominate international relations, new geopolitical spaces like the Pacific Rim require greater cooperation, deeper integration, and more coordination on multiple policy levels. In addition, important G20 members like China, but also Brazil, Turkey, and India have begun to translate their economic successes into international political power while still facing a number of domestic, regional, and fiscal challenges that should not be underestimated. Nevertheless it seems appropriate to expect that the organization might have the capacity to broaden its current focus on the global economy to other issues.

Another reason why the G20 might become a much broader global affairs forum than intended is the uneven effectiveness of the UN and lagging Security Council reform, which deprives emerging democratic powers of adequate representation. Of course, the United Nations was established in the aftermath of a devastating global war with aim to establish peace and security. And the delegates at the 1945 UN Conference in San Francisco faced massive challenges – the defeat of Germany and Japan,

the reconstruction in Europe, the erosion of European colonial empires, and the emergence of the United States and the Soviet Union as superpowers. Franklin D. Roosevelt envisioned the United Nations as a corrective to both the unrestrained pursuit of national interest that led to two world wars and the failed idealism of President Woodrow Wilson's attempt to establish global governance through the League of Nations. The result was a UN system that attempted to control the logic of national interest for the sake of international peace and security, but has now broken down in the face of a new global arrangement of power far different from what faced Roosevelt in 1945.

Perhaps even more importantly, democracy did not play a prominent role in 1945; many UN Charter signatories were highly imperfect democracies at the time – segregation divided the United States, British and French colonial empires still clung to existence, and fragile or oligarchical democracies as well as outright authoritarian governments governed throughout Latin America, Africa, and Asia.

By contrast, the G20 grew out of the need to coordinate responses to economic disaster. In the beginning it was a “coalition of the unwilling”, forced to cooperate or risk further economic damage. But this necessity forced China to play its role as a global stakeholder and is therefore an important development. Even though the G20 did not come together to consciously build a new international order, that might be an advantage; the G20 does not compete with the United Nations but allows for less formal and more substantive discussions and grants greater flexibility in international coordination – at least on economic issues – than the politicized and contested UN Security Council.

On the other hand, this informality might hamper the G20's ability to get involved in issues beyond economics. Nevertheless, its potential is high:

- 16 out of 19 G20 member states are democratic, some more so than others but democratic nonetheless; (with China, Russia, and Saudi Arabia as the outliers)
- The G20 is not a “league of democracies”, but members should be able to recognize common interest in maintaining an international environment favorable to democracy regardless of differences on specific issues;
- The fact that so many G20 members are democratic allows civil society actors and decision makers to enter into a global conversation about our common future.

The potential exists to have an informed international conversation about common global interests – this debate cannot be limited to policymakers alone but should be broadened to include representatives from think tanks, civil society, and academia. This is especially true with regard to a second novel dimension of contemporary foreign policy that is often underestimated: The way in which the increasing prominence of emerging democratic powers has laid bare the importance of domestic politics and popular diplomatic engagement.

As a result, the U.S. and China are forced to deal with one another on a much more public basis to secure interests once protected by transactional or leader-to-leader relationships. Engagement with another society's populace and domestic interest groups will become more and more critical to a state's foreign policy going forward. For China and the U.S. this new international system will ideally lead to a greater convergence of rational interests, but it is also much more vulnerable to domestic populism and demagoguery.

It remains to be seen to what degree the new Chinese leadership will take advantage of these new developments. The United States has, however tenuously, recognized and attempted to address this transformation, as evidenced by President Obama's speeches in Cairo, Ankara, Rio de Janeiro, and through his intense engagement with the Chinese leadership. But China remains uncertain of its evolving place in international society – caught between traditionalist self-perceptions of its weakness and the new reality of economic strength and increasing geopolitical importance. For China and the United States this is an opportunity to shape their strategic relationship and the international system at the same time.

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BRAZIL AND SINO-AMERICAN RELATIONS: TRIANGULATIONS AND PERCEPTIONS¹

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The process of reconfiguration of international relations that started with the end of the Cold War will be twenty-five years old in 2014. During this cycle, opinions on the future global order alternated between optimistic and pessimistic

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1 This article is based on analyses from the research project "A construção da integração na América do Sul e a China: a política externa dos países sul-americanos" (CNPq 18/2012) and from the CNPq research productivity grant.

hypotheses characterized by both opposing and complementary phenomena: the end of history and the clash of civilizations, globalization and regionalization, uni-polarity and hegemonic decline of the United States, multi-polarity and dispersion of power to new poles in the South (BRICS – Brazil, Russia, India, China and South Africa), progress and regression, crisis and prosperity. Such phenomena show different trends of the world power balance, in which uncertainties predominate.

For authors like Brzezinski, this reveals the existence of a non-linear evolution of the poles of power that include the United States, the European Union, the BRICS and relatively less developed countries (RLDC). Such non-linear evolution, made up of advances and retreats, indicates the prevalence of regional and global vacuums deriving from the lack of consolidation of the rise of new poles and the decline of the traditional ones. Moreover, they suggest the inadequacy of the current power structures to absorb these ongoing changes (rendering policy coordination and crisis administration more difficult) and a mutual vulnerability between “traditional” poles (United States and European Union) and the “new” ones (BRICS) in their politico-strategic-social and economic interactions.

In the medium run, at least until 2015, according to Brzezinski, this would lead to a chaotic world and not to the “Asian Century” or to the continuance of the “American Century” based on the remaining superpower. This prediction is in stark contrast with the current debate which indicates the possibility of an almost definitive order based on multi-polarity or on a different incipient bi-polarity between the nations that stand out as the main ones within the poles: the United States because of its residual hegemonic status and China for its economic strengthening and the increase of its international projection toward the North and the South. Unlike the Cold War, when bi-polarity

was characterized by strategic competition, the G-2 is seen as of accommodation and cooperation with a view to the construction of a new international order, as shown by Kissinger (2011).

Regardless of whether bets are placed on chaos, on multipolarity or on the G-2, what all those evaluations have in common is the central role attributed to the United States and China. This role is partially reinforced by the complex relationship of political and economic interdependence established between the two nations that deepens mutual vulnerability and generates ambiguous situations. As they seek to coordinate actions, both intend to counterbalance pressures and look for alternatives to that situation through the containment of the adversary/partner. This dynamic of interaction overflows to multilateral regions and organisms and seems to indicate that the remaining countries, alliances and institutions would play a supporting role to the extent that the main flows of the system depend structurally from the Sino-American nucleus.

This conjuncture poses many challenges for Brazil, since those nations are its main political, strategic and economic partners. Sino-American bilateral movements could mean a reduction of the Brazilian margin for maneuver, both as a State and multilaterally with regard to those partners, as well as the exclusion of alternatives toward the North and the South. In the South it might even represent an increase of the South-South strategic competition, to the detriment of efforts toward bi- and multi-lateral cooperation carried out during the last decade. In this context, it is essential to understand the status of the USA-China inter-exchanges and of the external policy of these countries and the impact of these circumstances on the Brazilian global and regional interests, in accordance with its external policy agenda.

SINO-AMERICAN RELATIONS (1989-2013)

Since 1989, bilateral relations between the United States and China can be divided into three periods: relative conflict (1989-2001), consolidation and crisis (2001-2008), and strategic competition and accommodation (2009-2013).

The first period, of relative conflict (1989-2001), started at the end of the Cold War and ended with the accession of China to the World Trade Organization (WTO) and is characterized by three movements: political crisis with the United States, consolidation of the Chinese political and economic model and increase of Sino-American economic interdependence. Although interlinked, these movements were also paradoxical, to the extent that the split between the political and economic dimensions of the bilateral relationship permitted, besides the reaffirmation of the Chinese model, also the expansion and strengthening of market socialism.

The 1989 events at the Square of Heavenly Peace (*Tiananmen*) were the catalyst for all these processes. In 1989, the final phase of the Cold War, culminating with the fall of the Berlin Wall, led to the dismantlement of the Eastern bloc (and the demise of the Soviet Union in 1991) and the questioning of the leftist socialist models. The Chinese Communist Party (CCP) feared a fragmentation similar to the one that had occurred in the Soviet Union, in spite of the fact that the Chinese economic and political reforms were set on sounder bases than those of the USSR.

Such reforms started in 1978 through the Four Modernizations, under Deng Xiaoping. Focusing on the industrial, agricultural, military-strategic and scientific-technological sectors, the modernization strategy envisaged the growth of China through a selective opening to foreign capital. Special Economic Zones (SEZ) were created, thus establishing China as an export platform. This mixed model of managed economic liberalization with political

centralization was called “Economic Market Socialism” and at the close of the 1980’s had already brought economic progress. However, internal divergences about the model prevailed and became visible at the end of bi-polarity, leading to the events at Tiananmen.

In the United States, the protests at Heavenly Peace Square were considered “pro-democratic”, thus homogenizing the forces that had come in opposition to each other. This American perception did not correspond fully with the nature of the popular mobilization, defined by Visentini (2011, p. 68) as “multifaceted and contradictory” in which, in general lines, three groups clashed: the government forces, defending continuity of the reforms according to the pace and agenda defined by Deng; the ultra-reformists who wished to speed up the reforms; and the conservatives, who wanted to stem the course of the Four Modernizations. Among them, governmental forces prevailed, branded as repressive by the Western media with images that until to-day remain in the public imagination: a student facing a tank to prevent its progress and the statue of Freedom. These events led to diplomatic disagreements with the United States that overflowed into related questions of human rights, democratization of the regime and political opening. Support to separatist demands by Tibet (including the award of the Nobel Peace Prize to the Dalai Lama in 1989), support to Taiwan and efforts to join these political demands to trade issues were perceived in China as an attempt at foreign interference. According to Kissinger, the decade of the 1990’s can be seen as a “strategic low” in Sino-American relations, particularly during the Republican administration of George H. Bush (1989/1992) and the Democratic government of Bill Clinton (1993/2000), including attempts to correlate the commercial status of *most favored nation* with progress in human rights and democratization.

Moreover, in the regional and Asian context Japan solidified its position as the chief economic and political partner of the United States. Initiatives such as APEC (Asia-Pacific Economic Cooperation), created by Bush senior, aimed at deepening Japanese-American inter-exchanges and putting China in a secondary place. The United States also sought to attract ASEAN (Association of Southeastern Asian Nations) countries, driving them away from China. In the case of APEC, the initiative did not develop as anticipated, while in that of ASEAN it did not exclude relations with China. Additionally, China (or the “Chinese Dragon”) loomed as one of the possible candidates to “new” enemy in the post-Cold War period as a “Red threat”.

The political-strategic rivalry did not extend to the economic relations. The 1990’s were characterized by the expansion of Chinese industry and exports, particularly toward the United States, which became the main consumer of Chinese products (followed by Western Europe), and by internal political strengthening. In this period China reached growth rates of over 10% and started an offensive to reduce its internal and external vulnerability after the events of the Square of Heavenly Peace. The change of leadership at the top of the government, with Jiang Zemin assuming the office of Secretary General of the Communist Party, took place as a political action led by Deng and defended by Kissinger as “a crusade for socialism with Chinese characteristics”. (Kissinger, 2011, p. 425). In international relations a reform project was started.

Driven by the 1989 crisis, this reform contained risk perceptions linked to American pressure on the Chinese regime since the re-establishment of diplomatic interaction in the 1970’s with Richard Nixon, Henry Kissinger and Mao Zedong. The re-establishment was based on strong strategic components: containment of the Soviet Union, international re-insertion of China and re-positioning of the United States in Asia after the crisis

of the Viet-Nam War (1965-1973). The creation of the strategic triangle Beijing-Moscow-Washington, as well as Kissinger's acknowledgement that already then there existed a trend toward multi-polarity (with a pentarchy of power United States-Soviet Union, Japan, Western Europe and China) became instrumental for both countries in the context of the Cold War.

For China, this represented the chance for its economic modernization and the recognition of continental China as the only China by the United States, based on the *One China Policy*, as a shield against Soviet pressure. China perceived that this would increase its dependence from the United States, but it was a move that favored its strengthening. For the United States, it increased its Eurasian projection at a time of fragility generated by Viet-Nam and the advancement of the economic crisis, opening economic opportunities and choking the Soviet Union through the exploitation of the Sino-Soviet split. That is, there was a pragmatic perspective on the part of the two powers that did not, however, eliminate their differences in the realm of human rights and democracy, which for China represented elements of threat to its internal and territorial integrity (see the above mentioned cases of Taiwan and Tibet) arising in cyclic pressures from the United States.

As indicated, in 1989 these pressures reached a higher level that only abated from the 1999-2000 biennium on, still during the Clinton administration. Nevertheless, specific crises occurred in this same period, contributing to increase the threat perception: in 1999, the embassy of China in Belgrade was bombed "by mistake" during the Kosovo War (China and Russia opposed the intervention by the North Atlantic Treaty Organization in the former Yugoslavia²), an event that delayed until 2001 its accession

² The Kosovo War was the "second" separatist war in former Yugoslavia, which had already been affected by a conflict marked by humanitarian tragedies from 1992 to 1995.

to the World Trade Organization; the expansion of NATO to Eastern Europe and the possibility of deployment of the missile shield on European soil and the opposition of the American Congress to the 2008 Olympic Games in Beijing (which did not prevent the confirmation of the candidature and the success of the Games).

In this way, China accelerated its external re-thinking in order to reduce its vulnerability vis-à-vis the United States.³ Three components come up as priorities in this agenda: the preservation of bilateral relations in good terms with the United States through political-strategic accommodation, and the deepening of economic ties; the expansion of the regional and global South-South cooperation agenda and the increase of multilateral action in traditional international organizations through the formulation of new agreements to uphold multi-polarity; and the updating of global governance structures.

The tactical re-formulation avoided confrontation with the Americans because they remained, in Chinese eyes, as the only superpower able to prevent or to facilitate the growth of the country. On issues such as Taiwan, China sought to reinforce the “one country, two systems” dimension already applied in re-incorporated territories like Hong Kong and Macao, pushing it away from the central debate with the Americans.⁴ At the same time, China re-positioned itself strategically and economically along the Southern axis, preferably by occupying power vacuums left by the United States and the former Soviet Union and putting

3 Pressures on China and other countries in these fields, added to environmental questions, also respond to internal demands from United States politics, chiefly according to the logic of the Democratic Party, which has strong support in those interest groups. In this case, American pressure in those areas extends to all countries in the world, including Brazil, and not only to China.

4 China does not give up its position on the re-incorporation of the island and opposes any initiative aiming at breaking its integrity. Disputes with Japan in the South China Sea are also sensitive issues.

forth a positive agenda of defense of a new world order. This re-positioning aimed at lessening the political, economic and strategic vulnerability vis-à-vis the United States, increasing partnership alternatives for the opening of consumer markets, raw material suppliers and energy inputs. It also reinforced the Chinese Third-World affinity and the image of “peaceful ascent” that is, as a non-hegemonic, non-revisionist power that upholds peaceful co-existence.

In practical terms, this change in the strategic direction meant the expansion of international relations toward three regions: Central Asia, Africa and Latin America. These areas had been identified as priorities due to their geopolitical and geo-economic significance for China and because they presented, to some extent, power vacuums that could be filled in the North and the South without significant clash with the United States or other powers (Africa and Latin America) and because they represented the near proximity (Central Asia).

In the case of Central Asia and of the Eurasian region in general, the perception was that there existed room for a possible expansion of the Chinese influence for the occupation of the spaces left by the demise of the Soviet Union, but that there was direct competition with the United States and India. This competition was much stronger from the American side, both militarily and economically, which meant an increase of the Chinese vulnerability. Russia (whose action was weaker than China’s) shared this perception of the American threat, of the risks of its unilateralism and of the monopolization of the Eurasian energy resources.

The already mentioned expansion of NATO, the widening of the European Union and the progress of the Western energy projects in Central Asia known as “Pipeline Diplomacy” should be added to this picture. This term refers to the production as well as

to the distribution of Eurasian gas and oil toward the West aiming at breaking the near-monopoly of Russia in this sector (this dispute was called Great Game II in an allusion to the geopolitical clashes between Russia and Great Britain of the 19th century throughout the region).

The increase of the Chinese presence in Central Asia was based on an approximation with Russia from the mid 1990's on, with the announcement of a joint declaration in support of multi-polarity. In 2001 the Organization of Cooperation of Shanghai (OCX) was established between Russia, China, Kazakhstan, Kirgizstan and Tajikistan. Sino-Russian interests converged in the fight against internal separatism, the advance of fundamentalism, protection against the United States and mutual containment. From 2009 onwards, the BRICS alliance also became part of this agenda with the interaction among emerging nations in the defense of the reform of global governance in response to the changes in the world balance of power.

In Africa, the China-Africa Cooperation Forum was created in 2000, with the purpose of increasing relations between China and the African continent by availing itself of the power vacuum left by the West since the end of the Cold War. The Forum meets every three years and has put together a standard of economic and strategic exchange among the regions that led China to strong inroads in Africa through packages of financial aid and infrastructure projects. The result was a robust growth of commercial relations between China and Africa in the area of raw materials, industrial goods and energy resources. Unlike Western exchanges, the Chinese interventions in Africa do not entail political linkages and do not attach conditions to the political regimes in what regards democracy and human rights. This Chinese posture is the target of considerable criticism in the West since it is believed that Beijing's tolerance to humanitarian tragedies and political crises stimulates

their dissemination (see the cases of Sudan and South Sudan, two countries with which China enjoy preferential energy relations). China, however, keeps following this pattern and extends it to its third area of action, Latin America.

In what regards Latin America, the Chinese presence has increased during the last decade. As in the case of Africa, it is based on access to commodities (food, minerals and energy) and on sales of goods to new markets. According to Gallagher and Porzecanski (2010) China concentrated its efforts on six nations at the initial stage of expansion: Mexico, Chile, Peru, Brazil, Colombia and Argentina, with a view to consolidating its access to goods deemed as strategic for its growth. Starting from the second half of the current decade there was some decrease in the concentration on that pattern of exchange, with the consolidation of a preferential relationship with Venezuela and Ecuador in the energy sector. Another dimension of the Chinese action in these countries is investment in infrastructure projects, both in order to facilitate access to those resources and to benefit political ties between countries in the region and the Asian nation.

Brazil, which will be examined below, is affected in different ways, both as a preferential trade partner in the region – being a member of variable geometry alliances side by side with China and other emerging nations – and through political and economic competition by China within its zone of influence, together with direct pressures on its economy. In this way, both China and Brazil fill power vacuums left by the United States and compete with regard to such spaces.

This is a pragmatic and gradual expansion, devoid of political conditions, which involves aid programs and direct investments in countries of those three regions as well as the development of trade links. This movement was not adequately managed or perceived

by the United States during the 1990's, allowing China to push forward its zones of influence (and also managed quite remotely by Brazil). The American reaction only came at the start of the second phase of Sino-American relations (2001-2008), defined as of consolidation of Chinese power and crisis in the United States. This period corresponds to the two Republican administrations of George W. Bush, characterized by events such as the terrorist attacks of September 11, 2001, the doctrine of preemption (Bush doctrine, NSS-2002) and unilateralism.

Bilateral relations between the United States and China developed in an ambiguous way. Three lines of action are visible: the first one was the Chinese support to the Global War on Terrorism (GWT) in view of the convergence of positions among the governments regarding the combat against terrorism and fundamentalism (a similar convergence occurs in the American interaction with India and Russia). By supporting repression through GWT, these countries obtained reciprocity and accommodation by the United States in their own actions.

The counterpart to GWT was the nature of American action in Eurasia, reflected in operations in Afghanistan (2001) and Iraq (2003). This brings forth the second line of action: alarm regarding the neo-conservatives' unilateralism, militarism and expansionism. GWT provided the politico-strategic justification for the American re-positioning in Eurasia to the detriment of China's geopolitical and geo-economic interests in the energy sector and with pressures on its territory.

Lastly, the third line of action refers to the increase of Sino-American economic interdependence, ranging from financial to commercial questions (Chinese currency and rate of exchange, China as the main creditor of the American public debt). Added to this cooperative element, the relationship has increasingly

shown a competitive dynamic. For China, government control of the *Yuan* and its non-internationalization remain a priority as an instrument of economic expansion. The question of the rate of exchange directly affects the whole international system. It impacts on other aspects of Chinese relations with emerging nations and on multilateral conversations besides being a sensitive issue in the scope of the World Trade Organization, the financial G-20 and the BRICS. Chinese decisions are often unilateral, aiming at preserving its export model. This model, however, has shown signs of deceleration both in the North and in the South on account of several factors: the economic crisis of the main Western economies (the European Union and the United States) which peaked in 2008; market saturation and the increase of protectionism.

In this context of interaction between convergence, divergence and competition, the Chinese and American governments launched the basis of the Strategic Economic Dialogue United States-China (SED) in 2006. It may be said that the objective of SED⁵ was to restructure the bilateral relationship, but it was perceived in different ways by the partners. SED should be seen as the embryo of the hypotheses of construction of the Sino-American G-2 with a cooperative, rather than conflictive, character. The result for both would be the strengthening of the weight of the bilateral relationship and a reduction of the space for other partnerships. While this would be useful for the United States, via an “engagement to contain” China, for the latter it would mean the maintenance of external vulnerability and a step away from its practice of peaceful ascent.

The G-2 hypotheses, basically coming from the United States, did not find support in China, which made clear its identity as a Third

5 This mechanism was re-launched by the Barack Obama administration (2009-2013) as SE&D, but without changes in its objectives, only in the dynamic of the meetings.

World non-hegemonic nation that wished to keep its options open. To adhere to a G-2 meant to abandon the whole ongoing process of construction of alternatives and run the risk of another attempt at containment by the United States, besides eliciting mistrust from its partners to the South. China maintains with these countries a common agenda of reform and democratization of international relations and its multilateral organisms, wider participation of the Southern nations and reduction of global social, political and economic asymmetries. Avoiding confrontation, China did not “join” the G-2 and the hypothesis lost strength. The reaffirmation of China as a world power remained as an alternative to the United States and not as side by side with it. The holding of the Olympic Games in Beijing in 2008 marked the consolidation of China as a world power.⁶

The third phase of Sino-American relations, defined as strategic competition and accommodation (2009/2013), started with the coming to power of the Democratic administration of Barack Obama. Both countries remain as chief partners but they search for alternatives to reduce the mutual global expansion, shifting between partnership and vulnerability dynamics. The “non-acceptance” of the G-2 by China, together with the permanence of the Western economic crisis and the rise of the BRICS, however, increases strategic competition and strengthens the tactics of containment of the emerging nation in general. In this domain, Obama preserves policies launched by Bush junior between 2007 and 2008 and also brings forth new mechanisms for action. Despite the announcement by Obama, in his National Security Strategy (NSS-2010), of the relevance

6 The 2008 Olympic Games in China, the World Cup in South Africa and Brazil, in 2010 and 2014 respectively, and the Olympics in Brazil in 2016, make up a sequence of great sports events in emerging nations as part of the shift in the axis of world power toward the South and of its de-concentration.

of emerging nations as “new centers of global power”, there is considerable distance between rhetoric and practice.

Regarding the projects of Bush junior, Obama preserves the strategic-military movement for Africa and Latin America through the creation of the new military command for Africa (USAFRICOM) and the increase of investments in the military command in South America (USSOUTHCOM), together with the reactivation of the Fourth Fleet in the South Atlantic. The objective of this agenda is to contain China and Brazil, India and South Africa as well, due to their projections of power in the South Atlantic. These regions are considered strategic as areas of transit in the energy sector. The political counterpart is the increase of American investments in Africa together with rhetoric of cooptation and pressure on the emerging nations. Among these signs, the statement by the then American Secretary of State Hillary Clinton against the “Chinese colonialism” in Africa deserves to be mentioned (Clinton, 2011).

Obama also strengthened the Great Game II with a proposal: the one about an “Asian pivot” under the name of Transpacific Partnership (TPP). Launched in 2011, TPP includes military elements, by redeploying American troops in the Pacific and Indian Ocean region, as well as in Oceania, and economic elements, aiming at the establishment of a free trade area. TPP excludes China and focuses on the construction of alliances in parallel to its power, the effect of which could be the economic strangling of the Asian giant. On the political field, democratic regimes are stimulated. In addition, this wider zone also affects Latin America as regards South and Central America and the Caribbean through the inclusion of countries like Peru and Chile in these negotiations.

Within this scope, the impact is felt in Brazil and its regional integration projects such as MERCOSUL (Southern Common Market), UNASUL (Union of South American Nations) and CELAC

(Commonwealth of Latin American and Caribbean States). The Pacific Alliance, made up by Mexico, Peru, Chile and Colombia should be understood as a complementary dynamic to the TPP affecting both Brazil and China in the search of rapprochement with the United States.

Lastly, TPP was accompanied in 2012/13 by yet another practical offensive against the emerging nations, with the opening of negotiations for the establishment of a free trade zone between the United States and the European Union. The purpose of this initiative is to reinforce the existing bilateral links between the chief Western economies by increasing competitiveness and cooperation. The impacts of the possible consolidation of this Transatlantic Partnership (TPPI) extend to the ties between the West and the emerging nations, particularly China and Brazil and to the multilateral negotiations within WTO. It means the reaffirmation of Atlantic unity in financial and commercial issues.

Based on such evolution of trends and its links with Sino-American relations, a prevalence of mechanisms of mutual strategic containment between the United States and China can be observed. Such mechanisms are linked to a real interdependence between those two powers, which have looked for alternatives to reduce vulnerability. Starting from these dynamics, regardless of the existence of a formal G-2, the definition of the social, economic and strategic flows of the international system originates mainly from the alternating shifts between the United States and China. This generates direct and indirect impacts in Brazil, for whom those two nations are the main interlocutors in the global scale.

TRIANGULATIONS AND BRAZILIAN PERCEPTIONS

Taking into account the three periods of Sino-American relations and their effects on Brazil, it is also possible, in this

case, to divide such impacts into three phases that correspond to variations in the country's external policy agenda. Some effects on the Brazilian positioning have been mentioned, but these dynamics and their ambiguities should be further developed.

With regard to the first period, 1989 to 2001, the Brazilian low profile posture led to a relative insulation of Sino-American tensions in the national agenda, as well as of its impacts on South-South cooperation. As the axis of international relations focused on the hemisphere and on the bilateral re-alignment with the United States, inter-exchanges between Brazil and China remained in second place as did its insertion in the horizontal dynamics. The predominance of a vertical vision led to a phenomenon similar to the one that occurred in Sino-American exchanges as the Americans did not assess Chinese movements clearly. A similar situation happened with Brazil, mainly in South America. Albeit slower than in the other two geopolitical areas, the Chinese expansion – including in Brazil – was gradual and occupied significant vacuums of Brazilian and American leadership.

The Brazilian reaction in its geopolitical space only came from 1999 onwards, with the first initiatives of the Fernando Henrique Cardoso administration (1995-2002) to reactivate regionalism by reviving MERCOSUL and the launching of the Initiative for the Integration of the Regional Infrastructure of South America (IIRSA). That reaction continued in Luiz Inácio Lula da Silva's government (2003-2010) with the launching of the CASA (South American Community of Nations) project, renamed as UNASUL (Union of South American Nations). A wider reassessment of the external agenda was added to these actions with a new conformation of the North-South axis in a strategy of combination of both the North-South and the South-South axis, in which the horizontal dimension has priority over the vertical one.

This movement corresponds to the second phase of the Sino-American relations, in which, as indicated, a movement of Chinese consolidation and American crisis prevailed. This was repeated with regard to Brazil and the other emerging nations, giving the latter wider margin of maneuver both defensively, in response to American unilateralism, and in the form of new proposals, such as the creation of variable geometry alliances among Third World Nations (BRICS and IBAS among them). Issues such as the common agenda of reform of multilateral structures, defense of multi-polarity and reciprocity in trade negotiations unite those nations, acting as an equalizer to the loss of their relative power in the world and their representativeness and action in the global arena.

As examined, the window of the 2008 Western crisis reinforces this movement of the emerging nations, contrasting the dynamism of the South with the crisis in the North. However, convergence in the positions of the South in politico-economic negotiations brought within itself an element of competition among the BRICS, with China occasionally as an element of breach. This ambiguity should be understood as normal, but must be seen in a pragmatic way. For Brazil, China's power projection at the global and regional level implies both positive and negative impacts that are associated with American reactions to such projection. It is a triangular movement, characterized by strengthened ambiguities from 2009 onwards, in the third phase of the Sino-American relations.

In an analysis of the Brazilian perception, its relationship with China is defined as an alternative to the inter-exchanges with the United States that seems closer to a relation between equals. The lesser power asymmetry between China and Brazil together with the common Southern identity and agenda allows for a better balanced interaction. Although this dimension of the alliance is sustained in multilateral forums, this does not mean full reciprocity

from China to Brazil or a lesser relevance of the United States for both countries. China keeps unilateral policies with regard to the rate of exchange and a strategy of offensive penetration in American and African spaces that contrasts with the Brazilian tactics of gradual action based on efforts of negotiation and technical cooperation.

China has at its disposal more comprehensive resources than Brazil's and even those of the United States, besides having a looser policy of association with other nations, without conditions or search for the institutionalization of structures (such as the Brazilian regional arrangements in the South Atlantic). For the recipients of Chinese aid this is an interesting mechanism, since it makes assistance immediately available although in the medium and long run it generates economic dependence as a consequence. In this way, patterns observed at the North-South level are reproduced on the South-South scale. In economic terms, this leads to phenomena such as the de-industrialization of nations involved in bilateral partnership with China (something that already happened in the United States and Western Europe, in some sectors), the saturation of their markets and lopsidedness in the balance of trade.

Brazil is affected in two ways, as indicated by the Chinese competition in its South American zone of influence, with political and economic advances that reduce its leadership and the commitments of the regional blocs, and by the Chinese penetration in its economy, "swapping" dependence from the United States in the commercial field for dependence from the Chinese market, with impact on its internal market, trade balance and terms of exchange. Another trend is the dissemination of this pattern to a majority of Latin American countries, replacing the existing strong inter-regional flow with the Chinese domination of these markets.

This harms local economies and their inter-linkages based on the complementariness of sectors, through integration or bilateral trade projects, thus generating dependence from China that can provoke the erosion of their economies and a slowing down of development. Moreover, it may bring forth a process of accommodation in the productive sector, emphasizing the primary sector to the detriment of the service sectors and above all the industry of high and low added value. It must be mentioned that the rise in commodity prices brings short-term benefits for the export economy, symbolized by easy profits. However, it increases the rate of de-industrialization as well as the internal price of the same commodities, promoting a re-orientation of which commodities are produced and prioritizing the Chinese market (soybeans) and not the internal market (foodstuffs locally consumed such as rice, beans and wheat). By systematizing these movements, Gallagher and Porzecanski point out that:

Exports from China to Latin America are concentrated on a few countries and sectors, excluding the majority (...) from the opportunity of reaping benefits from the Chinese market for their own exports. China is increasingly topping Latin American exports of manufactured goods to regional and global markets and the worst is still to come. China is quickly building technological capabilities for industrial development while Latin America does not pay attention to innovation and industrial development (Gallagher and Porzecanski, 2010, p. 2).

At the same time, Brazil is regionally and globally affected by the clashes between the United States and China and by the American perception that Brazil is a rising emergent nation in South America, in the South Atlantic and in multilateral negotiations. Within this reality, Brazil fits into the same pattern

of containment mechanisms that apply to China and extends to the remaining emergent nations, as we have seen. Included in this agenda are the military commands of Africa and South America, the reactivation of the Fourth Fleet, the Pacific Partnership and its South American counterpart, the Transatlantic Partnership. Dynamics more specifically directed toward South America are also part of this agenda, such as the militarization of the fight against drug traffic in Colombia which permits the deployment of American troops in that country, the definition of the Brazilian, Argentine and Paraguayan Triple Border as an area of risk for terrorism, organized crime and traffic. Other actions regard Latin America as a whole, such as the Merida initiative of fight against illegal immigration and drug traffic in Mexico.

CLOSING REMARKS

In view of this context of double containment by the United States on both Brazil and China to which a complex dynamic of cooperation and competition with the United States and China for political influence and regional and global markets should be added, the projection of national power requires a pragmatic vision. Regardless of their strategic significance for Brazil, the global and regional priorities of the United States and China, together with a perception of competitive interdependences and vulnerability, are still focused on both countries' bilateral relationship (the "informal G-2").

This makes it necessary for Brazil to keep diversified alternatives toward the North and the South and to avoid excessive focus on one or the other of these alliances. Brazil should maintain its pattern of projection toward all continents, as it has been doing, by reinforcing its role as global trader and global player. This will inevitably lead to clashes and containment measures from those

other two powers, but it also generates possibilities of cooperation and an increase of national power. It is necessary to re-establish a more assertive position in the regional sphere, where spaces have been gradually occupied by China, even more that by the United States.

Although this Chinese penetration is less visible than that of the United States, to the extent that it does not carry conditions of interference and is guided by the logic of peaceful ascent, it is sustained and real in Latin America and particularly in South America and, as we have seen, in the Brazilian economy. In this context, a reaffirmation of regional projects such as MERCOSUL, UNASUL (and the development axis of IIRSA) and CELAC becomes relevant, both in political and in economic terms. If the sum of Chinese resources is greater than Brazil's and America's, it is also dependent on the expansion of the Chinese economy which, in the case of retreat, will generate local empty spaces and vulnerabilities. So, there is no need to create new responses to those challenges, but it is necessary to reaffirm a strategic vision of Brazilian and South American development and integration.

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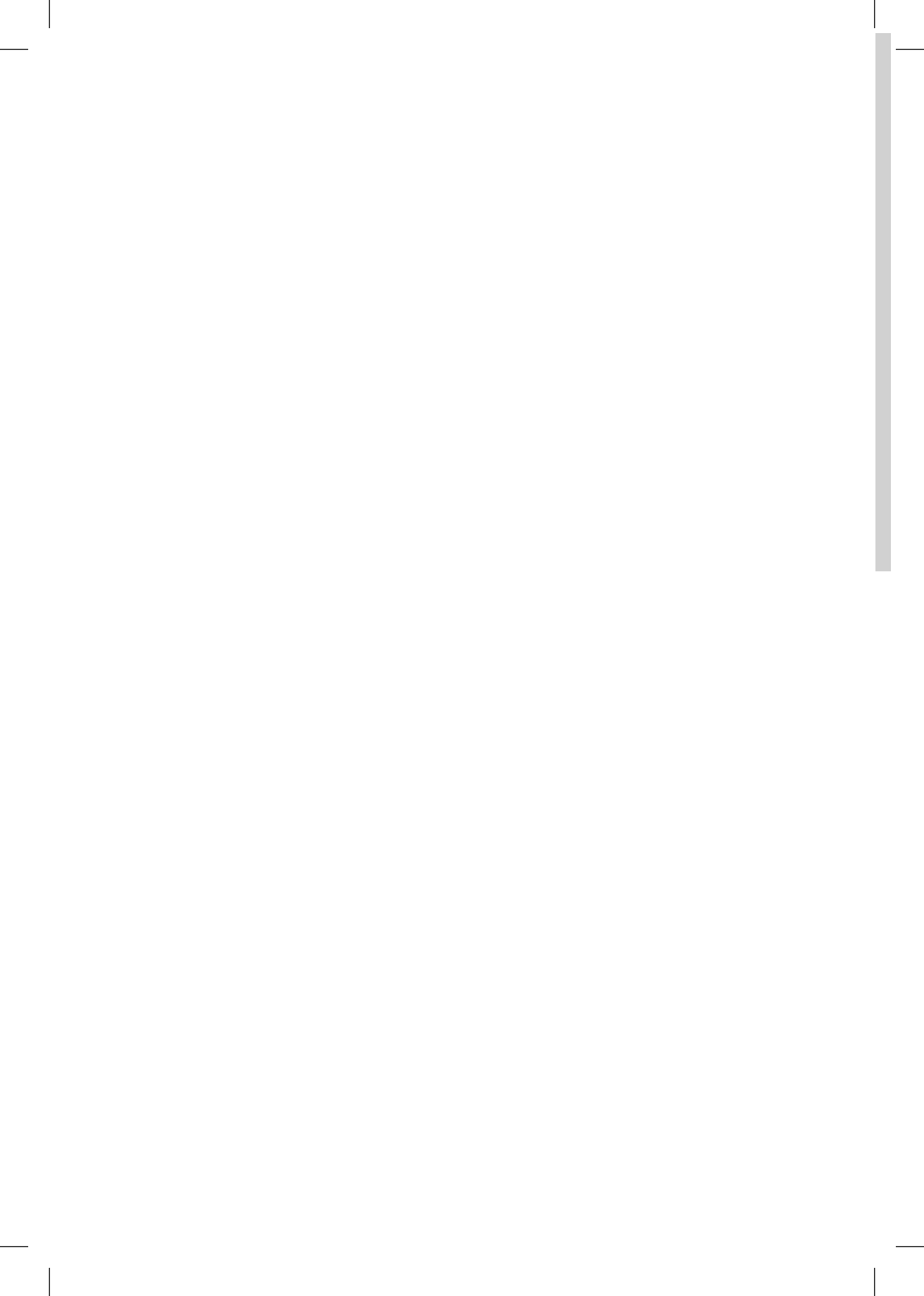
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A TALE OF TWO MAJOR POWERS: CHINESE PERCEPTION OF THE UNITED STATES

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INSCRIPTIONS ON THE WALL OF THE XILIN TEMPLE BY SU SHI (苏轼, 1037–1101):

*It's like a range when you look at the mountain from the front;
But it's like a peak when you look at it from the side.
The mountain shows its different features, in different
altitude, near and far;
You don't know the real scenery of Lushan Mountain
because you yourself are in the mountain.¹*

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¹ Lushan Mountain in Jiangxi Province, China, is well-known for its beautiful scenery. In ancient times many poems were written to praise its unique beauty.

As the only superpower and the largest economy in the world, the U.S. occupies an extremely important position in China's diplomacy as well as in its programs of reforms and opening to the outside world. As a result, what the U.S. says and does can attract enormous attention from China (the government, academics, media and the general public). Needless to say, Chinese perceptions are far from unanimous. Based on their own educational background, social status, political orientation, interest in world affairs, etc., ten Chinese can offer eleven different perceptions of the U.S. This paper will endeavor to elaborate on how China views the U.S., with a focus on the bilateral relations, G-2 or "Chimerica", the U.S. strategy of "pivot" to Asia and the so-called new type of relationship between major powers.

CHINA AND THE U.S.: FRIENDS OR FOES?

As a well-known Chinese popular saying goes, in the big forest you can hear all kinds of birds singing different songs with different tones. Indeed, in a country with a population of 1.3 billion people, it is logical to expect that there are many perceptions of the U.S. Particularly, in the last three decades of reforms and opening to the outside world, the Chinese are increasingly free to express their thinking and ideas about every topic ranging from world affairs to wallet or from breaking news to bread.

Unlike the U.S., where the Republican Party, the Democratic Party, the White House and Capitol Hill do not necessarily have the same or similar views on any topic, in China the Communist Party, the National People's Congress (the legislature) and the government speaks with one voice on almost every issue.

Given the fact that the U.S. has been a superpower in the 20th century, China should not afford to neglect the importance of better relations between the two sides. Even during the Cold War

era, China viewed the U.S. as an important factor that could have great impact upon its socialist revolution and construction. That could explain why Mao Zedong agreed to receive a secret visit to China by Henry Kissinger at the peak of the Cold War.

The year 1978 marked the most spectacular milestone in terms of China's external and internal policy transformation. Under the leadership of Deng Xiaoping, China started to significantly adjust its foreign policy. Its purpose was to integrate China's economy with the world so as to overcome the economic hardships caused by the Cultural Revolution (1966-1976).

Deng Xiaoping was considered as the vanguard or the designer of the Chinese reform program. In early 1979, Deng Xiaoping visited the U.S. It is said that, when he was asked the question during the trip "Why does China attach importance to the U.S. in its reforms and opening to the outside", the Chinese leader replied with the following words: "Those who have been following the U.S. have got rich". It is clear that Deng Xiaoping believed that the U.S. could play an important role in China's new direction of development.

After Deng Xiaoping's retirement in 1989, all of his subsequent successors believe that better relations with the U.S. are beneficial to both sides. For instance, on October 11, 1995, President Jiang Zemin told a delegation, composed of journalists from the American magazines *Newsweek* and *US New and World Report*, in Beijing that both China and the U.S. are big countries with global influence and permanent members of the U.N Security Council, and have important responsibility in safeguarding world peace, security and stability and promoting world development and prosperity. Therefore, better cooperation between the two sides is in the interests of the Chinese and American people, and it is also the wish of the peoples in other parts of the world.

Cooperation would result in win-win and confrontation would cause lose-lose.²

While meeting with President George W. Bush on October 10, 2008 in Beijing, the then Chinese President Hu Jintao said that China and the U.S. had achieved impressive progress from cooperation in such areas as trade, anti-terrorism, energy, environmental protection, etc. He also expressed his belief that good relations between the two countries are compatible with the fundamental interests of the peoples in both nations, and would also exert great influence upon peace, stability and prosperity of not only Asia-Pacific but also the whole world. The Chinese leader promised that China would deal with the bilateral relations from a strategic height and a long-term objective and hope to strengthen mutual understanding and trust by strengthening dialogues and exchanges as well as tackling sensitive issues in a proper way.³

China completed its leadership change in March 2013. The first trip by the new Chinese leader, President Xi Jinping, was to Russia, but his second overseas visit abroad included the U.S. The informal talks between the two leaders on June 7 and 8, 2013, took place at the 200-acre Annenberg Retreat in California. Without formality, they discussed many issues of common interest. President Xi Jinping told the host that the place is very close to the Pacific Ocean, and China is just beyond the Ocean. The Chinese leader stated⁴:

2 “江泽民谈中美关系、台湾问题、中国发展前景” (Jiang Zemin on China-U.S. relations, the Taiwan issue and China's future). Available at: <http://news.xinhuanet.com/tai_gang_ao/2006-04/06/content_4391786.htm>.

3 “胡锦涛会美国总统布什” (Hu Jintao Meet with U.S. President Bush). Available at: <http://news.xinhuanet.com/politics/2008-08/10/content_9134870.htm>.

4 “Xi Jinping Starts China-US Presidential Meeting with U.S. President Barack Obama”. Available at: <<http://www.fmprc.gov.cn/eng/zxxx/t1049439.shtml>>.

I said when I visited the United States last year that the vast Pacific Ocean has enough room to accommodate the development of the two great powers in the world, namely China and the United States. And it is still true at present. Today I meet here with President Obama, with a view to charting out a blueprint for the development of China-U.S. relations and conducting the transpacific cooperation.

Needless to say, the general public in China has had different perceptions of the U.S. Some consider it an important source of capital and technology as well as a huge market.⁵ So many people wish to emigrate to the U.S. via either legal or illegal means because they believe the U.S. is a paradise where “gold can be easily found in the streets”. Newly graduated Chinese students want to pursue graduate study in the U.S. In the last five years or so, even the middle school students are sent by their parents to American schools.⁶

On the whole, the Chinese perceptions of the U.S. are positive and benign. However, it cannot be denied that some Chinese people have different views. As a matter of fact, the image of the U.S. in some people’s mind is terribly negative.⁷ Particularly, with the increasing use of the Internet, a number of Chinese netizens have expressed their aversion or distaste about the U.S.

5 Two-way trade between China and the U.S. has reached almost US\$500 billion and bilateral investment has surpassed more than US\$80 billion. “王毅：‘如何构建中美新型大国关系’ (Wang Yi, “How to build the New Type of Relationship between China and the U.S.”). Available at: <http://news.xinhuanet.com/politics/2013-09/21/c_117441069_2.htm>.

6 Regrettably enough, it is reported that the U.S. has also been used by the corrupt Chinese officials as a place to hide their illegal assets.

7 A professor from the prominent Beijing University once sent an open letter to President Obama, complaining that his fingerprints were needed to apply for the U.S. visa for an academic conference in the U.S. He promised that he would never go to the U.S. if the U.S. does not abandon this visa policy.

While it is impossible to calculate the exact percentage points of those who like or dislike the U.S., the negative views can be summarized as:

First, the U.S. is always afraid of China's rise because it fears the loss of its dominance on the world stage. As a result, it has been trying its best to contain China's peaceful development.

Second, the U.S. always wishes to destabilize China with all means, including supporting ethnic separatists spreading Western values and inciting "peaceful evolution".⁸

Third, the root cause of the Taiwan issue is the intention of the U.S. to block reunification of China. It was said that the Chinese mainland might have liberated Taiwan in the 1950s if the U.S. had not sent the Seventh Fleet to the Taiwan Strait. Even today, the U.S. still violates China's sovereignty by selling advanced weapons to Taiwan.

Fourth, the U.S. not only supports Japan, a country that has never recognized its war crimes, through the common security treaty, but also stations troops in the Asia-Pacific region. Its purpose is to counter-balance China's growing influence.

As a matter of fact, the Chinese academics also have varied perceptions of the U.S. on every issue. Some scholars tend to believe that it plays an important role in China's modernization process. According to Yuan Min, for instance, the "U.S. factor" is an external force that has always been exerting its influence upon every aspect of China's economic development. The Beijing University professor believes that China and the U.S. can

8 "Peaceful evolution" (和平演变) is a terminology used by people from the socialist countries around the world to describe the efforts of the western powers such as the U.S. to transform the nature of their political system from socialism to capitalism. Its origin could be dated back to the Cold War era.

improve their bilateral relations through dialogues and consultations because the two sides need each other on many issues.⁹

In the past few years, many people in China are engaged in the discussion of the question whether the U.S. position on the world stage has been declining or not. Those who say “yes” point out the following facts indicating that the U.S. is really weakened: 1) The U.S. cannot do whatever it wants to do. That is because other countries are strongly against unilateralism and American hegemony. The anti-U.S. sentiment around the world is much stronger than in the past; 2) Because of the rise of the emerging economies like the BRICS, the U.S. economic strength has been shrinking, particularly in terms of its share in total world GDP; and 3) The U.S. domestic issues, such as government shut-down, fiscal cliff, rising crimes, ethnic tensions, sub-prime crisis, etc., are just the symptoms of its declining.

But there are many Chinese scholars who tend to believe that the U.S. is not declining. They offer the following evidence to support their argument: 1) The U.S. military power is still the strongest in the world and no other country can obtain such military supremacy; 2) Competitiveness of the U.S. in the world economic field is still powerful. That is because it can attract the best talents from around the world and attaches great importance to R&D. As a matter of fact, most of the Nobel Prize laureates are found in the U.S.; 3) The U.S. multinational companies are extremely powerful, reaching to every corner of the world market. Moreover, each year the U.S. can attract huge amount of capital from abroad; 4) The greenback still dominates the world economy; and 5) Soft power of the U.S. is enormous:

9 袁明：‘中国现代化进程中的美国因素’，外交评论 2005 年 6 月 (Yuan Min, “The U.S. Factor in China’s Modernization Process”, *Foreign Affairs Review*, June 2005.)

Hollywood films and other American cultural products enjoy a big overseas market; so many people want to migrate there; American values and American dream are quite popular in many parts of the world.

On the whole, despite the varied perceptions of the U.S., it is proper to say that many Chinese people have a good image of the U.S.

CHINESE PERCEPTIONS OF G-2 AND “CHIMERICA”

The notion of G-2 (China and the U.S.) was created by C. Fred Bergsten in his book *The United States and the World Economy*, published in 2005. No matter whether and how it is misunderstood, G-2 has attracted great attention from China.¹⁰

It is interesting to note that the translation of G-2 from English to Chinese is not the same as that of G-20 or G-8. Rather, G-2 is expressed as (or translated into) “China-U.S. co-governance” (中美共治) in Chinese.

A similar word about the special relationship between China and the U.S. is “Chimerica”, a portmanteau coined by Niall Ferguson and Moritz Schularick. According to two American authors:

To understand why global asset markets in the past years were marked by a persistent disconnect between returns on capital and the cost of capital, think of one economy

¹⁰ According to Bergsten, G-2 has been misunderstood by some people. “The proposed G-2 was never intended to supplant any of the existing international economic steering committees, of which the G-20 International Monetary Fund and the World Trade Organization. To the contrary, its chief purpose is to supplement the existing institutions and make them work better by promoting prior agreement between the two countries whose cooperation has become a sine qua non for making progress on virtually any international economic issue”, said Bergsten. (See C. Fred Bergsten, “Two’s Company”, *Foreign Affairs*, September/October 2009).

*called Chimerica: the sum of China, the world's most rapidly growing emerging market, and America, the world's most financially advanced developed economy.*¹¹

It is important to note that the original meaning of “Chimerica” refers to the economic relations between China and the U.S., but many Chinese scholars tend to interpret it as a kind of cooperation between the two powers in dealing with global issues or undertaking global governance.¹²

As usual, there are different understanding and interpretation of G-2 by the Chinese scholars, diplomats, commentators, journalists and netizens. Some were happy to hear the new word because it indicates that China's international position has been on the rise. Indeed, if China had been weak, no country would like to seek cooperation with it. Others say that, no matter whether G-2 is feasible or not, it is time for China to play a more important role, along with the U.S. and other major powers of the world, to undertake more global responsibility in dealing global issues. In this way, China's position on the world stage can be greatly raised.

11 Niall Ferguson and Moritz Schularick, “Chimerica’ and the Global Asset Market Boom”, *International Finance*, 10:3, 2007, pp. 227-228.

12 Ferguson and Schularick explained the meaning of “Chimerica” in this way: “West Chimericans are wealthy and hedonistic; East Chimericans are much poorer (even adjusting on the basis of purchasing power parity, their per capita income is around 16% of West Chimericans’). But the two halves of the country are complementary. West Chimericans are experts in business administration, marketing and finance. East Chimericans specialize in engineering and manufacturing. Profligate West Chimericans have an insatiable appetite for the gadgets mass produced in the East; they save not a penny of their income. Parsimonious East Chimericans live more cautiously. They would rather save a substantial share of their own income and lend it to the West Chimericans to fund their gadget habit and thereby keep East Chimericans in jobs. Under this arrangement, East Chimericans generate massive trade surpluses which they immediately lend back to West Chimerica. Moreover, by channelling all these surplus savings through government hands into US government paper, East Chimerica depress the key long-term interest rate in West Chimerica and hence, the benchmark rate for the world's financial markets”. (*International Finance*, 10:3, 2007, p. 228).

But it seems that more Chinese people are not in favor of G-2. Their critique of the idea can be summarized into the following points:

First, China is in favor of democratization of world affairs, so anything in the world should be decided not by the big powers, but by all the countries, big or small, rich or poor. That is to say, the notion of G-2 is against China's own foreign policy principle.

Second, though the Chinese economy has been developing very rapidly, it is still a developing nation. Its per capita GDP still lags behind many countries of the world. As a result, China is not able to govern the world with the U.S. As a matter of fact, for China there is so much homework to be done.

Third, China should not feel complacent when it hears some seemingly extolling words, particularly from the U.S. Otherwise, China will fall into a "trap" made by the U.S., nor should it get faint by drinking the "*mi hun tang*" (sweet-nothing soup).¹³

Fourth, G-2 is not really a kind of cooperation between two equal partners. Apparently, it is an unbalanced partnership dominated by the U.S. So it would be too naïve to praise the "friendship" between China and the U.S.

Finally, if China believes in G-2, it will offend its allies around the world. In the end of the day, China will find itself standing lonely and isolated on the world stage.

Few Chinese leaders have commented openly on G-2; however, Chinese Premier Wen Jiabao offered his views on the terminology on May 20, 2009, when he was attending the 11th China-EU Summit in Prague.¹⁴ At the press conference he said,

13 Literally, "*mi hun tang*" (迷魂汤) in Chinese means a person will faint after he drinks the "delicious" soup as it contains some evil things in it.

14 It is believed that premier Wen Jiabao was the first Chinese leader to comment on G2.

At present there are various kinds of discussions of China's development prospects and its role. Here, with responsibility, I would like to express my three views on this issue. First, the foundation of China's relations with the European Union is based on mutual respect and equal treatment... Second, though China's development has achieved great progress, it is still a developing country. There is a long way to go before it can fully realize its modernization and many generations of Chinese people need to make efforts towards this end. Third, China always adheres to an independent foreign policy of peace and implements a strategy of openness based on mutual benefits and a win-win game. China would like to develop its friendly relations with any country in the world, and will never seek hegemony. Global issues cannot be resolved by one or two countries. Multi-polarization and multilateralism is the tendency that cannot be stopped. It is also the hope of everybody. It was suggested the world order governed by China and the U.S. is in the process of making. It is groundless and wrong.¹⁵

Some look at the G-2 and “Chimerica” from a different angle. They note that, in the period after the World War II, the U.S. and China confronted with each other and both paid a big price. This confrontation jeopardized economic development of both countries and also exerted significant impact on the formation of the world order. “If China did not reject G-2 three years ago, China-U.S. relations and the geopolitical framework in the Asia-Pacific area might have been different today”.¹⁶ The U.S.

15 “温家宝 o 欧盟领导人会聚记者时的讲话” (Wen Jiabao and the EU leaders Meet with the Press). Available at: <<http://politics.prople.com.cn/GB/1024/9337264.html>>.

16 Apparently, by saying “If China did not reject G-2 three years ago”, it means what Chinese Premier Wen Jiabao said at the china-EU summit in 2009. See: 鲍盛刚: “中美将爆发新冷战吗”

continues to be the major external factor that will affect China's peaceful development. Therefore, cooperation, not confrontation, between China and the U.S. is in the interests of both sides.¹⁷

Despite their different understanding and interpretations, all those who have participated in the discussion of notion of G-2 and "Chimerica" agree with the view that, given the reality of the world today, China and the U.S. need to work alongside in every field in a cooperative way. It is believed that better relationship between the two powers is in the interests of both sides and the world as well.

CHINA'S REACTION TO "PIVOT" TO ASIA

For the Chinese academics in recent years one of the most "hot" topics in international studies is the so-called "pivot" to Asia, initiated by the Obama administration.¹⁸ In an Op-Ed published by the *Foreign Policy*, the then U.S. Secretary of State Hillary Clinton said,

As the war in Iraq winds down and America begins to withdraw its forces from Afghanistan, the United States stands at a pivot point. Over the last 10 years, we have allocated immense resources to those two theaters. In the next 10 years, we need to be smart and systematic about where we invest time and energy, so that we put ourselves in the best position to sustain our leadership,

(Bao Shenggang, "Will China and the U.S. Fall into a Cold War?"). Available at: <<http://view.news.qq.com/a/20120111/000013.htm>>.

17 鲍盛刚: "中美将爆发新冷战吗" (Bao Shenggang, "Will China and the U.S. Fall into a Cold War?"). Available at: <<http://view.news.qq.com/a/20120111/000013.htm>>.

18 A similar phrase is "re-balancing". It is said that Obama is a firm believer in the "pivot". He even prefers the term to the more neutral "re-balancing", introduced as a softer touch by his administration. (See Matt Schiavenza, "What Exactly Does It Mean That the U.S. Is Pivoting to Asia?", April 15, 2013. Available at: <<http://www.theatlantic.com/china/archive/2013/04/what-exactly-does-it-mean-that-the-us-is-pivotingtoasia/274936/>>.

*secure our interests, and advance our values. One of the most important tasks of American statecraft over the next decade will therefore be to lock in a substantially increased investment – diplomatic, economic, strategic, and otherwise – in the Asia-Pacific region.*¹⁹

Why did the U.S. want to “pivot” to Asia? Some Americans have already offered explanations. According to Justin Logan, for instance, the main factor driving Washington’s interest in Asia is the growing economic and military power of China.²⁰ Matt Schiavenza believes that the U.S. is the only country with enough muscle to check China’s rise, and many of the smaller countries in East Asia have sought reassurance from Washington that it remains invested in the region.²¹ Robert S. Ross confirms that “pivot” to Asia is a shift in strategy aimed at bolstering the American defense ties with countries throughout the region and expanding the U.S. naval presence there.²² A paper published by the U.S. Congressional Research Service also says that “The fundamental goal underpinning the shift [“pivot” to Asia] is to devote more effort to influencing the development of the Asia-Pacific’s norms and rules, particularly as China emerges as an ever-more influential regional power”.²³

19 Hillary Rodham Clinton, “America’s Pacific Century”, *Foreign Policy*, October 11, 2011. Available at: <<http://www.state.gov/secretary/rm/2011/10/175215.htm>>.

20 Justin Logan, “China, America, and the Pivot to Asia”, *Policy Analysis*, January 8, 2013. Available at: <<http://object.cato.org/sites/cato.org/files/pubs/pdf/pa717.pdf>>.

21 Matt Schiavenza, “What Exactly Does It Mean That the U.S. Is Pivoting to Asia?”, April 15, 2013. Available at: <[http://www.theatlantic.com/china/archive/2013/04/what-exactly-does-it-mean-that-the-us-is-pivoting-t o-asia/274936/](http://www.theatlantic.com/china/archive/2013/04/what-exactly-does-it-mean-that-the-us-is-pivoting-t-o-asia/274936/)>.

22 Robert S. Ross, “The Problem with the Pivot: Obama’s New Asia Policy Is Unnecessary and Counterproductive”, *Foreign Affairs*, November/December 2012.

23 Mark E. Manyin, et al., *Pivot to the Pacific? The Obama Administration’s “Rebalancing” Toward Asia*, Congressional Research Service, March 28, 2012.

But Robert A. Manning does not think “pivot” to Asia is against China. In an article published by the *Global Times*, an influential Chinese newspaper, he states that:

A widely held belief among many in China is that every US policy move affecting the country is part of a concerted strategy of containment aimed at preventing its reemergence. Thus, the U.S. ‘rebalancing’ in Asia, the Trans-Pacific Partnership (TPP), the US alliances with Japan, South Korea and Australia are all components of a US effort to maintain US dominance at China’s expense. This view is wrong. Containment was U.S. policy toward the Soviet Union during the Cold War. The USSR was a rival ideology, a competing anti-capitalist economic system aimed at expanding the Soviet empire. Containment was an effort to isolate Moscow economically and contain its military power. This is decidedly not U.S. policy toward China. Eight U.S. presidents from Richard Nixon to Barack Obama have pursued a policy of facilitating China’s economic modernization and integration into the international system.²⁴

Kelley Currie, Senior Fellow at Project 2049, a Washington research institute that focuses on East Asian security, offers an interesting observation:

When we deny that it’s all about China, it makes them even more suspicious. So I think we need to be honest... that yes, part of it [“pivot” to Asia] is about hedging and about the uncertainty that our allies in the region

²⁴ Robert A. Manning, “US rebalancing Asia, not containing China”, *Global Times*, July 2, 2013.

*and our friends in the region feel about the behavior coming out of the People's Republic of China.*²⁵

Indeed, many Chinese scholars believe that the U.S. “pivot” (or re-balancing) to Asia is the strategy to contain China’s peaceful development. They say the U.S. clearly understands that its traditional sphere of influence in Asia has been declining and China’s position on the rise. Therefore, “mini-lateralism” is adopted by the U.S. to resist the power shift between rising and established powers.

In understanding the meaning of the “pivot” strategy, some Chinese even go further. According to them, the U.S. not only wishes to isolate China, but also intends to change China’s political system. Therefore, it can be expected that, in the 21st century, particularly in the first half of the century, if the U.S. still wants to behave like the “leader of the world”, the pattern of China-U.S. relationship would be the co-existence of cooperation and “fighting and killing by the U.S.” and probably more “fighting and killing by the U.S.” than cooperation.²⁶

Other Chinese scholars look at the U.S. “pivot” strategy in the light of the U.S.-Japan alliance. With the evident changes of power structure among the U.S., China and Japan, the U.S. is increasingly keen to encourage Japan to play an important role in containing China’s rise.²⁷

Apart from criticizing the U.S. strategy, some Chinese scholars also warn that China itself should not be afraid of it.

25 Natalie Liu, “China Sees Threat in US Pivot to Asia”, June 7, 2013. Available at: <<http://www.voanews.com/content/china-sees-threat-in-us-pivot-to-asia/1677768.html>>.

26 傅景云: “从价值砵的高度审视中美关系” (Fu Jingyun, “Look at the China-U.S. Relationship from the Height of the Values”), October 26, 2012. Available at: <http://news.xinhuanet.com/world/2012-11/09/c_123933244_2.htm>.

27 张景全: “日美同盟 o 美国重返亚洲战略”, 国际问题研究 2012 第 5 期 (Zhang Jingquan, “Japan-U.S. Relations and the U.S. Strategy of Pivot to Asia”, *Journal of International Studies*, No. 5, 2012).

Rather, China needs to know that it has its own limited capability and means to counterbalance the U.S. encirclement. Others are even more optimistic that not all of China's neighboring countries are willing to join hands with the U.S. to encircle China. After all, maintaining rapid economic development and doing the homework is always China's priority.²⁸

Other Chinese scholars have highlighted a number of constraints the U.S. might face in implementing the "pivot" strategy. For instance, the U.S. lacks enough resources to accomplish what it intends to do. At the same time, the U.S. cannot neglect the turmoil in the Middle East, North Africa, Afghanistan, Iraq, among others. That is to say, Washington needs to keep on allocating time and energy on these places.

There are some Chinese scholars who have suggested that, in the face the U.S. intention to "pivot" to Asia, China must adopt a "march west" (西进) strategy.²⁹ If this strategy is well implemented, it could generate two positive results: on the one hand, China's head-on confrontation with the U.S. in the Asia-Pacific region might be avoided; on the other, China can further develop its relations with the Middle East and Central Asian countries.

Interestingly, Some Chinese scholars also argue that the word "pivot" is misleading because the U.S. has never left Asia

28 王逸舟：，面对美国重返亚洲战略 中国不要自乱阵脚'，2012年5月9日 (Wang Yizhou, "China Needs to Stay Calm in the Face of the U.S. Strategy of Pivot to Asia", May 9, 2012.). Available at: <<http://world.people.com.cn/GB/17845966.html>>. 陶文钊：“美国‘重返亚洲’战略面临五大挑战战略面临五大挑战”，2011年12月28日。(Tao Wenzhao, "The U.S. Strategy of Pivot to Asia Face Five Challenges", December 28, 2011). Available at: <http://news.xinhuanet.com/world/2011-12/28/c_122493199_4.htm>.

29 Wang Jisi, one of the most prominent Chinese scholars on international studies, is the first to propose this strategy. He hopes that what he suggests should not necessarily be seen as a "written strategy" of China's foreign policy, but only some food for thought in the face of important transformation of the world's geopolitical structure.

since it set foot in this region at the start of the Cold War. This argument is comparable with that of a few American scholars.³⁰

A NEW TYPE OF RELATIONSHIP BETWEEN MAJOR POWERS

In the vocabulary of Chinese diplomacy there is a new phrase, which has become increasingly popular since 2012: “a new type of relationship between major powers” (NTRMP).³¹ According to an article about the origin of the phrase, published by the official news agency, Xinhua, former Chinese President Jiang Zemin suggested in the 1990s that China would like to seek a NTRMP characterized as “non-alliance, non-confrontation and not targeting against any third party”. During the second round of China-U.S. Strategic and Economic Dialogue in May 2010, the then State Councilor Dai Bingguo proposed that China and the U.S. need to “establish a NTRMP by respecting each other, harmonious coexistence and win-win cooperation”. During his trip to the U.S. in February 2012, the then Chinese Vice President Xi Jinping stated that it is necessary to promote China-U.S. relations so as to turn the bilateral relationship into a NTRMP in the 21st century. Three months later, at the fourth round of China-U.S. Strategic and Economic Dialogue, the

30 For instance, Kenneth Lieberthal, Senior Fellow and Director of John. L. Thornton China Center of the Brookings Institution, said, “...pivot, if you think about the meaning of pivot, is not accurate to describe what we are doing here. Pivot suggests that, well, we were looking there and now we’re looking here. Well, I’m sorry, we’ve been looking here all along; we were also looking there, right? So, it suggests that we left Asia and have returned to Asia and I’m not aware of anyone who studies it seriously who would conclude that we ever left Asia. The other unfortunate part of the term ‘pivot’ is if you can pivot it once, you can pivot it again. So, it suggests that we may not be here for the long run, and, again, I think that’s absolutely wrong. So, the other term in the administration that we hear is ‘rebalancing towards Asia’, and I think that, in fact, captures it much more effectively”. (See <http://www.brookings.edu/~media/events/2012/1/31%20us%20asia/20120131_pivot_asia.pdf>).

31 There are various translations of the phrase. Even the web site of the Chinese Foreign Ministry has two different expression of the phrase: “a new *pattern* of relationship between *major* countries” and “a new *type* of relationship between *great* powers”. (See: <<http://www.fmprc.gov.cn/eng/topics/xjptccrmux/t1049263.shtml>> and <<http://www.fmprc.gov.cn/eng/wjdt/wshd/t1049546.shtml>>).

then Chinese President Hu Jintao said that, no matter how the world and the domestic situations change, China and the U.S. should push their bilateral relations forward firmly and make great efforts to develop a NTRMP that will reassure the people in China, the U.S. and other countries. In his report to the 18th Party Congress in November 2012, the then General-Secretary of the Communist Party of China Hu Jintao said that China shall try to improve its relations with the major powers of the world by opening up more areas of cooperation, properly dealing with differences and moving towards the establishment of a long-term, stable NTRMP³²

Detailed explanation of the NTRMP did not come up until President Xi Jinping met with U.S. President Obama in Annenberg Retreat in June 2013. It was reported that the two leaders agreed to construct a NTRMP between their two countries. The Chinese leader summarized its meaning in three points: 1) no conflict and no confrontation; 2) mutual respect; and 3) win-win cooperation.³³

To put the NTRMP into practice, President Xi Jinping proposed four suggestions:

First, it is necessary to upgrade bilateral dialogues and mutual trust to a new level, institutionalize the practice of the meetings between the leaders of the two countries in such multilateral occasions as G-20 and the Asia-Pacific Economic Cooperation (APEC), and make good use of the more than

32 “中美新型大国关系的由来”. Available at: <http://news.xinhuanet.com/world/2013-06/06/c_116064614.htm>.

33 It seems that there is no clear definition about “major power”. While some tend to say it simply means U.S., others would like to argue that the European Union, Japan, the BRICS are also “major powers”. (See 杨洁勉: “新型大国关系: 理论战略和政策建构”, 国际问题研究 2013 年第 5 期) (Yang Jimie, “Theory, Strategy and Policy Construction for the New Type of Relationship between Major Powers, *Journal of International Studies*, No. 5, 2013. Available at: <http://www.ciis.org.cn/gyzz/2013-05/30/content_5993566.htm>).

ninety existing inter-governmental dialogue and communication mechanisms.

Second, it is necessary to create a new situation of practical cooperation between the two sides and make the structure of bilateral trade and investment move towards a more balanced direction.³⁴

Third, it is necessary to establish a new pattern of interactions between the two sides, maintain close coordination and cooperation on international and regional hot issues like the situation of the Korean Peninsula and the Afghanistan, and strengthen cooperation in such areas as maritime counter-piracy operations, transnational crime fighting, peacekeeping, disaster relief and prevention, cyber security, climate change and space safety, etc.

Fourth, it is necessary to explore new approaches of managing differences on the important issues and constructing a new pattern of military relations compatible with NTRMP.³⁵

President Xi Jinping is confident about the establishment of NTRMP. At the joint press conference after the first meeting between the Presidents of China and the U.S. at the Annenberg Retreat on June 7, 2013, Xi Jinping pointed out, "I am fully confident of constructing a new type of relationship between China and the U.S." He offered the following reasons: 1) Both sides have the political will to construct a new type of relationship between great powers; 2) Cooperation between the two sides over more than 40 years constitutes a solid foundation for the further cooperation between the two countries; 3) Both sides

34 President Xi Jinping asked President Obama to take active measures to relax its restrictions on the exportation of high-tech products to China.

35 Yang Jiechi's Remarks on the Results of the Presidential Meeting between Xi Jinping and Obama at the Annenberg Estate. (Available at: <<http://www.fmprc.gov.cn/eng/topics/xjpttcrmux/t1049263.shtml>>).

have set up over 90 dialogue and communication mechanisms such as the strategic and economic dialogue, cultural and educational exchanges and high-level consultations, providing a mechanism guarantee for the construction of a new pattern of relationship between great powers; 4) Both sides have established over 220 pairs of sister provinces and states and sister cities. There are nearly 190,000 Chinese students in the U.S. and over 20,000 U.S. students in China, laying a profound foundation of public opinion favorable for the construction of a new type of relationship between great powers; and 5) There is enormous space for future cooperation between the two countries.³⁶

Avoiding the terms G-2 and “Chimerica” does not mean that China stays away from taking an active part in global governance. Indeed, misunderstanding or wrong judgment of China’s role in global governance exists. C. Fred Bergsten wrote in an article published in 2008:

*To be an economic superpower, a country must be sufficiently large, dynamic, and globally integrated to have a major impact on the world economy. Three political entities currently qualify: the United States, the European Union, and China. Inducing China to become a responsible pillar of the global economic system (as the other two are) will be one of the great challenges of coming decades -- particularly since at the moment China seems uninterested in playing such a role.*³⁷

36 “Xi Jinping and US President Obama Hold Joint Press Conference” (Available at: <<http://www.fmprc.gov.cn/eng/topics/xjpttcrmux/t1049545.shtml>>).

37 C. Fred Bergsten, “A Partnership of Equals: How Washington Should Respond to China’s Economic Challenge”, *Foreign Affairs*, July/August 2008. (Available at: <<http://www.foreignaffairs.com/author/c-fred-bergsten>>).

This assessment about China's disinterest or indifference in global governance is incorrect.

Until recently any big power is hegemonic. Particularly in the 20th century, seeking hegemony by some major powers had caused two devastating world wars. China wishes to break the rule by pursuing peaceful development. As the Chinese government's White Paper titled "China's Peaceful Development" (September 2011) made it clear:

*China's overall goal of pursuing peaceful development is to promote development and harmony domestically and pursue cooperation and peace internationally. Specifically, this means that China will endeavor to make life better for its people and contribute to human progress through hard work, innovation and reform carried out by the Chinese people and growing long-term friendly relations and promoting equality and mutually-beneficial cooperation with other countries.*³⁸

In his government report to the National Congress on March 15, 2012, the then Premier Wen Jiabao announced that, "China is going to actively participate in multilateral affairs and global governance, and also to push forward the world order to the direction of more justice and rationality".³⁹

CONCLUDING REMARKS

Chinese perceptions of the U.S. vary greatly. But on the whole, the image of the U.S. is quite positive and benign. Moreover, despite the differences of the perceptions, the majority of the Chinese believe that it is highly necessary for both sides to

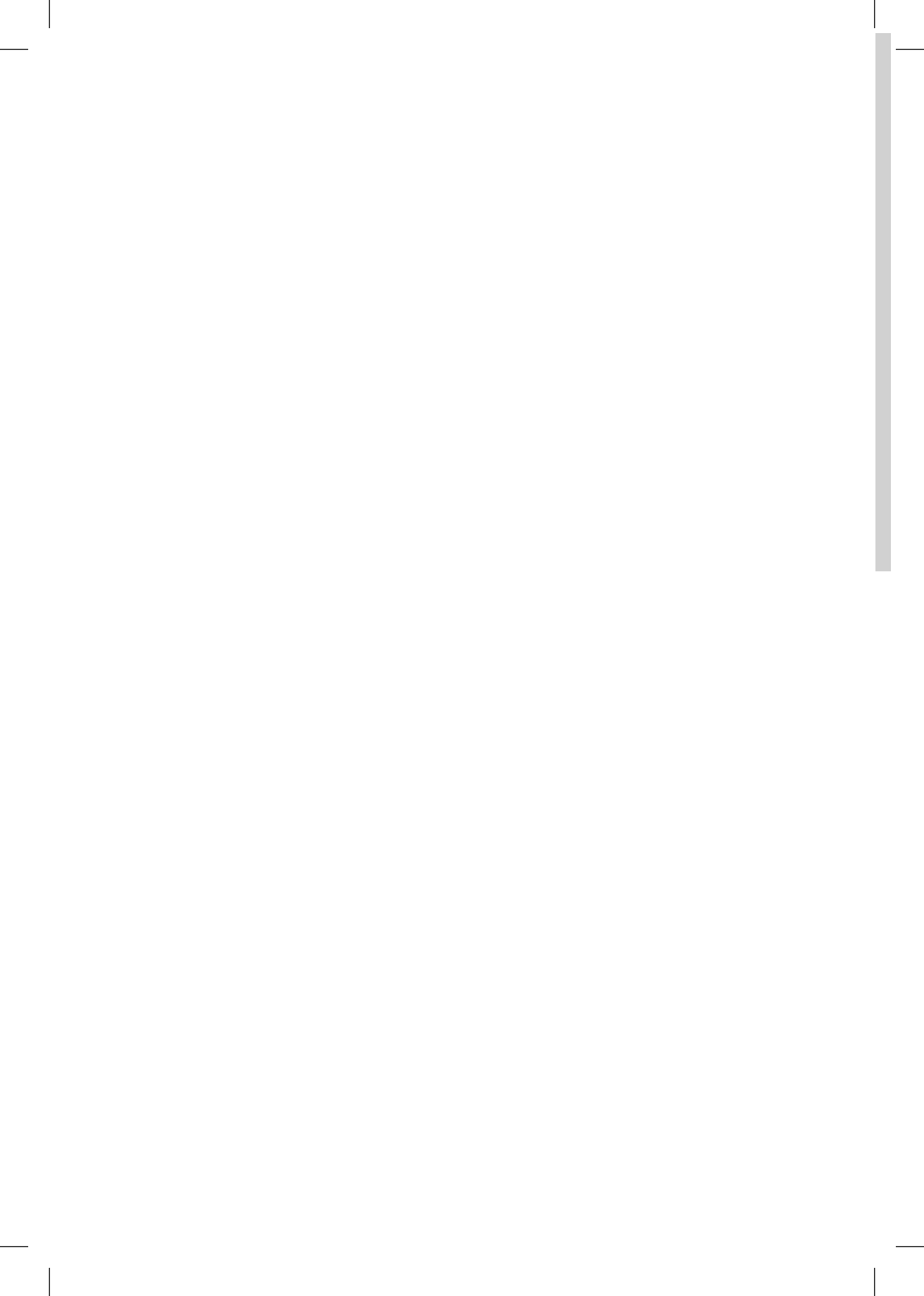
38 Available at: <http://news.xinhuanet.com/english2010/china/2011-09/06/c_131102329_3.htm>.

39 Available at: <http://news.xinhuanet.com/politics/2012lh/2012-03/15/c_111660147_5.htm>.

strengthen cooperation and reduce confrontation. While the U.S. is unlikely to achieve its goal of containing China's peaceful development, a new type of relationship between China and the U.S. will certainly result in a win-win scenario, which is beneficial to maintaining world peace and prosperity.

PART II

THE ROLE OF EUROPE



LOOKING AT THE ATLANTIC AND THE PACIFIC FROM EUROPE

Luk Van Langenhove and Dalila Gharbaoui***

INTRODUCTION

Europe has long perceived itself as the center of the world (it even referred to itself as the “first world”). Today, in the age of globalization, Europe is well aware of the changed nature

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of the geopolitical situation, and few will continue to claim a Eurocentric worldview. As the world now looks with a different eye to Europe, so are the European perceptions of the world changing.

This paper discusses some aspects of how Europe views today's geopolitical world order and how it tries to carve out a role for itself in that new world order. The focus will be upon how Europe engages with both the Atlantic and the Pacific regions of the world.

1. THE GLOBAL SHIFTS AND CHALLENGES FOR EUROPE TODAY

1.1 The economic gravity is shifting from the West to the East

The emergence of the BRICs & the center of power shift

The traditional dominant powers in the transatlantic region, Europe and North America, are being challenged by a growing number of emerging economies (Brazil, Mexico, Colombia, South Africa, Nigeria, and other countries in Latin America and Africa, cf. discussion on BRIC, BRICSAM, Next-11, CIVETS, etc.) that are gaining international as well as regional influence.

In order to qualify those emerging countries, the category "BRICs" (standing for Brazil, Russia, India and China and from 2010 South Africa) describes the less developed, fast growing economies, inclined to embrace global markets with large populations. The Goldman Sachs predictions made in 2003 over the future economic expansion of the BRICs forecast that by 2050, their combined economies would be larger than the G6 (Japan, U.S., Germany, France, Italy and the UK)¹ and would become four of the six largest economies.²

1 M.J. Lindsay; R. Rossem, "The BRIC phantom. A comparative analysis of the BRICs as a category of rising powers", Ghent University, 2013, p. 2.

2 L. Chen; P. De Lombaerde, "Testing the relationships between Globalization, Regionalization and the regional Hub-ness of the BRICs", Forthcoming in *Journal of Policy Modeling*, p. 1.

The BRICs' rise is likely to generate a shift in the international balance of power from North to South. While the Atlantic's economic power is declining, those emerging countries have gained more importance in the global economy over the last decade. The U.S.A is still the most powerful economy in the world and the EU is second in size, but the fact that the BRICs are gaining economic power is already an unmistakable trend. And, more specifically, China and India are becoming economic giants that account for a huge share in growth of the world's G.W.P. Predictions are that by 2050, the EU and the U.S.A's shares in world economic output will have further decreased drastically. All BRICs have not only increased their level of globalization, they also dominate extra-regional trade relations of their regions.³ The growth in trade flows of the emerging countries combined with the multiplication of regional preferential trade agreements among them is a trend that will importantly impact the organization of international markets in the last decade. The important role of the BRICs in regional trade networks (in the Southern Common Market – MERCOSUR – for Brazil, the Commonwealth of Independent States – CIS – for Russia, the South Asian Free Trade Area – SAFTA – for India, and the Association of South East Asia Nations – ASEAN – for China) is likely to impact the overall system of international trade.⁴ As Lelio Iapadre and Lucia Tajoli observe:

The BRICs are the most globalized countries in terms of connectivity to the world trading system in each of their respective regions. Given the advantage of this position, they could play the important role of linking smaller nearby countries to the large international markets.⁵

3 L. Chen; P. De Lombaerde, *op. cit.*, p. 14.

4 L. Iapadre; L. Tajoli, "Emerging countries and trade regionalization. A network analysis", University of L'Aquila and UNU-CRIS, Politecnico di Milano, August 2013, p. 1.

5 *Ibid.*, p. 20.

From 2000 to 2010, the overall centrality of the BRICs increased steadily, and the “hub-ness” of China and India was reinforced. The rest of the BRICs will see their “hub-ness” gaining more importance over the next decade if they keep their important position in globalization over their neighbors.⁶

However, the relative future power of the BRICs depends on how they manage their growth-supportive policy including higher levels of education, openness to trade and foreign direct investment (FDI), macroeconomic stability and stable political institutions.⁷

The BRICs category is gaining importance as a concept in academia and the media but has been subject to strong controversies. Some scholars argue that the “BRICs” as a category of rising powers is not valid as their path differs drastically and they hold various global power positions in the international arena. As Lindsay Jacobs and Ronan Van Rossem argue:

{...} the underlying rationale as developed by Goldman Sachs neglects important country specific socio-economic and political characteristics in predicting economic growth for the individual countries included in the BRICs.⁸

At the same time, increasing interactions across the shores of the Pacific seem to be challenging the supremacy of the Atlantic and are generating debates regarding a potential power shift from the Atlantic to the Pacific. Some scholars argue that this shift is currently in the making, while others take it as a *fait accompli*: “The centre of gravity of world affairs has left the Atlantic and moved to the Pacific and Indian Oceans”⁹. Many countries in the Western

6 L. Chen; P. De Lombaerde, *op. cit.*, p. 14.

7 L. Chen; P. De Lombaerde, *op. cit.*, p. 2.

8 M.J. Lindsay; R. Rossem, *op. cit.*, p. 2.

9 H.A. Kissinger, “Power Shifts. Survival”, 52(6), 2010, p. 205-212, p. 206.

Hemisphere and Africa are reorienting their foreign policies away from the Atlantic and towards the Pacific.

The rise of the Pacific

According to Coclanis (2006), European activity in the Atlantic must be considered in conjunction with European endeavors in other parts of the world, particularly in Asia. Most would also be persuaded by the argument most recently articulated by Mapp (2006) that the search for a direct route to Asia, which inspired Columbus to sail westward into the Atlantic in the first instance, remained a prime motivating factor for some explorers and makers of charts of the Atlantic long after the true circumference of the globe had been established and long after it had been realized that fortunes, careers, and even dynasties could be achieved as readily within the Atlantic sphere as elsewhere. The key lies in the concept of articulation, for in the early modern period the unitary “Atlantic world” clearly articulated with other circuits and orbits around the globe. And this articulation process manifested itself in different ways and with varying consequences, all of which in principle at least are worthy of study in their own right. According to this understanding, the Indian Ocean trade, the Manila Galleon and the Silk Road are all related to goings on in and along the Atlantic basis.

The switch in the location of the world’s power centers from one region to another is not singular, and a deeper historical analysis even suggests a certain long-term cyclical pattern according to which power centers move across the globe. The shift of power to the Far East was inevitable according to certain scholars.¹⁰ As

¹⁰ K. Mahbubani, “The New Asian Hemisphere: The Irresistible Shift of Global Power to the Far East”, New York: BBS Public Affairs, 2008; P. Kennedy, “Rise and fall”. *World Today*, 2010, 66(8/9), 6-9.

highlighted by Paul Kennedy: “The centre of the world rolls, always to the west, to Asia and China. If we wait long enough, it might end up again in Lombardy; but that could take quite a while. Today most roads seem to be leading to Beijing”.¹¹ According to this theory, East Asia and the Pacific are just returning to their long lost glory¹². As Mario Telo puts it, “the eternal idea of “balance of power” (military) as organized anarchy has been subject to a revival in East Asia and India [...]”.¹³

As predicted by some scholars, the shift in the predominant power in Asia-Pacific from the United States (as it has been since 1945) to China could have important implications on the future of transatlantic relations as well as of U.S.-Pacific relations. Indeed, with China increasingly inclined to behave as a regional hegemon, the U.S. could see itself gradually excluded from the Asia-Pacific region, replaying a contemporary version of the “Monroe Doctrine”, when the United States ensured European great powers were “pushed out” of the Western Hemisphere in the 19th century.¹⁴ The coming shift in hegemonic power is indeed addressing a series of interrogations over the future of international cooperation. Some scholars argue that major shifts such as those in great power interference and change of policy of the global actors result in a change in the hegemonic strategy of the regional power and an inevitable disequilibrium. As Sandra Destradi and Erich Gundlach assert, “a weakening economic performance of regional powers would destabilize the present equilibrium and provide incentives

11 P. Kennedy, *op. cit.*, p. 9.

12 D.C. Kang, “East Asia before the West. Five Centures of Trade and Tribute”, New York, Columbia University Press, 2010.

D.C. Kang, “China Rising: Peace, Power, and Order in East Asia”, New York, Columbia University Press, 2007.

13 M. Telo, “Relations Internationales, Une perspective europeenne”, Institut des Etudes Europeennes, Editions Universite Libre de Bruxelles, 2010, p. 194.

14 John, J., Mearsheimer, “the Gathering Storm: China’s Challenge to U.S. power in Asia”, *The Chinese Journal of International Politics*, Vol. 3, 2010, pp. 388-389.

to return to a less cooperative equilibrium in the international system”.¹⁵

In terms of security implications, China’s rapid military expansion will have implications on the U.S. strategic pivot towards the Pacific. Indeed, new “strategic guidance” published in January mentions America’s statement that “Europe should now be a producer of security, rather than a consumer”.¹⁶ Also, the withdrawal of U.S. forces that were stationed in Germany could be interpreted as an implicit warning to the European members of the alliance.¹⁷

Although the call only mentions China, it is important to look into the Pacific as a whole and to consider its many challenges. Even though China is likely, as a regional hegemon, to maximize the power gap with threatening neighbors such as Japan and India¹⁸, those countries as well as South Korea, Singapore, Indonesia and Australia also play important roles and should not be neglected in observing the rise of the Pacific.

1.2 The demographic decline of the West

While the world population continues to grow, the percentage of people living in the “West” is progressively declining. It is predicted that by 2030, 75 % of all people on the planet will live in Asia and Africa. Asia will be particularly important in the future

15 Destradi S, Gundlach E, “Modeling external constraints on the hegemonic strategies of regional powers”, GIGA – German Institute of Global and Area Studies, University of Hamburg, Germany, p. 24.

16 “NATO’s sea of troubles, Europe’s financial crisis and America’s “pivot” to Asia are a double blow for the alliance”, *The Economist*, 31 March 2012. Retrieved on 3 October 2013. Available at: <<http://www.economist.com/node/21551464>>.

17 “NATO’s sea of troubles, Europe’s financial crisis and America’s “pivot” to Asia are a double blow for the alliance”, *The Economist*, 31 March 2012. Retrieved on 3 October 2013. Available at: <<http://www.economist.com/node/21551464>>.

18 John, J., Mearsheimer, *op. cit.*, p. 389.

in terms of demography, as its population of around 4.3 billion accounts for 60% of the world total.¹⁹

Internally, the consequences of demographic decline in the West could be of considerable importance as population size directly affects the economy. Indeed, for extensive welfare states, funds for social security and pensions might become unsustainable when the demographic decline is rapid and observed on a long-term basis.²⁰ Another influence of population decline on the economy would be the consequences observed on the relative price of goods or services and factor supplies (capital, labor, land) affecting the price of housing. Finally, the link between economies, population size and technical progress is undeniable. As Hendrick Van Dalen and Kene Henkens explain: “Population growth may serve as a stimulant for technical progress and entrepreneurial activity”.²¹ The decline in population in the West is therefore likely to have indisputable consequences for state economies, affecting entire regions.

This demographic decline will also have external consequences for multilateralism as membership and voting rights in multilateral organizations will need to adapt to the new reality. Currently, the West is already overrepresented.

In terms of transatlantic relations, it is important to note here that a unified Europe has, in terms of demography, a significant advantage over the U.S. As such, it “could easily become one of

19 Zhongwei Zhao, “Population change shaping Asia’s future”, East Asia Forum, *Economics, politics and Public Policy in East Asia and the Pacific*, Vol. 5, No. 1, January-March 2013, p. 3. Available at: <<http://epress.anu.edu.au/wp-content/uploads/2013/03/whole51.pdf>>.

20 Hendrik P. van Dalen, Kène Henkens, “Who fears and who welcomes population decline?”, *Demographic Research*, Vol. 25, Article 13, 12 August 2011, p. 444-446. Available at: <<http://www.demographic-research.org/volumes/vol25/13/25-13.pdf>>.

21 *Ibid.*, p. 446.

the world's three or four powers given that the EU's GDP and population both exceed those of the United States".²²

1.3 The pressures upon values

The transatlantic alliance making up "the West" cannot be seen today as holding a homogenous set of values, as argued by Stephan Fröhlich:

*A divergence of values across the Atlantic is not in doubt these days. {...} The notion that the United States and Europe form a single community that shares core democratic and human values {...} no longer prevails per se and will regain wider acceptance only when the U.S.-EU partnership actually produces concrete results.*²³

One important divergence would be that Europe is, on one hand, reluctant to address international security challenges in "ideological" terms and for a long time appeared reluctant to fight alongside the U.S. in the Middle East in their attempt to bring democracy to the region. The EU believed that this strategy affected the image of the West and their commonly shared values. On the other hand, the U.S. considered the EU had a loss of belief in the liberal politics of the West and a dysfunctional integration policy in the region leading to discrimination and consequent radicalization of extremism favoring the potential of marginalized populations to turn against the "West".²⁴

Despite those disagreements, the transatlantic alliance will need to redefine common grounds, explore its history and reaffirm a common set of values in the face of the shared vulnerabilities

²² S. Fröhlich, *op. cit.*, p. 15.

²³ *Ibid.*, pp. 1-14.

²⁴ *Ibid.*, p.3.

they might face in the coming decades. Indeed, the West has been the cradle for a number of values such as separation between state and religion, democracy, rule of law and human rights. For the West, these can be regarded as values with a universal character. However, pressures upon this point of view and “relativist” opinions are increasingly gaining ground.

Indeed, discussions have increasingly raised in the last decade amongst “Western” and “Non-Western” scholars on the paradigm of *Cultural Relativism* versus *Universalism* described as “the problem of conflicts between Universal Human Rights norms and indigenous social practises that rest on alternative conceptions of human dignity”.²⁵ Peter Winch argues that reality only relates to a social construction “based upon the prevailing discourse of society”.²⁶ Furthermore, Diana Ayton-Shenker contends that human value systems and “moral compasses” are in fact *not* universal and vary greatly across different cultures. This relativism can be applied “to the promotion, protection, interpretation and application of Human Rights, which could be interpreted differently within different cultural, ethnic and religious traditions”²⁷; concluding that Human Rights are *culturally Relative* as opposed to *universal*. Another argument contradicting Western values as universal is that of Sally Engle Merry, who argues that human rights maintain Western-liberal assumptions about the nature of societies, causing problems when trying to translate them from one setting to another.²⁸

25 J. Galtung, “A Structural Theory of Imperialism” *Journal of Peace Research*, June 1971, Vol. 8, p. 81-117 Retrieved 10 October 2013, p. 3. Available at: <http://jpr.sagepub.com/cgi/pdf_extract/8/2/81>.

26 P. Winch, “Understanding a Primitive Society”, *American Philosophical Quarterly*, Vol. 1, No. 4 (Oct., 1964), pp. 307-324, p. 6. Retrieved 12 October 2013. Available at: <<http://www.scribd.com/doc/109970266/Winch-Understanding-a-Primitive-Society-1>>.

27 D. Ayton-Shenker, “The Challenge of Human Rights and Cultural Diversity”, Background Note, March 1995. Retrieved on 03 October 2013. Available at: <<http://www.un.org/rights/dpi1627e.htm>>.

28 S. Engle Merry, “Human Rights and Gender Violence Translating International Law into Social Justice”, University of Chicago, *Chicago Series in Law and Society*, 2006, pp. 2-14.

At the same time, scholars argue that the rise of the Pacific and, more importantly, the resurgence of Russia and China in the global economic arena with their similar ideological political doctrines mainly based on an adherence to the principle of *non-intervention* and the respect of state sovereignty raises questions about the future of Western values. These authoritarian and nationalist regimes and their sets of values dismiss liberal democracy and Western political models, which are viewed as major contributing factors to instability and considered responsible for their past humiliations. This is prompting the EU and the U.S. to form a solid alliance with common values.²⁹

Within this changing environment, Europe has to find its position in the emerging polycentric world. The contours of a “post-Western” world are far from clear. The formidable growth of developing countries’ economies has already secured them a seat on the new council of global economic governance, the G20. But the impact of shifting power relationships on other dimensions of international relations is more difficult to predict. The “rise of the rest” matters a great deal. According to Zakaria, we are “moving into a post-American world, one defined and directed from many places and by many people”.³⁰ One of Zakaria’s questions could also be asked of Europe and the European integration project, namely:

*[Should] Brussels adjust and adapt to a world in which others have moved up? Can it respond to shifts in economic and political power? This challenge is even more difficult in foreign policy than in domestic policy. Can Brussels truly embrace a world with a diversity of voices and viewpoints? Can it thrive in a world it cannot dominate?*³¹ (Paraphrased from Zakaria).

29 A. Kuchins, “Russia and China: The Ambivalent Embrace”, *Current History*, October 2007, pp. 27-321. In S. Fröhlich, *op. cit.*, p. 7.

30 F. Zakaria, “The Post-American World”, New York, W.W. Norton, 2009, pp. 2, 3, 5.

31 F. Zakaria, “The Post-American World”, New York, W.W. Norton, 2009, pp. 213-214.

1.4 The change in security threats

In the coming decades, Europe will continue to face a series of security challenges and will need to find its place in the transforming international arena, taking into consideration a transformation of the geopolitical context, and to address issues such as the proliferation of weapons of mass destruction (WMD), climate change, energy security, terrorism and regional issues in the Middle East.³² The EU would need a strong partnership across the Atlantic to deal with those issues and implement regional strategies for Afghanistan, Pakistan, Iran, the Israeli-Palestinian conflict and Africa. This also applies to new challenges brought about by the Arab Spring movement. As an example, in Libya, U.S. Defense Secretary Robert Gates questioned the nature of the military alliance and highlighted that America will not be able to bear in the future with its European allies if their strategy does not change. Indeed, Robert Gates criticized Europe's security strategy in the following terms:

*for the slow progress against a puny opponent and for failing to invest in the capabilities that America was forced to provide. {...} Unless the Europeans plugged those gaps, {...} how much longer would America see NATO as a militarily useful partner?*³³

The European economic crisis causes several challenges including a strong pressure on the defense budgets that were already critical. The London-based International Institute of

32 T. Garton Ash, "Free World: America, Europe and the Surprising Future of the West", New York: Random House, 2004. In S. Fröhlich, *op. cit.*, p. 8.

33 NATO's sea of troubles, Europe's financial crisis and America's "pivot" to Asia are a double blow for the alliance", *The Economist*, 31 March 2012. Retrieved on 3 October 2013. Available at: <<http://www.economist.com/node/21551464>>.

Strategic Studies (IISS) noted in its last report that “for the first time in modern history, Asian defense spending is about to overtake that of Europe”.³⁴

However, the global economic crisis will open opportunities for a stronger cooperation in terms of security also interlinked with economic cooperation across the Atlantic as the EU and U.S. will have to align their strategies in terms global economic governance.³⁵

The next section will address more deeply the future of the transatlantic alliance questioned here but also the relations of Europe with the Pacific in order to better perceive the opportunities Europe could seize in this world in transformation.

2. OPPORTUNITIES FOR EUROPE IN A WORLD IN TRANSITION

2.1 The changing nature of transatlantic relations

While in many studies and policy statements transatlantic relations are mostly seen as Europe/U.S. relations, the relations between all the main actors across the Atlantic include North and South America as well as Europe and Africa. While both Europe and the U.S. have longstanding roles in Africa and the increasing role of China in that continent is widely acknowledged, relations between Latin American Countries and African countries are less thoroughly studied. Similarly, while inter-regional agreements have been developed between the EU and the African Union

³⁴ *Ibid.*

³⁵ S. Fröhlich, “Future Perspectives for transatlantic relations”, Foreign & Domestic Policy Program, American Institute for Contemporary German Studies, 18 June 2012, p. 9. Teaser from Fröhlich, S., “The New Geopolitics of Transatlantic Relations: Coordinated Responses to Common Dangers”, Johns Hopkins University Press, 2012.

(AU), the African, Caribbean and Pacific countries (ACP),³⁶ the Southern Common Market (MERCOSUR) or the North American Free Trade Agreement (NAFTA), the impacts of such agreements on inter-regionalism in a broader Atlantic and global dimension need further analysis. It is indeed essential to study the key drivers (economic, environmental, security, social, political and diplomatic factors), intensity (measured according to criteria such as trade relations, number of bi/multilateral agreements in selected policy areas or other criteria), and changes in relations between different countries and regions across the Atlantic with a view to identifying emerging trends and implications for EU foreign relations.

World politics has been dominated by actors bordering the Atlantic for a very long time, with the transatlantic web of relations they engaged in taking central stage in global governance. Transatlantic relations played and continue to play an important role from a political, security and economic point of view. However, important changes can be observed.

Europe and U.S. internal changes

The EU and the U.S. are themselves undergoing internal changes that affect the nature of their relationships. The U.S. is faced with many internal challenges (migration, unemployment, bipartisan rivalry, etc.). As for the EU, the coming into force of the Treaty of Lisbon has shaped a new context for its foreign policy, and the European External Action Service (EEAS) has been

36 "Economic Partnership Agreements (EPAs) are trade and development partnerships between the EU and African, Caribbean and Pacific countries (ACP), based on the Cotonou Agreement (2000). The EU has eleven trade negotiations under way and several more trade and development negotiations (EPAs) ongoing". In: European Commission, Trade Policy-Africa, Caribbean, Pacific. Last update 6 May 2010. Retrieved 9 October 2013. Available at: <<http://ec.europa.eu/trade/policy/countries-and-regions/regions/africa-caribbean-pacific/>>.

created. The recent appointment of Federica Mogherini as HR/VP will certainly influence the direction taken by EU foreign policy. But what has obviously been dominating policy-making in the U.S. and the EU since 2008 is the chain of crises. According to Manuel Castells and his Aftermath Network, these crises are undergoing a metamorphosis: a financial crisis (in the banking sector) that became an economic crisis (widespread contamination across the Atlantic), an economic crisis that resulted in a political crisis (PIIGS, euro zone problems, austerity measures), and which has many signs of what could be called a systemic crisis (questioning of representative democracy, solidarity, social democracy, inter-generational conflict, the *indignados* protests, occupy Wall Street, etc.). So the internal challenges are plentiful. In the EU, the European integration project, the euro and solidarity mechanisms are being questioned.

The transition to a world of relative power (Hassner 2007) fundamentally challenges the established political and economic primacy of the U.S. and the EU. In a polycentric world, authority is not a given, legitimacy is contested and different narratives compete. The new global environment resembles a fluid marketplace of influence and ideas rather than a static order where roles, values and responsibilities are fixed. The emergence of a more diverse and competitive international system marks the end, or dilution, of “exceptionalism” and questions the soft (Nye 2004) and normative (Manners 2002, Laidi 2005) power of the U.S. and the EU. It also engenders on both sides of the Atlantic a new debate on national priorities and the means to achieve them. As their respective positions and interests are challenged, the relationship between the U.S. and the EU is undergoing significant changes.

The economic transformation of the Atlantic area

It is today an observable fact that the Atlantic area has lost economic weight. Atlantic GDP as a percentage of the world's GDP has fallen from 61% to 54% in a period of only ten years (2000-2010), and it is clear that this fits into a longer-term trend. Other macro-economic variables (such as gross capital formation, savings, net FDI flows and so forth) have shown similar movements. Over the same ten-year period, agricultural value-added has fallen from 33% to 21%, while industrial value-added from 53% to 36% (World Bank, WDI). The service sector has shown more strength: service exports from the Atlantic region to the world have only suffered slightly (they decreased from 56% to 52%). The region's share of total world exports has dropped from 57% in 2000 to 47% in 2010. Import figures show a similar decline from 53% to 44% (UNCOMTRADE). The intra-regional trade shares for the Atlantic have also dropped in that same period of time from around 71% to 63%.

Underlying these changes in relative power, the patterns of interdependence within the Atlantic area are also undergoing changes. The Atlantic area³⁷ is obviously still highly interdependent, representing more than 50% of world GDP, showing intra-regional trade shares of more than 60% (UNCOMTRADE), and a dense network of flows of people, investment and other financial flows, and knowledge. When looking at the movement of people, we even notice that the Atlantic has increased its share of world migrants (from 47% to 49%), while its share of the global population has remained stable (World Bank, WDI). There are signs, however, that the relative weight of the distinct economic

37 The Atlantic area is defined here for statistical purposes as the set of countries with an Atlantic coast.

centers is gradually changing. For example, contrary to the EU and the U.S., South America and Africa have increased their share in world exports over the last decade, from 2.5% to 3.3% and from 1.3% to 1.5% respectively. Import figures show a similar development. The composition of trade flows is also undergoing some changes. New transatlantic flows of people and goods (legal and illegal) are reconfiguring the Atlantic. The creation of transnational networks of migrants and transnational criminal organizations has been well documented.³⁸

Reinforcing the Transatlantic Alliance: the future of EU-U.S. cooperation

The Alliance beyond NATO

EU-U.S. relations are currently firmly anchored in the framework of the North Atlantic Treaty Organization (NATO). However, the Alliance focuses on security issues and is going through a reform process, of which the outcome is uncertain.

Moreover, the challenges described above affect the EU's aspirations to become a global power. Put bluntly, it looks like Europe has neither the economic weight, nor the people for it. In addition, the region will also face moral challenges that will even question our ability to exercise soft power, while the United States continues to hold strategically and, in military terms, a primary advantage over other countries. Furthermore,

38 Vertovec, S. & Cohen, R. (1999). "Introduction", in *Migration and Transnationalism*, Vertovec, S. and Cohen, R. (eds). Aldershot: Edward Elgar, pp. xiii-xxviii. Brettell, C.B. (2000). "Theorizing migration in anthropology: The social construction of networks, identities, communities and global capes", in *Migration Theory*, C.B. Brettell and J.F. Hollifield (eds), London: Routledge, pp. 97-135. Williams, P. (1998) *The Nature of Drug Trafficking Networks*, *Current History*, 97, No. 618: 154-159. Beare, M. E. (ed.). (2003). *Critical Reflections on Transnational Organized Crime, Money Laundering and Corruption*. Toronto: Toronto University Press. Berdal, M., & Serrano, M. (eds.). (2002). *Transnational Organized Crime and International Security: Business as Usual?* Boulder, CO: Lynne Rienner Publishers.

its presence in the global game of power is likely to grow in response to China's ascension, which is threatening its position as the main global power.³⁹

In this context, the EU and the U.S. share common vulnerabilities to the global shift of power and transatlantic relations, which are gaining more importance than ever. The common challenges that the EU and the U.S. might face in the coming decades raise important security, economic and social concerns, which might keep the transatlantic partnership together. However, to be sustainable, the transatlantic alliance will need to be reshaped and strategic political relationships to be renegotiated.⁴⁰

Europe has accepted that the future of the transatlantic alliance would need much more active policy in a context where the U.S. is not in a position to continue with a rather passive partner. Therefore, Europe needs to urgently develop a strategic vision "either complementing or qualifying U.S. power".⁴¹

Nevertheless, Europe has undeniable strengths that should be highlighted to attract U.S. attention towards a stronger transatlantic alliance. As Andrew Moravcsik puts it, Europe has been a central actor in globalization and is one of the world's superpowers, one that "exerts global influence across the full spectrum from "hard" to "soft" power".⁴² On the other hand, other scholars argue that the EU cannot be called superpower (particularly in regards to its military capabilities) but rather can

39 J. J., Mearsheimer, *op. cit.*, p. 381.

40 S. Fröhlich, *op. cit.*, p. 1.

41 Steven Hill, "Europe's Promise: Why the European Way Is the Best Hope in an Insecure Age", University of California Press, Berkeley, 2010. In S. Fröhlich, *op. cit.*, p. 2.

42 A. Moravcsik, "Europe: Rising Superpower in a Bipolar World", 2010. In A. Alexandroff, & A. F. Cooper, *Rising States, Rising Institutions: Challenges for Global Governance*, pp. 151-174. Brookings. Institution Press. In S. Meunier, "The 'China Syndrome': New Perceptions of Globalisation in Europe", Princeton University, May 2011, p. 1.

become a “global player”⁴³ as it is one of the biggest economic powers in the world and has considerable amount of soft power.⁴⁴

Since the 1990s, progressive and increasing European political integration allowed the EU to hold a more confident role in the international arena. Cooperation within the EU in foreign policy and security matters improved significantly and, although efforts still needs to be made, Europe is making great progress in “speaking with one voice” with regard to its rather defiant historical process witnessing important divisions within the region.⁴⁵

Another possible way to value Europe is to emphasize its ability to preserve sustainable welfare systems and standards of living for its citizens despite the economic crisis.⁴⁶ Europe’s trade policy could be another asset. Indeed, as reported in the European Union Trade Profile published by the European Union Commission in 2011, Europe “acting as a single entity when it comes to trade policy, is the world’s largest exporter of goods and services and is the biggest export market for more than a hundred countries”.⁴⁷

In terms of foreign policy, relations built up between the EU and other actors are rather peacefully built upon the preference for the diplomatic path over the military one and based on international law and principles of multilateralism. Another asset of the EU for future transatlantic relations would

43 B. Demirtas-Coskun, “EU’s New Position in the International Order: From Regional to Global Power”, *Perceptions*, Spring 2006, p. 75.

44 *Ibid.*, p. 74.

45 *Ibid.*, pp. 49-71.

46 S. Meunier, “The ‘China Syndrome’: New Perceptions of Globalisation in Europe”, Princeton University, May 2011, p. 1.

47 European Union Commission, EU Trade Profile, 2011 Retrieved May 2, 2011, from European Commission Trade. Available at: <<http://ec.europa.eu/trade/about/eu-trade-profile/>>. In S. Meunier, “The ‘China Syndrome’: New Perceptions of Globalisation in Europe”, Princeton University, May 2011, p. 1.

therefore be its ability to solve issues by peaceful means and as Demirtas-Coskun puts it: “Especially in the light of the fall in the U.S. soft power after the Iraqi war the EU can enjoy a comparative advantage over the U.S. in that respect”⁴⁸. Europe is rather reactive and fear driven in foreign policy, in contrast to the U.S., which is driven by a so called “risk-taking” propensity, and could benefit greatly from its status as a soft power as it could be valued as “soft” counterpart to the “hard” approach prevailing in the U.S.⁴⁹

As a new “global player”, the EU could be an influential actor beyond the transatlantic relationship; as Stephen Fröhlich asserts; the new type of European power “is a power that cannot be measured in military budgets but rather in its long-term transformative impact”.⁵⁰ Europe also has the ability to shape international politics through the diffusion of norms in global regulation, exerting “smart power” in areas as varied as finance and environment.⁵¹

While Europe should remain attractive to the U.S. as a reliable partner the U.S. should also demonstrate a strong willingness to commit to the transatlantic alliance and recognize the importance of working together with Europe in the face of the common challenges to come. Indeed, important issues such as energy security, terrorism, proliferation of WMD, failing states, climate change or the Arab Spring cannot be dealt by a Nation-State alone and the United States seems to become more aware of this reality. As some scholars argue: “United States, have accepted that traditional security concerns are increasingly bound up with problems that cannot be

48 B. Demirtas-Coskun, *op. cit.*, p. 74.

49 S. Fröhlich, *op. cit.*, p. 5.

50 *Ibid.*, p. 2.

51 *Ibid.*, p. 14.

addressed by military power alone but that need a common and multilateral approach”.⁵²

The U.S. as much as Europe needs partners. European compromises in this partnership include a more assertive role in global politics and improved capabilities, at the same time, within the NATO framework, Washington would need to concede some decision-making authority to allow a more co-equal leadership even if divergences in national interests both in Europe and the U.S. will certainly remain.⁵³

At the same time, Europe would need to build up on more unity and consensus concerning foreign policies related to contemporary challenges. In this regards, Europe has still too many dissidence and major policy divergences regarding security issues including Afghanistan, China, the Middle East and energy security. The EU will need to focus on this critical dimension in the next decades as:

*it is essential that the EU develop new rules for a multipolar European order, centered not only on the EU and NATO but also on Russia and Turkey, as well as on developing policies designed to influence EU's and NATO's respective and overlapping spheres of influence in the Balkans, the Caucasus, Central Asia and Eastern Europe.*⁵⁴

EU-U.S. Bilateral Free Trade Agreement

The EU and the U.S. economies account together for a third of the world trade flows and almost half of the entire world GDP.⁵⁵ The

52 *Ibid.*, p. 4.

53 *Ibid.*, p. 5.

54 *Ibid.*, p. 14.

55 European Commission, “Trade Policy-United States”, Last reviewed 18 June 2013. Retrieved 10 October 2013. Available at: <<http://ec.europa.eu/trade/policy/countries-and-regions/countries/united-states/>>.

EU-U.S. economies are very much interconnected but the alliance needs to further develop common position on current global imbalances and focus on solving their bilateral trade disputes. The current trade and investment ties between both are deeper and thicker than between any other two continents. In 2007, the Transatlantic Economic Council was established in order to advance bilateral efforts to reduce regulatory and other barriers to trade. And although trade disputes represent only about 2% of trade volume, they concern major issues and industrial sectors.

Today's world of trade relations is characterized by a dense web of free trade agreements. According to the WTO, the number of FTAs amounts to more than 400. The EU is an active player at the level of FTAs. Not only is it itself a regional trade agreement, but it has also an active policy of signing such agreements with states and regional organizations across the world. Currently, the EU is champion of interregional relations worldwide,⁵⁶ except for North America (Aggarwal & Fogarty 2006).

The economic interactions in the Atlantic area are governed by a network of interregional, bilateral and hybrid agreements, which interact with the global governance framework, mainly offered by the WTO. *According to WTO data, there are currently 24 preferential trade agreements (PTAs) in force in the Atlantic area, of which 22 are free trade agreements (FTAs), and of which only four are South-South FTAs so far.* Worldwide, trade agreements have gradually widened their scope to include a series of issues that go beyond trade, and have become vehicles of rule-making and regulatory competition between the EU and the U.S.⁵⁷

56 De Lombaerde, P., Söderbaum, F., Van Langenhove, L., & Baert, F. (2010). The Problem of Comparison in Comparative Regionalism. *Review of International Studies*.

57 Woolcock, S. (2006). *Trade and Investment Rule-Making. The Role of Regional and Bilateral Agreements*. Tokyo: UNU Press.

The weakness in building common trade positions between EU and North America is gradually resorbing as EU-U.S. trade talks are ongoing and EU-Canada Free Trade Agreements launched in May 2009 are today at their final stage of negotiations,⁵⁸ the application of the Comprehensive Economic and Trade Agreement (CETA) would increase bilateral trade between EU and Canada by 25.7 billion euros.⁵⁹

It is remarkable that no FTA existed between the EU and the U.S. until the negotiations on a Trade alliance that started in Washington in July 2013.

The Transatlantic Trade and Investment Partnership (TTIP) has opened the way for future trade relations between the U.S. and the EU. It includes negotiations on customs duties and technical standards for goods produced in Europe and across the Atlantic, identifying areas of convergence and possibilities of bridging the gaps in areas of discordance.⁶⁰ The seventh round of negotiations took place in October 2014 in Washington. Stakeholder consultations also constitute an important component of the process.⁶¹

Developing comprehensive TTIP could be of mutual benefit for both the U.S. and Europe. Europe would for example, gain 119 billion euros a year if the implementation of the TTIP was fully

58 European Commission, "Overview of FTA and Other Trade Negotiations", Last reviewed 8 October 2013. Retrieved 10 October 2013. Available at: <http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc_118238.pdf>.

59 European Commission, "The EU's bilateral trade and investment agreements: Where are we?", *MEMO/13/734*, Brussels, 1 August 2013. Retrieved 8 October 2013. Available at: <http://trade.ec.europa.eu/doclib/docs/2012/november/tradoc_150129.doc.pdf>.

60 European Commission, "First Round of TTIP negotiations kicks off in Washington DC", 8-12 July 2013. Retrieved 8 October 2013. Available at: <http://trade.ec.europa.eu/doclib/docs/2013/july/tradoc_151595.pdf>.

61 European Commission, "Transatlantic Trade and Investment Partnership (TTIP)". Retrieved 25 October 2014. Available at: <<http://ec.europa.eu/trade/policy/in-focus/ttip/>>.

effective.⁶² As mentioned by the European Commission, “this would translate on average to an extra 545 euros in disposable income each year for a family of four in the EU”.⁶³ Other benefits of the agreement would be the positive impact it would have on world trade, increasing GDP in the rest of the world by almost €100 billion as well as a rise in EU and U.S. exports as of 6% rise for EU and 8% for U.S.⁶⁴ It would also, reduce non-tariff barriers and increase the cooperation in terms of labor markets creating opportunities for high and low skills workers.

Deepening EU-U.S. transatlantic relations by developing, for instance, a customs union would be a major undertaking that cannot be viewed separately from its broader geopolitical context (see for instance, Balladur 2008). It would constitute a major step towards a transatlantic policy outside NATO. In addition, it would have the potential to act as a counterforce to the BRICs. As Steingart (2008, 251) noted: “It makes sense to pursue the idea of a transatlantic alliance, as implausible as it may sound. The idea is unreal – as unreal as the idea of a European Union after the end of World War II”. But then, already in 1962, U.S. President J.F. Kennedy noted the following, in his address delivered on America’s Independence Day: “The United States will be ready for a Declaration of Interdependence, that we will be prepared to discuss with a united Europe the ways and means of forming a concrete Atlantic partnership”.⁶⁵ It might well be that today’s increasingly multipolar world with its global challenges provides

62 According to an independent study made by the Centre for Economic Policy Research, London. In European Commission, “The EU’s bilateral trade and investment agreements: Where are we?”, *Memo/13/734*, Brussels, 1 August 2013, p. 1.

63 European Commission, *Ibid.*

64 J. Francois, “Reducing Transatlantic Barriers to Trade and Investment: An Economic Assessment”, Centre for Economic Policy Research, March 2013, London. Retrieved 7 October 2013. Available at: <<http://trade.ec.europa.eu/doclib/html/150737.htm>>.

65 A. De Geus, Frederick Kempe, “A New Declaration of Interdependence”, *The National Interest*, June 19, 2013. Available at: <<http://nationalinterest.org/commentary/new-declaration-interdependence-8619>>.

the right context for such a project. But the very first thing to do is to further develop explanations for why the EU seems to have avoided an interregional approach towards its most important commercial partner.

Another way to reinforce EU-U.S. transatlantic policy outside NATO would be to pursue the idea of launching an Energy Council. The EU efforts for moving from high-carbon and high-dependency fuels to green energy and develop reliable green energy policy, proved that it can become an important partner for the U.S. that still need to diversify its access to green energy, as Stephan Fröhlich observes: “In these areas, the ‘indispensable nation’ has become the ‘insufficient power’ that needs to ground its leadership in networks of alliances and institutions, whenever possible with the EU in a mutually enabling partnership”.⁶⁶

A strong partnership between the EU and the U.S. can materialize in a strong common economic position in the emerging multipolar system. It can also consolidate the position in global multilateral fora and help better defend common Western values.

The role of the rising Pacific in transatlantic relations

The rise of the Pacific and the increasingly important role of China as the regional hegemonic power can also be seen as an opportunity for Europe to grow alongside the United States as a power, as John Mearsheimer observed: “Regional hegemons prefer that there be at least two great powers located together in other regions, because their proximity will force them to concentrate their attention on each other rather than the distant hegemons”.⁶⁷

⁶⁶ S. Fröhlich, *op. cit.*, p. 9.

⁶⁷ J. J., Mearsheimer, *op. cit.*, p. 388.

However, the continuation of transatlantic relations is dependent not only on the persistence of the U.S. as a superpower, but also the endurance of Europe and its ability to remain attractive for the partners across the Atlantic. Especially as it seems that U.S. attention has gradually shifted to the Pacific and Indian Oceans. Not surprisingly, Barack Obama has qualified himself as the first Pacific president. The increasing interest that the U.S. (and indeed Russia) shows in “rebalancing” to Asia, its promise to “pivot” to the East and the fact that in 2010 U.S. exports to East Asia were for the first time larger than U.S. exports to Europe,⁶⁸ all indicate that the U.S. is increasingly interested and engaged in interactions across the Pacific.⁶⁹

But what are the implications of the shift of the U.S. towards the Pacific for the future of transatlantic affairs? The “Asia first” priority in U.S. strategy may undermine transatlantic ties (Talmadge 2009, Tunsjø 2011), although according to former NATO Secretary General Jaap de Hoop Scheffer, the U.S. will certainly remain fully committed to Europe, even if the security of Europe is no longer the primary concern for U.S. foreign policy (Scheffer 2011). In addition, the current economic crisis can play a leading role in establishing the mid- to long-term supremacy of the Pacific over the Atlantic. The ability of certain Pacific states, such as China, to display a higher degree of endurance in the face of the current economic crisis than its European counterparts can boost their financial appeal and increase the global interest for the Pacific.

68 Mahbubani, K. (2011). “The new Asian great game”. *Financial Times*, (November 23).

69 Despite the fact that the more recent symbolic failures addressed by the U.S. President by not attending the Asia Pacific Economic Cooperation’s (APEC) Forum held in Bali on 7-8th October as well as the East Asia Summit in Brunei on 10th October, would have some cost for America’s credibility in the region and would affect U.S.-Pacific relations. In “Asia-Pacific Economic Cooperation, APEC-ticism”, *The Economist*, 6 October 2013. Retrieved October 10 2013. Available at: <<http://www.economist.com/blogs/banyan/2013/10/asia-pacific-economic-co-operation>>.

2.2 The EU-Pacific relations

The European relations with the Pacific should not be overlooked as they constitute an essential component of the future of European international relations. The BRICs are working toward the development of increasing market interdependence and are extremely connected to the world concerning their capital flows and international trade.⁷⁰ A transatlantic alliance should be strengthened and the EU should ensure that U.S. remains a key partner, but ties with the emerging markets and regional strategies with the Pacific should also be considered as crucial in the European agenda. As Stephan Fröhlich puts it: “the cooperative efforts of both Americans and Europeans on the one hand and emerging markets on the other could provide the best answer to the challenges of managing the post crisis world”.⁷¹

Within the Pacific, the EU has opened negotiations with China on investment protection. Mutual interest in this initiative has been agreed at the 14th EU-China Summit in February 2012. An EU-China investment agreement would formalize into one comprehensive pact including all existing bilateral investment protection agreements between China and the majority of the EU member States.⁷² After China, Japan is the EU’s second biggest trading partner in Asia. A Free Trade Agreement with Japan has been agreed on April 2013 and once fully implemented, it could increase Europe GDP by 0.6%.⁷³ In the last decade, the EU has also built considerable ties with the Association of Southeast Asian

70 Chen L.; De Lombaerde P., “Testing the relationships between Globalization, Regionalization and the regional Hub-ness of the BRICs”, Forthcoming in *Journal of Policy Modeling*, p. 2.

71 S.Fröhlich, *op. cit.*, p. 9.

72 European Commission, “The EU’s bilateral trade and investment agreements: Where are we?”, MEMO/13/734, Brussels, 1 August 2013. Retrieved 8 October 2013. Available at: <http://trade.ec.europa.eu/doclib/docs/2012/november/tradoc_150129.doc.pdf>.

73 *Ibid.*

Nations (ASEAN) that will be further developed in the below section on *EU-ASEAN relations*.

Asia-Pacific regional economic integration: using new regional governance in the Pacific as models

The emergence of an Atlantic area can be considered as the formation of a new example of trans-regionalism or macro-regionalism (which in itself is again a conceptual issue). As partners in the South seem to be intensifying their relations, the EU could try doing the same by bringing these countries into one framework. Within the Atlantic, this would be a rather new model of governance, but existing schemes within the Pacific (such as APEC, East Asia Summit, etc.) could be used as a benchmark to assess the feasibility of such a possible new challenge for EU foreign policy orientation.

How can the experience of Pacific integration inform the prospects for the formation and governance of an Atlantic area? The progress and tribulations of Pacific regional cooperation from the 1980s to the current day present many important comparative insights for the challenges facing the Atlantic area in the political, economic, security, social and environmental dimensions.⁷⁴ The Pacific is a similarly large oceanic space inhabited by a highly diverse range of states, differing in size, political systems, security interests and economic development, and yet moving towards enhanced interdependence and emergence of regional institutions. The recent financial crisis in the EU has also revealed a larger diversity of interests and approaches to regionalism than previously acknowledged. The Pacific has also had to deal with such diversity and is therefore a more relevant comparison to the EU now than ever before. In particular, the Pacific and

⁷⁴ Beeson, M. & Stubbs, R. (2011) *Routledge Handbook on Asian Regionalism*. Oxon: Routledge.

Atlantic areas share questions of how to accommodate changes in the power relativities of the U.S. and the rising BRICS in a more multi-polar world; how to integrate mature economies with the dynamism of developing economies whilst managing the social and environmental externalities of this process; and how to design informal and formal institutions in the longer term to govern cooperation amongst states with varying visions of regional order. Europe, in seeking to engage with an emerging Atlantic area, can clearly draw upon many of the lessons of the Pacific and play a central role in pushing forward regional cooperation. It would be interesting to study further insights generated from the literature on (Asian and Pacific) regionalism, with special emphasis on the Trans-Pacific Partnership (TPP)⁷⁵ or Asia-Pacific Economic Cooperation (APEC), where authors for instance disagree on the conceptualization of APEC: it is a region,⁷⁶ a mega-region⁷⁷, a pan-regional arrangement (Gilson 2002), a trans-regional forum (Aggarwal 1998; Rüländ 2006) or a form of multilateral inter-regionalism (Faust 2006)?

The APEC linking high-income and developing countries⁷⁸ is the premier Asia-Pacific economic forum supporting sustainable economic growth in the region, its 21 member's⁷⁹ share of the world economy accounts for 55% of the global GDP and 44% of

75 Capling, A. & Ravenhill, J. (2011). "Multilateralising Regionalism: What role for the TPP?." *Pacific Review*, 24(5): 553-575.

76 Ravenhill, J. (2001): *APEC and the Construction of Pacific Rim Regionalism*, Cambridge: Cambridge University Press.

77 Hänggi, H., Roloff, R. and Rüländ, J. eds (2006). *Interregionalism and International Relations*. London: Routledge.

78 Donald Barry, Ronald C. Keith: *Regionalism, Multilateralism, and the Politics of Global Trade*, UBC Press, 1 January 2009, p. 3.

79 APEC's members include Australia, Brunei Darussalam, Canada, Chile, Hong Kong, China, Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, The Philippines, Russia, Singapore, Chinese Taipei, Thailand, The United States and Viet Nam In Asia Pacific Economic Cooperation, "About us", October 2013. Retrieved 8 October 2013. Available at: <<http://www.apec.org/About-Us/About-APEC/Member-Economies.aspx>>.

trade.⁸⁰ Supporting WTO, the APEC has an increasingly important role in facilitating regional and bilateral FTAs; the APEC's economies registered successful progress in terms of trade liberalization with average tariffs decreasing from 15% in 1994 to 5% in 2013.⁸¹ Even though the partnership has no power to constraint, it is rather successful in "inspiring good policy by example and cooperation". The APEC's annual Forums are becoming of high symbolic importance for inter and intra-regional cooperation. The challenges the Forum might face in the coming decade would be the parallel competitive processes that are emerging in the region such as the Trans-Pacific Partnership (TPP), a free-trade partnership aiming at liberalizing further the Asia-Pacific's region's economies⁸² and innovating on contemporary trade-related issues such as state-owned enterprises and e-commerce.⁸³ In response to the failures of the South Asia Free Trade Agreement (SAFTA), the Regional Comprehensive Economic Partnership (RCEP) that will conclude its first negotiations by the end of 2015, is another example of recent Free Trade initiative linking ten ASEAN member states and Australia, China, India, Japan, South Korea and New Zealand with a combined GDP of \$17 trillion accounting for about 40% of world Trade.⁸⁴

80 According to APEC's literature In. "Asia-Pacific Economic Cooperation, APEC-ticism", *The Economist*, 6 October 2013. Retrieved 10 October 2013. Available at: <<http://www.economist.com/blogs/banyan/2013/10/asia-pacific-economic-co-operation>>.

81 *Ibid.*

82 "Trans-Pacific Strategic Economic Partnership Agreement", 2005. Retrieved 7 October 2013.

83 "Asia-Pacific Economic Cooperation, APEC-ticism", *The Economist*, 6 October 2013. Retrieved 10 October 2013. Available at: <<http://www.economist.com/blogs/banyan/2013/10/asia-pacific-economic-co-operation>>.

84 R. Sinha, G. Nataraj, "Regional Comprehensive Economic Partnership (RCEP): Issues and Way Forward", *The Diplomat*, 30 July 2013. Retrieved 9 October. Available at: <<http://thediplomat.com/pacific-money/2013/07/30/regional-comprehensive-economic-partnership-rcep-issues-and-way-forward/>>.

APEC's challenge could be to play a role as coordinator of those multiplying Trade Partnerships across the region, hoping to bring them all together in a "Grand Free Trade Area of the Asia-Pacific".⁸⁵

Those regional trade partnerships are all forms of intra-regional initiative that are working towards more regional economic integration and the development of local economies, that is an important component of the future of the world economic order.

Taking those initiatives as models and identifying their failures as lessons for the future would be of great benefit to the EU that is facing stagnation in its economic integration.

EU-ASEANs relations

The relations between the EU and ASEAN as a whole have been flourishing during the last decade. The ASEAN-EU relations formalized in July 1977 and institutionalized in March 1980 with the signing of the ASEAN-European Economic Community (EEC) Cooperation. Since then, the dialogue has rapidly expanded including increasing economic and trade cooperation. In March 2013, a Trade and Investment Work Programme have been established for 2013-2014 at the 12th AEM-EU Trade Commissioner Consultation. The new agreement has the vision to support deeper integration between ASEAN and EU and within ASEAN as well as improving their trade relations by negotiating an ASEAN-EU Free Trade Agreement depending on the creation of the ASEAN Economic Community by the end of 2015.⁸⁶ In the meantime, the EU is the most important source of Foreign Direct Investments

85 "Asia-Pacific Economic Cooperation, APEC-ticism", *The Economist*, 6 October 2013. Retrieved 10 October 2013. Available at: <<http://www.economist.com/blogs/banyan/2013/10/asia-pacific-economic-co-operation>>.

86 "Overview of ASEAN-EU Dialogue Relations", *External Relations*, Association of Southeast Asian Nations. Retrieved 9 October 2013. Available at: <<http://www.asean.org/asean/external-relations/european-union/item/overview-of-asean-eu-dialogue-relations>>.

for ASEAN, with a share of 16% and 9.1 billion euros of European annual investments in ASEAN from 2000 to 2009. From the beginning of the negotiations until 2011, trade between ASEAN and the EU grew by 12.6%⁸⁷ and represent more than 206 billion euros in goods and services.⁸⁸

Currently, the EU has ongoing bilateral negotiations with four ASEAN countries. The most effective agreement has been concluded in December 2012 between the EU and Singapore with the launching of a Free Trade Agreement expected to be effective by fall 2014. That agreement would open markets in various keys sectors such as banking, insurances and other financial industries, Singapore being currently the EU's largest trading partner in South-East Asia.⁸⁹

Negotiations for establishing Free Trade Agreements continue with Malaysia, Thailand and Vietnam, and the EU aims to enlarge its scope to other ASEAN partners. However, the focus of the EU is more directed towards the hope of integrating those bilateral agreements into a global "region-to-region trade agreement".⁹⁰

2.3 The EU-U.S.-Pacific relations: completing the "Triangle"

Despite, the recent evolution of EU-ASEAN relations and the long standing ties that the partners have with each other, discordances mainly in regards to Human Rights and economic cooperation policies led the EU and ASEAN to create in 1996 an alternative inter-regional forum, the Asia-Europe Meeting (ASEM).⁹¹

⁸⁷ *Ibid.*

⁸⁸ European Commission, "Trade policy", Last reviewed 30 May 2013. Retrieved 8 October 2013. Available at: <<http://ec.europa.eu/trade/policy/countries-and-regions/regions/asean/>>.

⁸⁹ European Commission, "The EU's bilateral trade and investment agreements: Where are we?", MEMO/13/734, Brussels, 1 August 2013. Retrieved 8 October 2013. Available at: <http://trade.ec.europa.eu/doclib/docs/2012/november/tradoc_150129.doc.pdf>.

⁹⁰ *Ibid.*

⁹¹ Asia Europe Fondation, UNU-CRIS, "Asia-Europe 2030: Key Actors in the Future of the ASEM Process",

ASEM is since then the incarnation of inter-regional dialogue between Europe and Asia and represents an important tool for the EU in maintaining a multipolar setting and avoiding costly exclusive bilateral agreements.⁹² ASEM's main focus on economic inter-regional relations will, however, not imply the elaboration of a future EU-Asia Free Trade Agreement within the framework of the forum as the recent ASEM's enlargement to a diversity of Asian members would not allow it. Nevertheless, the role of the partnership is considerable for the future of Europe's multipolar international relations; as Michael Reiterer puts it:

*{...} ASEM could become the EU's vehicle for a more holistic approach to Asia thereby fostering a more economic and political order. The financial melt down of the international financial order lead to the rediscovery of the need for international cooperation not only on the level of business but also among states. Making use of ASEM, developed over the last 12 years, could provide the much needed platform in the EU-Asia relationship.*⁹³

The role of ASEM for Europe in the new World order is therefore considerable as it responds to a double purpose; on the one hand, counterbalancing the U.S. predominance as ASEM was initially created with the aim of counterweighing the influence of the U.S. in the global economy⁹⁴; and on the other, ensuring that Asia and the EU's presence in the multilateral trading system

ASEM Outlook Report 2012, *Foresight is 20/20*, Vol. 2, Singapore 2012, p. 161.

92 M. Reiterer, "Asia Europe Meeting (ASEM): fostering a multipolar world order through inter-regional cooperation", *Asia Europe Journal*, February 2009, Volume 7, Issue 1, pp. 179-196.

93 *Ibid.*, p. 179.

94 Higgott, Richard. 1999. "ASEM: Toward the institutionalization of the East Asia-Europe relationship?" In: D. Barry and R. C. Keith, *Regionalism, Multilateralism and the Politics of Global Trade*, UBC Press, Canada, p. 201.

would be reinforced through continued liberalization⁹⁵, closing the “U.S.-Europe-Asia triangle”.⁹⁶

For the future of European relations in the trilateral arena including U.S.-Asia and the EU, ASEM could be regarded as a mechanism allowing to bridge “the missing link” as the U.S.-EU Transatlantic partnership was already long existing and the U.S.-Asia Transatlantic ties were already bounded within the Asia-Pacific Economic Cooperation (APEC).⁹⁷

3. ELEMENTS FOR A NEW WORLD ORDER

3.1 Towards a multipolar order: the concept of “Multilateralism 2.0”

The multipolar European order

The future of the Atlantic and the Pacific seems to be directed towards multi-polarity and a more regionalized international order. The world will see strong regional unipolarities rising, as Jorge Pereira explains: “the most likely end scenario for an international system in transition is the advent of a world order with no superpowers but several great powers”.⁹⁸

In this new multipolar world, the need to improve European unification process and the importance of reinforcing European bounds with the U.S. would lack of an essential dimension of the study of the relations between Europe and

95 D. Barry and R. C. Keith, *Ibid.*, p. 203.

96 *Ibid.*

97 Asia-Europe Meeting “An Asian Discussion Paper”, Official ASEM Document, Madrid, 19 December 1995. In: Asia Europe Foundation, UNU-CRIS, “Asia-Europe 2030: Key Actors in the Future of the ASEM Process”, *ASEM Outlook Report 2012, Foresight is 20/20*, Vol. 2, Singapore 2012, p. 161.

98 J. Pereira, “Hierarchical Regional Orders, An analytical Framework”, German Institute for Global and Areas Studies, Germany, December 2012, p. 4.

world politics. Indeed, Europe is more importantly the more advanced institutional laboratory of our times on the current trends, as Mario Telo argues:

*the link between European integration, compared studies on regionalism in the world, and international studies, show that the EU is not an isolated case but rather a case of multidimensional multilateralism, transnational and deepened at the regional level, advanced laboratory of trends diffused in each continent towards politicization and the deepening of cooperation between neighbor states.*⁹⁹

The particular European history can lead Europeans towards learning lessons from their own path of development and recognizing the unavoidable link between, on one hand, their unique multilateral internal process of democratization and pacification and, on the other hand, the rather complex global multilateralism.¹⁰⁰

However, Europe would be able to have an important role in the new world power only if the rest of the world evolves towards a “post-Westphalian”¹⁰¹ direction, including peaceful multilateral institutionalized cooperation.¹⁰²

99 M. Telo, *op. cit.*, p. 195 (Translated from French).

100 *Ibid.* p. 196.

101 “Westphalian sovereignty forms a significant barrier to cooperation generally, and security governance specifically {...}. The transition from the Westphalian to the post-Westphalian state is captured by reference to three separate, but interrelated developments in the international system. The first development is the qualitative erosion of the state’s ability and desire to act as a gate-keeper between internal and external flows of people, goods, and ideas {...}, the voluntary acceptance of mutual governance between states and the attending loss of autonomy, {...} The third change reflects the asymmetrical status of international law for Westphalian and post-Westphalian states {...}.” In J. Sperl, “The Post-Westphalian State, National Security Cultures, and Global Security Governance”, *EU GRASP Working Paper*, Working Paper no. 15, August 2010, p. 3.

102 M. Telo, *op. cit.*, p. 197.

Multilateralism 2.0

The emergence of new centers of power and new types of global and regional actors illustrates that the multilateral game is profoundly transforming. New regional organizations and global actors are emerging, making multilateralism a process that includes much more than interplay between states as well as new opportunities. In other words, “the policy authority for tackling global problems still belongs to the states, while the sources of the problems and potential solutions are situated at transnational, regional or global level”.¹⁰³

The metaphor *Multilateralism 2.0* illustrates precisely this transformation and gives a strong conceptual basis to understand those new developments including, the emergence of international networks, and the definition of multilateralism as an opened system rather than a closed one in the framework of international relations.

The concept of multilateralism 2.0 also seizes the fact the Westphalian model of governance is questioned by actors such as regional organizations and sub-supranational entities that have multilateral ambitions and behave in a similar way than the states that created them and, in that sense, are challenging the primacy of the principle of sovereignty.¹⁰⁴

103 R. Thakur and L. Van Langenhove, “Enhancing Global Governance Through Regional Integration”, *Global Governance: A Review of Multilateralism and International Organizations*, July 2006, Vol. 12, No. 3, pp. 233-240.

104 L. Van Langenhove, “Multilateralism 2.0: The transformation of international relations”, United Nations University-Institute of Comparative Regional Integration, 31 May 2011. Retrieved 11 October 2013. Available at: <<http://unu.edu/publications/articles/multilateralism-2-0-the-transformation-of-international-relations.html>>.

3.2 The proliferation of international trade networks

The increasingly multipolar world economy has seen the emergence of multiple networks of Free Trade Agreements (FTAs) that became its main component. The EU has for example multiplied its network of Free Trade Agreements with the negotiation of an increasing number of inter-regional Free Trade Agreements, as already described earlier in the paper. The example of the EU-MERCOSUR negotiations on Free Trade Agreement held in the end of 2013 in Santiago is a relevant example of policy opening from EU to South-America with discussions intending to come to an agreement on a series of trade measures related to both good and services from industrial goods to customs duties and quotas.¹⁰⁵

It is indeed essential to observe that international trade networks increased in the last decade, driven by a combination of factors including on one hand, the multiplication of trade liberalization policies that have led to the development of international economic integration and on the other hand, the growth of trade regionalization with the proliferation of regional and bilateral Preferential Trade Agreements (PTAs).

The expansion of PTAs between close and far countries has increased by nearly 300 additional pacts between 1990 and 2011.¹⁰⁶ In this context, the BRICs increased their trade share and became the main signatory of PTAs in the world economy¹⁰⁷ (WTO, 2011). The role played by each BRIC's in their region differs but all of them are the most globalised country in term of connectivity to the world trading system in their own respective regions.¹⁰⁸

105 European Commission, "Trade Policy-MERCOSUR", Last Reviewed June 2013. Retrieved 9 October 2013. Available at: <<http://ec.europa.eu/trade/policy/countries-and-regions/regions/mercosur/>>.

106 WTO, "World Trade Report 2011. The WTO and preferential trade agreements: from co-existence to coherence", World Trade Organization, Geneva, 2011.

107 *Ibid.*

108 L. Iapadre; L. Tajoli, "Emerging countries and trade regionalization. A network analysis", University of L'Aquila and UNU-CRIS, Politecnico di Milano, August 2013, p. 20.

Studies on regional integration covering Europe, America, Africa or South-East Asia often overlook regional trade patterns and economic centrality within the regions.¹⁰⁹

The BRICs' role is therefore crucial within their region as their central position gives them the ability to build bridges linking the smaller countries to the international markets allowing them to become exporters and opening the the path to enter the expanding international trading network.

3.3 Greening of local economies: towards sustainable intra-regional economies in a multipolar world

Greening of intra-regional local economies

Keohane and Nye in 1977 already described the globalised economy as a “complex interdependence”¹¹⁰ being at the same time “the origin and the result of intensified inter-and intra-regional cooperation”¹¹¹.

Including APEC, 59% of the world trade is done within Regional trading Blocs or Regional Integration Agreements (RTAs) with the primary objective of reducing barriers to trade in the member countries by removing tariffs on intra-regional trade.¹¹² The importance of regional integration with the growth of trade regionalization and the increase of Preferential Trade Agreements could lead to the following interrogations: Would

109 L. Chen; P. De Lombaerde, “Testing the relationships between Globalization, Regionalization and the regional Hub-ness of the BRICs”, Forthcoming in *Journal of Policy Modeling*, p. 3.

110 R. Keohane, J. Nye, “Power and interdependence: World politics in transition”, Little Brown, Boston, 1977.

111 M. Reiterer, “Asia Europe Meeting (ASEM): fostering a multipolar world order through inter-regional cooperation”, *Asia Europe Journal*, February 2009, Volume 7, Issue 1, pp. 179-196, p. 182.

112 D. Barry, R. C. Keith, “Regionalism, Multilateralism, and the Politics of Global Trade”, UBC Press, 1 January 2009, Chapter 1, p. 5.

regional integration undermine multilateralism? Why countries are moving towards regional integration strategies while there is a multilateral trading system?¹¹³ Will the future of the economic order witness a shift away from globalism to localism?

The proliferation of bilateral agreements between states / cities and national governments as well as the establishment of guidelines highlighting the importance of sub-national governance by several international entities (including the United Nations, the World Health Organization and the World Bank)¹¹⁴ are both confirming this trend directing further the future of the world economy towards localism. In the end of March, U.S. negotiated a first agreement with the sub-national entity Sao Paulo while Canada, France, Germany, Asia and many other countries in Europe are all incline to take this path sooner or later and engage in “direct relations” with the Southern city. The financial crisis has put pressure on local authorities, pushing them to fulfill their primary prerogatives and to find international capital flows. This shift in foreign policy is driven by the fact “{...} that it would be too expensive and unproductive to strengthen federal ministries of foreign affairs just to cater to the specific interests of local governments”.¹¹⁵

In the early 1990’s, Paul Krugman already observed that Multilateralism as such was undergoing a deep crisis while

113 M. Abida, “The Regional Integration Agreements: A New Face of Protectionism”, *International Journal of Economics and Finance*, Vol. 5, No. 3, 2013, p. 184.

114 “At the Rio+20 conference in 2012 all participants adopted an agreement recognizing ‘efforts and progress made at the local and sub-national levels’” In Rodrigo Tavares, “Foreign Policy Goes Local, How Globalization Made São Paulo into a Diplomatic Power”, *Foreign Affairs*, 9 October, 2013. Retrieved 10 October 2013. Available at: <<http://www.foreignaffairs.com/articles/140091/rodrigo-tavares/foreign-policy-goes-local>>.

115 *Ibid.*

regional trading systems were taking the lead.¹¹⁶ Today, the issue of multilateralism *versus* regionalism is gaining importance in a context where “an increasingly common strategy tends to want substituting a regionalization of the world economy for multilateralism”.¹¹⁷

James Raymond Vreeland and Raj M. Desai underlined the lack of capacity of global governance to handle the future economic order; for them the future is rather inter and intra-regional as:

*it has become increasingly clear that the global institutions of economic governance are ill-suited to address the political-economic realities of the twenty-first century. In the meantime, alternative and perhaps better approaches to the problems of open economics are being proposed at a regional level. {...} it is increasingly likely that a single set of overarching institutions is inappropriate for a regionally diverse global economy.*¹¹⁸

The tendency of states to join a regional trading group is influenced by the fact that multilateral trade is not credible any more and neither effective.¹¹⁹ Indeed, Crawford and Laird explain the failure of multilateralism in responding to the current needs in terms of trading today, for them:

116 As he mentions: “{...} it is evident that the GATT-centred system of multilateral trade relations is in considerable trouble. At the same time, regional trading arrangements such as ‘EC 1992’ and the North American Free-Trade Area (NAFTA) have appeared to be the cutting edge of whatever successful international negotiations have taken place.” P. Krugman, “New Dimensions in Regional Integration”, *Regionalism versus multilateralism: analytical notes*, Cambridge University Press, 1993, pp. 58-79, p. 58. Retrieved 8 October 2013. Available at: <<http://ebooks.cambridge.org/chapter.jsf?bid=CBO9780511628511&cid=CBO9780511628511A028>>.

117 M. Abida, “The Regional Integration Agreements: A New Face of Protectionism”, *International Journal of Economics and Finance*, Vol. 5, No. 3, 2013, p. 183.

118 R. Desai, J.R. Vreeland, “Global Governance in a Multipolar World: The Case for Regional Monetary Funds”, *International Studies Review*, 2011, Vol. 13, 109–121, p. 110. Retrieved 09 October 2013. Available at: <http://www.caei.com.ar/sites/default/files/19_3.pdf>.

119 M. Abida, “The Regional Integration Agreements: A New Face of Protectionism”, *International Journal of Economics and Finance*, Vol. 5, No. 3, 2013, p. 185.

{...} the rapid growth of trade agreements is a threat to the multilateral trading system. The orientation towards regional integration strategy seems to be explained by the fact that free trade can take much longer delay in the multilateral trading system than in the regional integration agreements.{...}. Markets access, which is the main concern of countries, is better guaranteed in regional integration agreements than in the multilateral trade agreements.¹²⁰

Greater intra-regional economic integration and converging interests among states within the same region would bring more sustainable solutions to resolve major crisis.¹²¹

We could therefore suggest that failures of multilateralism are giving opportunities to regional integration to prevail as dominant model but should multilateralism be completely abandoned?

Combining multipolarism and intra-regional integration

The regional integration has resulted in the predominance of three regional trading blocs namely the United States, Europe and Asia-Pacific. Indeed, as Montej Abida implies, we are today witnessing:

{...} a polarization of international economic relations around these three major economic powers that are trying to attract the maximum number of countries to win more markets. {...} Regional integration facilitates the construction of hegemonic and powerful regions.¹²²

120 Crawford, J. A., & Laird, S. (2001). Regional Trade Agreements and the WTO. *The North American Journal of Economics and Finance*, 12 (2). In. Abida, "The Regional Integration Agreements: A New Face of Protectionism", *International Journal of Economics and Finance*, Vol. 5, No. 3, 2013, pp. 184-185.

121 R. Desai, J.R. Vreeland, *Op. cit.*, p. 110.

122 M. Abida, "The Regional Integration Agreements: A New Face of Protectionism", *International Journal of Economics and Finance*, Vol. 5, No.3, 2013, p. 186.

Bridging and strengthening ties in this trilateral relationship described in the above sections as “the Triangle”¹²³ by combining both a deeper intra-regional integration and maintaining multilateral global rules is crucial for the future of the World economy; as Peter Sutherland, former General Director of GATT, already stated in 1993,

*The only valid and viable perspective is that Europe, North America and the Far-East arrangements strengthen their regional arrangements of integration and cooperation in a multilateral stable – a common house – that provides clear and predictable rules and mechanisms to resolve the trade disputes coherently and objectively.*¹²⁴

The cooperative action of the “triangle” and intra-regional integration within each respective region would have an important role for the future of the World economy as asserted by James Raymond Vreeland and Raj M. Desai:

*The U.S.-EU-Japan¹²⁵ bloc has several ways of supporting the development of well crafted, functioning regional governance mechanisms. It can start with {...} efforts to promote intra-regional trade and investment agreements, and helping to coordinate the actions of regional government agencies.*¹²⁶

123 M. Abida, “The Regional Integration Agreements: A New Face of Protectionism”, *International Journal of Economics and Finance*, Vol.5, No.3, 2013, p. 186.

124 Declaration of the former General Director of GATT Peter Sutherland at a symposium on “Global competition: Europe against North America against Far-East”, which was held in Cernobbio, Italy, September 4, 1993. News of the Uruguay Round. NUR 064. 6 September 1993. PP6). In M. Abida, “The Regional Integration Agreements: A New Face of Protectionism”, *International Journal of Economics and Finance*, Vol. 5, No. 3, 2013, p. 187.

125 No consensus has been made on the center of gravity of the Asia-Pacific region and, as such, discussions refer either to China or to Japan.

126 R. Desai, J.R. Vreeland, *op. cit.*, p. 119.

The future of the World economy is not solely multipolar, sustainable intra-regional trade should be developed as the main credible and effective alternative. The current financial crisis is challenging multilateralism that is not viable as the main economic model, as WTO puts it:

*{...} the regional integration strategy must be consistent (complementary or compatible) with a globalization of trade and investment. The WTO considers that the regional and multilateral approaches should be complementary. The regional integration strategy should lead to a significant multilateral trade liberalization. With a liberal trade policy, this strategy should have a positive impact on the global trade.*¹²⁷

The case of the Union of South American Nations (UNASUR) illustrating the cooperation within multilayered regional groupings in the Latin America Caribbean (LAC) region, could serve as great example to reflect on the mechanism of post-liberal regionalism, and allow taking lessons for the future of intra-regional integration.¹²⁸

4. THE EUROPEAN CITIZENS' PERCEPTIONS OF THE NEW WORLD ORDER

The previous sections mainly focused on institutional European perceptions of itself in the new World order and, in this new context, how Europe engages with both the Atlantic and the Pacific. The main aim of this paper is to study how Europe views today's geopolitical world in transition. As the main component of our study refers to *perceptions* of reality in the Euro arena, it is

127 M. Abida, "The Regional Integration Agreements: A New Face of Protectionism", *International Journal of Economics and Finance*, Vol. 5, No. 3, 2013, p. 193.

128 D. Ocampo, "Intraregional integration in Latin America and the Caribbean and the Missing Transpacific link", *Revista Andina de Estudios Políticos*, Vol. III, No. 1, 186-203. p. 186.

essential to include in our analysis the view of European citizens and public opinion.¹²⁹ As Professor Prof. Tianhong Luo mentions in her study of Chinese perceptions of Europe, in order to be comprehensive, studies of perceptions should include three main perspectives; namely perspectives from “the Government, the Elites (academic, media, economic and political) and the *Masses*”.¹³⁰

While this paper already addresses the governmental and academic perspectives, it is precisely the last aspect that will be studied in this section, focusing on European Public opinion and its perceptions of the place of Europe in the new global arena. Furthermore, the changes in European perceptions of a globalised world before and after the Economic Euro Crisis in Europe and during the current power shift period will be considered.

For this purpose, we will utilize the *Eurobarometer*¹³¹ as the main tool for providing indications of current trends related to public opinion in Europe.

European perceptions of globalization have significantly shifted in the last decade. Sophie Meunier, in her study of the “China Syndrome” in Europe, observes four major moments in European public opinion perceptions from 1999 to 2010:

*The progressive demonization of globalization, the disillusionment about the European Union’s capacity to manage globalization, the “de-Americanization” of globalization, and the perceived domination of China as the main beneficiary of globalization today.*¹³²

129 D. Ocampo, “Intraregional integration in Latin America and the Caribbean and the Missing Transpacific link”, *Revista Andina de Estudios Políticos*, Vol. III, No.1, pp. 186-203.

130 T. Luo, “Chinese Perception of Europe: Focusing on the Intellectual Postmodern Discussion”, China Renmin University. Presentation at “Seminar on EU-China Relations”, Department of EU International Relations and Diplomacy Studies, College of Europe, 30 September 2013.

131 Eurobarometer 73, “Public Opinion in the European Union”, *European Commission*, Report Vol. 2, November 2010.

132 S. Meunier, *op. cit.*, p. 13.

In 1999, Europe had no homogenous view on globalization. The EU was divided between Greece, Austria and France that had negative perceptions of globalization, Portugal, the Netherlands and Ireland which were more enthusiastic and the rest of the countries which held a more ambivalent perspective. A progressive shift in perceptions occurred from early 2000s before the financial crisis. From 2003 to 2006, the *Eurobarometer*¹³³ surveyed that the percentage of European citizens with negative feelings about globalization rose from 29% to 44% and positive opinions decreased from 63% to 42%.¹³⁴

Following the financial crisis, skepticism towards globalization increased drastically and by 2010 the “majority of the Europeans did not believe in the benefits of globalization anymore”.¹³⁵ At the same time, European positive perceptions towards the ability of Europe to manage globalization have also been severely affected; measures leveraging globalization management formed during the past two decades promising to citizens that the EU measures ensuring that the EU would manage globalization “enjoying the benefits and avoiding the costs”¹³⁶ did not prevent the EU from facing the consequences of the American financial crisis and the debt crisis of the Eurozone, increasing the disillusionment of European citizens towards the ability of Europe to face major contemporary challenges.

In the early age of globalization, the United States was perceived by Europeans as the main leader of this new trend, and criticism was strongly voiced mainly from Western Europe

133 Tool used by the European Commission for Public Opinion Analysis since 1973. Retrieved 2 October 2013, from European Commission, Public Opinion. Available at: <http://ec.europa.eu/public_opinion/description_en.htm>.

134 S. Meunier, *op. cit.*, p. 2-4.

135 European Commission, *Standard Eurobarometer 73*, 2010. In S. Meunier, *op. cit.*, p. 4.

136 S. Meunier, *op. cit.*, p. 6.

(particularly France) on the American imperialistic nature of globalization, which was perceived as “increasing the gap between the rich and the poor, being the world’s worst polluter, and impacting negatively on national culture”.¹³⁷

During the last decade, European perceptions of the U.S. power have changed drastically. The “de-Americanization” of globalization took place following three major changes in the world political and economic chessboard. Firstly, Europeans started finding similarities with the U.S. in difficulties they were facing under globalization and global economic competition particularly in terms of job losses; Secondly, the 2008 financial crisis revealed vulnerabilities of the U.S., undermining its prestige and affecting the perception placing the U.S. power as main actor of the globalized world; finally, the European emphasis on the rise of China in the new configuration of power balance questioned the predominant role of the U.S. in the perceptions of EU citizen. European public opinion perceives China as the new economic world power as well as the main beneficiary of globalization.¹³⁸ Indeed, in 2010, the Pew Global Attitudes Project reveals that most citizens from France, Germany and Great Britain believe that China already reached the rank of “biggest economic power”.¹³⁹

Therefore, from 2008 to 2010, the opinions of Europeans concerning U.S.’ interests related to globalization have shifted from skepticism to relative trust as “to many Europeans, the era of American domination of globalization is over and Europe and

137 A. Kohut; R. Wike, “Assessing Globalization: Benefits and Drawbacks of Trade and Integration”, Harvard International Review, 24 June 2008. In: S. Meunier, “Anti-Americanism and the Financial Crisis”. Paper presented at the 2009 International Political Science Association World Congress, Santiago, Chile, 2009. In: S. Meunier, *op. cit.*, p. 8.

138 *Ibid.*, p. 9.

139 “Obama More Popular Abroad Than At Home, Global Image of U.S. Continues to Benefit”, Pew Global Attitudes Project, 17 June 2010. Available at: <<http://pewglobal.org/2010/06/17/obama-more-popular-abroad-than-at-home/>>. In S. Meunier, *op. cit.*, p. 11.

the U.S. are increasingly now in the same boat when it comes to globalization".¹⁴⁰ This is highlighted in the *Eurobarometer*, reflecting on a survey attempting to evaluate whether the U.S. and EU have the same interest for European citizens. In 2008, 41% of the European citizens believed that the EU and the U.S. had divergent interests around globalization while 37% thought they were converging and in 2010 41% agreed EU and U.S. were on the "same boat", against 38% that strongly disagreed.¹⁴¹

Attitudes of Europeans towards China are less enthusiastic: 23% of the EU opinions reveal that Europe and China have similar interests, while 52% believe that their mutual interests are different.¹⁴²

The opinions vary greatly among the "big three" (France, UK and Germany), mostly reluctant to the new place China is taking in the international arena (with a particular emphasis on France that considers China as the new economic "bête noire" opening the way to the post-anti American World).¹⁴³ Other European countries threatened by the crisis such as Greece, Ireland, Portugal and Spain see the rise of China as an opportunity since the country invested massively in vital sectors of the economy such as telecommunications, real estate (in Greece)¹⁴⁴, banking, tourism and energy (in Spain)¹⁴⁵ and Manufacture (in Ireland).¹⁴⁶

The negative perception seems to be reciprocal. As Prof. Xinning Song underlines, the Eurocrisis has brought more

140 *Ibid.*, p. 9.

141 European Commission, Standard Eurobarometer 73, 2010, p. 34.

142 *Ibid.*, p. 37.

143 S. Meunier, *op. cit.*, p. 14.

144 A. Faiola, "Greece is tapping China's deep pockets to help rebuild its economy", *The Washington Post*, 9 June 2010.

145 E. Moya, "China to make multimillion pound investment in beleaguered Spain". *The Guardian*, 5 January 2011.

146 P. Inman, T. Macalister; R. Wachman, "Ireland at forefront of Chinese plans to conquer Europe". *The Guardian*, 25 June 2010.

misunderstandings between China and the EU, and mutual perceptions have declined drastically. The Chinese media are very negative about Europe and at the same time, the European media report negatively on China. Nowadays, Chinese perceptions are more directed towards doubt in rescuing a region that is seen to be in decline and that sees Chinese as predators “buying Europe”.¹⁴⁷

Concerns about China’s rise as an economic power are not exclusive to European public opinion. Polls conducted by BBC/PIPA in March 2011 show an increase of skepticism amongst North American citizens (from 2005 to 2010 the increase in concerns about China as economic power rose in U.S. from 45 % to 54% and in Canada from 37% to 55%) as well as for Australian, Japanese and South Korean citizens.¹⁴⁸

It is important to note that perceptions might differ from realities. In the case of China, it seems that their investments in Europe are only forming a small part of the ratio of GDP.¹⁴⁹ As for the lack of trust Europeans have towards Europe and its position in a world in transition, Europe still seems to be the most important player of globalization.¹⁵⁰

Public opinion might affect European foreign policy less than economic and social policy; however, it matters and influences the European institutions’ decisions towards future strategic orientations. It is essential to consider this influence as fear of “others” and feeling of control loss amongst citizens have shown in history to often lead to increasing reactionary reactions and economic patriotism.

147 X. Song, “China-EU relations in the Post-Euro Crisis”, China Renmin University; Presentation at Seminar on EU-China Relations, Department of EU International Relations and Diplomacy Studies & The College of Europe, 30 September 2013.

148 BBC World Service Poll, “Rising Concern about China’s Increasing Power”, 27 March 2011.

149 F. Nicolas, “Chinese Direct Investment in Europe: Facts and Fallacies”. *Chatham House Briefing Paper*, June 2009. In S. Meunier, *op. cit.*, p. 15.

150 *Ibid.*, p. 16.

CONCLUSION

The geopolitical world order is under great transformation affecting the position of Europe, which is already facing many internal challenges and still trying to find its place in the new world configuration. The change of nature of the transatlantic relations, the rise of the Pacific and the shift in power center of gravity from the West to the East are modifying the perceptions Europe hold towards the U.S., the emerging powers and on its own position in the international arena. Moreover, the many challenges affecting Europe such as the financial economic crisis, the demographic decline of the West and the security challenges have implications on the future of European alliance strategies.

In other words, the future of Europe's position in the international arena is still in the making and, besides the challenges the old continent is facing, many opportunities are rising across the Atlantic and further East;

The conflicts in Syria and Iraq, the ascent of extremism, the consequences of the Arab spring movement, the fight against climate change and to need for creative energy policies and the rise of the BRICs and emerging competitors in Asia, added to the internal problems caused by the global economic crisis, will constrain the U.S. to look for partners and choose to concede part of the decision-making. At the same time, Europe seems to take the lead for a more active role in world politics, directed toward improved capabilities and coordinated leadership sharing common responsibility in the NATO framework.

Europe is undeniably looking at both the Atlantic and the Pacific through the lens of multipolarism and will need to strengthen its position within the "Triangle" EU-U.S.-Asia bearing in mind that the future of the economic order will rather be local

than multipolar as trans-continental Free Trade Agreements imply huge transport and environmental costs.

The combination of multilateralism, localism and global governance mechanisms working in tandem with regional governance seems to be the only viable model. This will be a considerable challenge and Europe will need to be able to find its place in the new configuration. The South-South and North-South trade relations between regions and how they impact intra-regional integration as well as how intra-regional entities can reinforce transpacific and transatlantic relations in the coming years will be an interesting topic to further observe in the framework of comparative regional integration studies.

THE EU AND EUROPE IN CHINA'S INCREMENTAL MULTILATERALISM

*Zhengxu Wang**

China's view of world multipolarity is going through fundamental changes. This is taking place as China's understanding of its own power, its self-identity, and the global power structure continues to evolve. Into the second decade of the 21st century, a sort of "grand strategy" for China's international relations seems to be emerging. In this process, the EU and Europe¹ are gradually

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1 In this paper, the terms EU and Europe are used loosely. Unless specified otherwise, EU will most frequently refer to the collective of the member states, and in this regard, it overlaps with "Europe", which in this paper refers to the combination of countries included in EU.

figuring much more into China's economic and technological strategies, while losing its relative importance in terms of power politics. In other words, in strategic terms, EU and Europe is becoming less a priority in China's consideration, comparing to, say, ten years ago. This may sound depressing for statesmen and common people in Europe, but for China, the promised United States of Europe has failed to arrive largely due to Europe's own weakness. China will look to continue with its engagement with Europe, but such engagements will mostly taking places in economic and technological spheres. In other words, the China-EU Strategic Partnership is likely to be left in a limbo until EU and member states can put their own house in order. Meanwhile, China is looking much more actively toward the emerging countries to provide a much thicker network of multilateral institutions, in order to generate more collaboration from which China as well as the other participating parties will benefit.

This paper first reveals the unique position of Europe and EU in the Chinese imagination. I will show that Europe enjoys a very high level of popularity and affection among the Chinese people, while at the same time suffers criticism or even rejection in some important dimensions. This complex picture is a result of both Europe's own behaviors and China's struggle with its self-identity – whether it should still consider itself to be a major power or whether it is still a developing country and a victim of the Western imperialism of the 19th and 20th centuries. I then explain that Europe as a normative power is received with much ambivalence in China, although as a global actor Europe's active roles are generally welcome. A very important part will follow, which examines China's emerging conceptualization of the multilateral and multipolar world system that is in the making. I argue that in “grand strategy” of China, the importance of Europe is clearly in *relative* decline. I conclude with several implications for global governance.

EUROPE AS CULTURE

The starting point is that Europe enjoys an extremely high level of affection and good will among Chinese people. In the survey of 3,000 urban residents we conducted in 2010 in China, EU is the most popular foreign power among the Chinese population. 74% of the surveyed Chinese felt favorably toward Europe, while only 60% did so for the US, and 39% for Japan.² The same is true for the image of foreign people in China: Europeans have the best image in the mind of Chinese citizens, not the Americans or Japanese. Chinese citizens also give very positive assessment to China-EU relations, feeling it friendlier than the China-US and China-Japan relationships. Chinese people also find Europeans highly trustworthy, and express positive views regarding European culture, fashion, music, movies, luxury goods, food and drink, environment, and welfare system – almost every aspect we asked them about Europe. They also express positive assessment regarding EU's involvement in global affairs, such as fighting poverty, fighting global terrorism, protecting the environment, and promoting the global economy.

The question is why? In the official history maintained by the Chinese government, China suffered colonial exploitation by the European powers starting from the second half of the 19th century. The Opium War of 1840 marked the beginning of the “One Hundred Year's Humiliation” of the Middle Kingdom in the hands of the Western powers. The West, first of all the UK, France, and then Germany, Austria, Portugal, Belgium, Italy, as well as Russia, America, and Japan, all had their fair share in the “evil deeds” of infringing into China's sovereignty rights.

2 All the figures/findings from the Chinese Views of the EU project cited in this paper can be found in Lisheng Dong, Zhengxu Wang, and Henk Dekker (Eds.), *Chinese Views of the EU: Public Support for a Strong Relationship*. London: Routledge (2013).

The second Opium War saw the Britain-France allied force occupying China's capital, and the looting and burning of the Summer Palace. These "imperialist powers" each carved out their concession areas in the major cities such as Shanghai, Canton (Guangzhou today), Tientsin (Tianjin), Wuhan, and Tsingtao (Qingdao), and eventually each power claimed a wide "Sphere of Influence". By the turn of the 20th century, Chinese intellectual elites were sounding the alarm, China was to be carved up by the Western powers, and the Chinese as a race were endangered (see Plate 1). Indeed, Hong Kong and Macao as Western power's overseas territories remained the symbol of this historical humiliation throughout the whole 20 century.³

Plate 1. Western Powers and China, c1900



3 Hong Kong remained under British rule until 1997, and Macau Portuguese until 1999.



Top: Comic, “Carving Up China” Source: Little Parisian Magazine, 1898
 Bottom: Western powers’ spheres of influence and treaty ports. Source: Modern World History: Patterns of Interaction, by Roger B. Beck, Linda Black, and Larry S. Krieger by Holt McDougal (2006).

Given this official historiography, it may sound surprising that Chinese people today view Europe so positively. The reason lies in the Chinese government’s separate treatments of world and Chinese histories. The “humiliation” discourse was mainly about China’s own national history. It was mainly aimed at building up a national identity. The state and to an extent the intellectual elites use past humiliation to boost nationalism, and support the Party’s claim as the “savior” of the Chinese nation – it was the Party that led the revolution that succeeded in uniting the nation and removing the Western powers. This discourse of victimhood, however, also resulted in a self-identity of China that still gravely affects China’s view of some aspects of EU/Europe’s China policy. At this stage of China’s rising, China is unsure whether it should

behave as a world power, or whether it is still a victim of the past deeds of the Western power (more below).

On the other hand, the Party also relies on a discourse of world history to direct the nation toward modernization and catching-up with the advanced economies. In this discourse, the world history is constructed as a progress from the primary stage of human society to the modern, industrial world. It was the European Renaissance, Enlightenment, and Industrial Revolution that brought modernity to the human kind. Modern science, technology, and culture are what the nation should strive for, and in this context, “modern” is European. In schools, students learn about Renaissance and they relate it to Da Vinci, they learn science and they relate it to Newtown and Descartes, they learn about the Enlightenment, Romanticism, and Humanism, all of these they relate to European thinkers and writers. Europe is not only the site where modernity first originated, it is also the site of high culture, philosophy, literature, and learning. Therefore Beethoven, Monet, Plato, Victor Hugo, Erasmus, and many other European figures all contribute to the forming of Chinese imagination of Europe. This discourse provides the strong psychological foundation for Chinese people’s very positive and affective imagination of Europe, as they see Europe as representing modernity, high culture, civilization, science, advanced technology, enlightened thinking, democracy and good legal institutions, and many other “good” things of human life and human society. European history serves as a pool of historical empirical experience, and Europe is taken as a model for China’s progress.⁴

4 Nicola Spakowski, “From antagonist to model? The function and place of Europe in Chinese middle school history textbooks”, in Lisheng Dong, Zhengxu Wang, and Henk Dekker (Eds.), *China and the European Union* (pp. 210-229). London: Routledge, 2013.

Then there is consumerism and urbanite materialism. In today's China, European consumer goods, fashion, and life style figure greatly in urban middle class's imagination of good life. European brands are equaled with luxury, high taste, and good life. Housing developments in Chinese cities are often given European names – Rome Gardens, Fontainebleau, European Classics, etc. European automobiles are among the most expensive but also most well-sold in China. European brands such as Luis Vuitton, Hermés, Prada, and Rolex are extremely popular in China, every holiday season high street shops in London, Paris, Berlin, and Rome are likely to enjoy a spending binge of Chinese shoppers. European orchestras, ballets, and tenors or sopranos frequently tour major Chinese cities, resulting in visual images on wall and window posters, TV broadcasting, and sold-out concerts. In terms of “larger” cultural or consumption items, European architectural firms secure large numbers of contracts, producing a wide range of new landmark buildings – opera houses, libraries, railway stations, airports, subway lines, high-rising towers or urban complexes that dominate urban spaces (Plate Two). Therefore, even physically in China, many Chinese try to live part of their life in a Europeanized “space”. This includes consuming European products, including spending the nights watching European sports on TV (especially football leagues and tennis tournaments), living in a European-named estate, and encountering Europe-related symbols, ideas, and images wherever they go.

Plate 2. An advertisement flyer of a housing development named “The Provence” in Chinese



Caption: Recreation of Real Old Europe

Plate 3. Famous structures designed by European architects



Clockwise from top-left: National Opera House, Capital Airport Terminal 3, The Olympic Stadium, and the Chinese Central Television (CCTV) Tower

Table 1 shows the most popular European goods in urban Chinese's minds – for Chinese men, they are mostly interested in European football and European cars, and for women, it is perfume and fashion. Postcolonial cultural studies will have a lot to say about such a phenomenon. But all this means that the Chinese have a very positive view towards Europe as a culture, civilization, and even as an economy.

Table 1. Chinese perception of European artifacts, by gender

What are you most interested in about Europe (first choice)?

	Male Chinese	Female Chinese	Summary
Soccer/Football	751	233	984
Perfume	181	564	745
Cars	171	91	262
Fashion	45	184	229
Music	52	79	131
Nature	61	68	129
Historical sites	50	36	86
Technology	37	20	57
Beer	10	1	11
Total	1358	1276	2634

Total people surveyed: 3000.

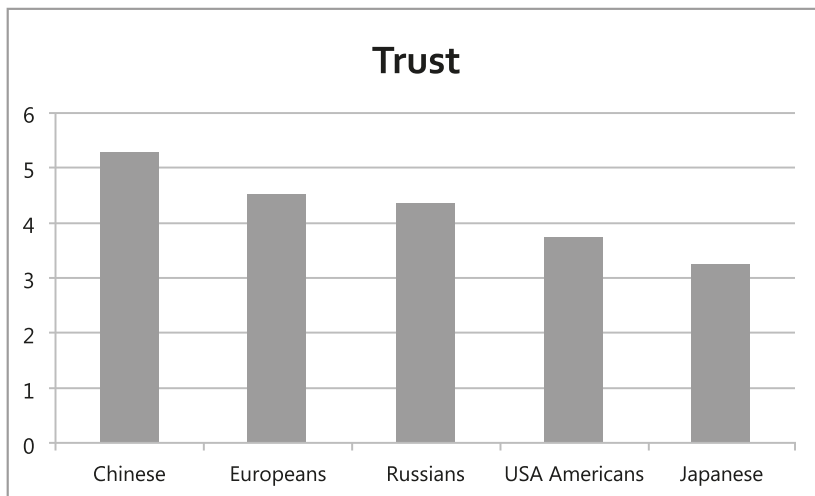
Data Source: Chinese Views of the EU Survey, 2010

Alongside this cultural attraction of Europe, a few structural factors means Europe and the EU are viewed as non-threatening, friendly powers for China. The first is that, unlike with the United States, there is no serious strategic competition between China and Europe – the two powers are just too far away from each other for any immediate geopolitical threat to each other. Second, unlike with Japan, China and Europe have no unsolved historical issues. In fact, the way Germany handled its historical responsibility with

regards to the atrocities during World War II is taken by Chinese as an example Japan should follow.⁵ And unlike with Japan or India, China has no territorial disputes with Europe. This results in the Chinese having a high level of trust in Europeans (Figure 1), and the Chinese viewing the EU as playing a positive role in global issues (Table 2).

Figure 1. Trustworthiness of various people to the average urban Chinese

(1=Not trustworthy at all, 7= very trustworthy)



Total people surveyed: 3000.

Data Source: Chinese Views of the EU Survey, 2010

5 As late as May 2013, Chinese Premier chose Germany's Potsdam as the site to criticize Japan for failing to come to terms with its war time atrocities inflicted onto China and other Asian countries. Potsdam was the site of the 1945 conference that helped define national boundaries after the Nazi defeat, and set the terms of Japanese surrender to the Allied Force. See, for example, "Premier Li Keqiang, in Potsdam, warns Japan on postwar vows", *South China Morning Post*, 27 May 2013. Japan, on its part, has never officially apologized for its war deeds in China, and its officials and public figures continue to pay tributes to the Yasukuni Shrine, where Level A War Criminals were commemorated.

Table 2. Chinese assessment of EU's role in global issues

Question: Do you think the EU play a positive or a negative role in the following issues?

	Positive	Negative	It depends
Peace in the world	69.8	8.3	12.0
The international economy	75.4	5.8	9.2
Protection of the environment	81.6	3.6	6.5
Scientific progress	85.2	1.9	5.1
Fighting poverty in the world	62.2	10.5	13.2
Fighting international terrorism	62.9	10.3	12.3

Total people surveyed: 3000.

Data Source: Chinese Views of the EU Survey, 2010

EU AS A NORMATIVE POWER

With such a high level of general good will toward Europe, mostly as a culture but also as a well-intentioned and harmless actor in global power, it may indeed appear surprising how frequently China-EU relations can in fact go wrong. Indeed the bilateral relation between China and EU, and China and EU member states can often go wrong. China and EU and European countries' economic relation generally fares very well, but political problems still emerge often. Most notable flash points are human rights and Tibetan religious freedom.⁶ But more generally, wherever the EU aspires to project its "normative power" or promote European values to others, things can often go wrong. Apart from the more

⁶ Recent events in this category include pro-Tibet protests in UK and France during the 2008 Beijing Olympics torch relays, French President Sarkozy's meeting of The Dalai Lama Dec 2008, the awarding of the Nobel Peace Prize to Chinese dissident Liu Xiaobo in 2010, UK Prime Minister Cameron's meeting with The Dalai Lama in May 2012, and others, all causing damages to the relation between China and EU or the involved state (UK, Norway, etc.).

politically charged issues such as human rights, democracy, rule of law, and Tibet, they can also include apparently more technical issues, such as climate change and fair market practices.

On the very technical level, these problems were caused by miscommunication (in most trade disputes for example) or mismatch in the understanding of the issue at hand. Take climate change for example. The conflict between China and Europe is largely attributable to the different recognitions of how to differentiate the responsibility of dealing with climate change. Europe and other advanced economies see China as the most formidable emitter today, therefore China should bear a large share of the responsibility of curbing emission. In China and other late-comers in industrialization's view, however, the elephant's share in the stock of CO₂ in the atmosphere was emitted by the advanced economies (Europe most obviously) in the last 1-2 centuries. Therefore these countries should bear more responsibility. Furthermore, even though China today is a large emitter, it is partly because a lot of its industrial (therefore emitting) capacity was relocated from Europe and other advanced economies. In other words, China is emitting on behalf of Europe, as a lot of the industrial goods are made for European customers.

But at a deeper level, Europe pressuring China on emission is seen as a selfish act. The EU's activism in curbing emission is interpreted as forcing the developing countries to limit emission, so that Europeans can continue to enjoy the high level of living standard. European officials state that Europe cannot "afford" for China to have the same level of energy and resource consumption as Europe.⁷ This may reflect a genuine intention in European people's minds to help China and the other developing countries to find an alternative path toward a high living standard, therefore

7 I heard this comment at a closed-door meeting held in the UK in June 2009.

the whole world will benefit with a lower cost to the earth. But it can easily strike as Europeans looking after its self-interest by restricting other nations from developing to the same level.

But most of the more serious problems are caused by a value divide between China and Europe. This divide is *not* about the content of values *per se*. It is true that Chinese and Europeans may have different understandings regarding human rights, democracy, good government, rule of law, freedom, and other issues. The mere difference in these understandings is *not* the problem. The problem lies in *how to treat* such differences. For Chinese, it is OK that different countries or cultures understand or define certain values differently, but one should not impose one's understanding onto the other. Different cultures and nations only need to respect the other party's views, and engage in continuous communication if necessary, in order to foster mutual understanding and collaboration. That, according to Chinese philosophy is the only right way to achieve harmony in a world of great differences, diversities, and complexities. It is the Chinese way of dealing with these complexities and respecting pluralism. Chinese leaders have at many occasions uttered this important principle as expressed by Confucius, that to build a true community one needs to strive for "harmony without uniformity".⁸

Europeans, on the other hand, are perceived as believing that there is only one correct understanding of such values as democracy or human rights, and it is the European one. Other societies need to accept this European understanding. Simply put, Europe's promotion of European values is perceived in China as imposing, and ignoring and disrespecting the cultural diversities and internal complexities of other countries. European approaches

⁸ See, for example, Wen Jiabao, "Turning Your Eyes to China", speech made at the Harvard University, 10 Dec 2003. Available at: <<http://www.news.harvard.edu/gazette/2003/12.11/10-wenspeech.html>>.

can be seen as interventionist (which they may be indeed intended to be anyway), preaching, and intruding. In our interviews and discussions with urban Chinese, Europeans are often accused as being “arrogant” and “prejudiced”, failing to appreciate China’s local realities. Elite members of Chinese society, including government officials, the scholars, the media workers and the NGO activists often point to human rights and Tibet issues as the most controversial issues that affected the EU’s China policy.⁹ When asked whether they found that the EU has played a positive role in China’s human rights development, more than 75% of scholars disagreed, while 50% of media workers and government officials also disagreed. When asked about their attitudes towards external intervention in China’s human rights policies, more than 70% of officials and scholars, and nearly 50% of media workers and NGO workers said that the issue is an internal problem for China, thus did not welcome external intervention.¹⁰

As argued by a Chinese scholar: regarding issues such as Tibet, democracy, and human rights, Europeans’ thinking is parochial, self-centered, and arrogant:

It is as if Europe is always telling the Chinese: we have democracy, do you? ... To eat, Europeans use forks and knives, Chinese didn't say they are more advanced and more peace-loving because Chinese eat with chopsticks, which are bamboo-made. Similarly, Europeans should not believe themselves to be more democratic because they hold elections. Whether using forks and knives or chopsticks, we are performing the same act: eating. Democracy is only the form, being able to win people's support is the end. To achieve democracy,

9 Dong & Zhou, 2011: 4-5.

10 Chinese Views of EU Project, data available upon request.

*Chinese have a different order from the West . . . We Chinese believe in what Confucius says, that if three people are walking together, one of them must be able to serve as my teacher. Europeans, by contrast, appear to believe that, if three people are walking together, I must serve as the teacher!*¹¹

The European ways of promoting values in its diplomacy toward China are therefore accused of a “teacher-mentality” and holding a “sense of superiority”.¹² Europeans need to self-reflect on this point in order to communicate more effectively to China. But examining the Chinese way of thinking can also lead to a critical question. In its interaction with Europe, why is China (and the Chinese public) so sensitive to the other party feeling a sense of superiority in itself? One dimension of this goes back to the issue of China’s self-identity in international politics. A dominant discourse in China today still sees China as the victim of European colonialism of the 19th-20th centuries, and great power politics of the Cold War era. Because of this, one fundamental goal of China’s foreign affairs is to safeguard sovereignty and national pride. Allowing a Western country or power to impose its standards or values on China can easily lead to a great sense of insecurity. By simply allowing Western values to prevail means China acknowledges the latter’s superiority, and by definition, is tantamount to acknowledging its own inferiority. The superiority-inferiority pair naturally gives the possibility of the former intervening or dominating the latter. So, for China’s foreign affairs thinking, the past of colonial rule / imperialist infiltration still haunts. In becoming a real world power China needs to deal with its identity problem.

11 Wang Yiwei, *Haishang: Ouzhou Wenming Qishilu [The Death of the Sea: Implications from the European Civilization]*, Shanghai: Shanghai People’s Press (2013), pp. 130-131.

12 Haihua Tang, “Negative Chinese Views of the EU: A Report on 6 Focus Group Interviews in 2010”. Nottingham, UK: China Policy Institute, and London: Chatham House (Nov 2011).

The other aspect is China's traditional IR (international relations) thinking. The Chinese traditional view of global order rejects intervention or Anglicanism. The Middle Kingdom's virtue lies in its ability to provide good governance, and by doing so, it can serve as a good example for the uncivilized peripherals. While this understanding recognizes the "civilized" as commanding superiority over the "uncivilized" (the *man, yi, rong, di* – the barbarian tribes around China), there is no motivation for the "civilized" middle kingdom to educate or preach to the "uncivilized" world. The "uncivilized" are free to learn from the "civilized", but the "civilized" does not actively bring its supposedly superior ideas or institutions to the "uncivilized". The middle kingdom only wants to serve as an example, and it is up to others to decide whether they want to follow that example. In many cases, in fact, the previously uncivilized "barbarian" tribes adopted the Chinese learning and institutions, and became powerful nations that eventually invaded and even overthrew the dynasty in the middle kingdom.¹³ But most of the time, the middle kingdom was happy to govern its own land and subjects according to what it believed to be the right way of government, and left the "barbarian tribes" surrounding China alone. This philosophy certainly rejects intervention into others' internal governance. And preaching certain values to the "other" is considered an act of intervention. Rejecting intervention from others and refraining from intervening with others' internal affairs reflect both a traditional wisdom and a contemporary alert toward foreign intervention which is the result of China's own humiliation by Western powers in the 19th and 20th centuries.

13 The Qidan (Khitan) kingdom to the Northwest of China established a Liao Dynasty (AD 916-1125) following the Chinese way, and succeeded in expanding its rule at the expense of the then Chinese Song Dynasty (AD 960-1279). Similarly, the Jurchens established the Jin Dynasty (AD 1115-1234) and eventually forced itself over the northern half of the territory of the Song Dynasty.

EU IN CHINA'S MULTILATERAL AND MULTIPOLAR WORLD ORDER

In any case, at several points in recent history, China was highly appreciative of Europe playing a role in global politics independent of the US. France was the first Western country to extend diplomatic recognition to China, more than 20 years before the US did the same. During the high time of the Cold War, when China faced challenges both from the US and the Soviet Union, Europe promised a third pole from which China could draw support. After the China-US reproach in the early 1970s, China still hoped Europe could become stronger, so that to mount more pressure to the Soviet Union, which supposedly would help ameliorate China's geopolitical environment. Indeed, when Deng Xiaoping met with Roy Jenkins, the then President of the European Commission in February 1979, he explicitly suggested that EU and China should have a joint-strategy to resist the Soviet Union.¹⁴ Post-cold war, the EU remains a hopeful candidate with whom China can work together in pushing the world toward a multipolar order. Individual European countries, such as France and Germany, are also treated as potential partners for this regard. It appeared especially hopeful for China-France relations during Chirac's time, when France had much to disagree with a Bush-led unilateral US. In part, this effort has seen great success, in that EU-China relations have become very strong, especially in the economic sense. China has built "strategic partnership" with the EU as well as major European countries such as UK, France, Spain, Italy, and Germany.

¹⁴ Stanley Crossick and Etienne Reuter, *China-EU: A Common Future*. Singapore, World Scientific (Nov 22, 2007).

But this sense of hope has largely evaporated by now. This is due to several factors. Most importantly, China has finally come to the conclusion that the EU will remain a weak body as far as a unified European foreign policy is concerned. For a long time to come, EU will continue to struggle with its ambivalence between a supranational power and an intergovernmental coordinating agency. Therefore, it is unrealistic to rely on the EU to be a major “pole” in the world order. Secondly, since 2008, the EU’s economy seems to have entered a long period of crisis and recession, and full recovery will remain out of sight for some time. Thirdly, China’s own power has increased much more rapidly in the years since the European debt crisis, surprising even China itself.

In this transformed context, China’s approach to Europe has also changed. On the one hand, China continues to engage, very intensely, with the EU and European countries in terms of economic and technological cooperation. In 2012 and 2013, Chinese Premiers Wen Jiabao and then Li Keqiang visited EU and UK, Germany, Sweden, Iceland, Poland, and Switzerland. Their visits and other recent developments show China is seeking a two-fronted approach with Europe. For the developed West Europe, the emphasis is on technology transfer and high value-added collaboration, while for the Eastern and Southern Europe, China’s investment in manufacturing and infrastructure will flood in.¹⁵ This is overall good news for both Europe and China. But at the same time, two aspects of the current trend in China-EU relation must be disappointing for the Europeans. The first is that China is working much harder to build bilateral relations with a selected number of EU member states instead of working multilaterally through the EU. Secondly, EU is becoming a lesser strategic priority

¹⁵ Recently there is report that a Chinese bank will finance the redevelopment of UK’s Manchester Airport. Therefore China’s infrastructure investment is finding its way into the developed Europe too.

for China, as the relationship goes into more practical and technical management of economic issues. By contrast, China is investing much more heavily in developing strategic relations with others, especially emerging powers.¹⁶ The first point is easier to grasp, and the problem lies more in EU's inability of establishing itself as a unified foreign policy actor. The second point, however, reflects China's emerging "grand strategy" toward its understanding of the forming multipolar world order.

Scholars and analysts disagree greatly regarding what China's grand strategy in world politics is, or whether it even indeed has one.¹⁷ Any grand strategy of a country would require the following elements: a definition of the core interests of the country, an operationalization of these core interests into policy objectives, and a repertoire of policy instruments to achieve these objectives. China's foreign affair thinking seems to be dominated by a combination of realism, liberalism, and constructivism, with liberalism and constructivism taking a larger share.¹⁸ Others argue China now pursues a defensive realism in its foreign affairs – realism because it believes security and other national interests need to be pursued with the support of (military and economic) hard power, but defensive because it understands security dilemma and believes cooperation is possible in global affairs.¹⁹ While people still debate what would constitute China's "core interests", there is growing consensus that

16 In fact, recently high-level visits to Europe are normally made by the Premier, not the President of China. This probably shows that China treats its Europe diplomacy more as a technical managerial issue, with less strategic importance. The President's recent visits since he took over in late 2002, however, have all been going to the BRICs and other emerging economies.

17 For this debate and discussion, see, for example, Jisi Wang (2011), "China's Search for a Grand Strategy: A Rising Power Finds Its Way". *Foreign Affairs*, 90(2), 68-79; Yuan-Kang Wang (2006). *China's Grand Strategy and US Primacy: Is China Balancing American Power?* Washington, DC: The Brookings Institution. Avery Goldstein (2001). "The Diplomatic Face of China's Grand Strategy: A Rising Power's Emerging Choice". *The China Quarterly*, 168, pp 835-864.

18 Liqun Zhu, *China's Foreign Policy Debates*. Paris: The European Union Institute for Security Studies (2011).

19 Shiping Tang, *A Theory of Security Strategy for Our Time: Defensive Realism*. (Palgrave, 2010).

China is willing to join the existing world system by accepting the international rules and institutions.²⁰ If this is true, then China can be seen as a “role taker” in the global system – it is rising into, instead of bringing changes to the existing system.²¹ This appears to be one major element of China’s “grand strategy”, and that is, China is to rise into the existing world system, instead of unsettling it.

But the world system will evolve or adapt in order to reflect the change in the relative powers of various countries, or the power structure. One way is to shift some power in the existing institutions from those in (relative or absolute) decline to those that are on the rise. For example, there has been shifting of the voting power in the IMF from US and European countries to the emergent powers such as China. Another way is to create new institutions and platforms to re-distribute power to China and the other emerging countries. The G-20 clearly represents such a creation. Yet for a rapidly rising power like China, these two approaches often fall short. Such adaptation of the existing and creation of new institutions can take a very long time to come by, and the powers that still dominate the existing system will prove unenthusiastic regarding such changes, to say the least.

A new development seems to have emerged since the new leadership took office in China. China is now much more actively providing new multilateral institutions, in order to expedite the supply of global governance. Among other less notable ones, in the past few months China proposed or co-proposed to various parties the following new multilateral institutions:

20 See, for example, Evan S. Medeiros and M. Taylor Fravel, China’s New Diplomacy, *Foreign Affairs*, 82(6), 22-35.

21 Shih, Chih-yu. (2012), Assigning Role Characteristics to China: The Role State Versus The Ego State. *Foreign Policy Analysis*, 8(1), 71–91.

The BRICs Development Bank (27 March 2013, Deben, South Africa)

Asia Infrastructure Investment Bank (2 October 2013, Jakarta, Indonesia)

While how these proposals will work out in practice still require us to wait and see, they clearly reflect a new trend in China's engagement with the global society. This I call China's Incremental Way to change the power structure in the world. Simply put, to avoid frustration in trying to change power structure in the existing institutions (the IMF or World Bank, or for that matter, the EU), China has decided to create new space for its own activism. Such an approach, however, explicitly recognize the legitimacy of the existing institutions, i.e. China is not leaving or revolt against the existing institutions. By contrast, while proposing new platforms, China continues to show its commitment to the existing platforms. The changes China brings about are incremental, i.e. they will add to the body of existing multilateral institutions instead of replacing them. The proposed BRICs Bank is not aimed to unsettle the World Bank, but merely to provide more financial cooperation on top of what the WB is doing. Similarly, the Asia Infrastructure Investment Bank does not aim to unsettle the existing Asia Development Bank, but rather to increase the financial capacity of Asian countries in pooling financial resources for the development of Asia.

These measures are incremental because they aim at creating new capacities without closing-down or downgrading the existing ones. China's domestic transition from the plan economy into a market one has given the rise of this "incremental change" conceptualization. In bringing China into a market economy, the reformers did not set out to close down the existing state and plan-economic sector. Neither did they set out to restructure

the state-sector into private market-oriented actors, as a “shock therapy” plan would have dictated. Instead, the Chinese reforms only opened up new spaces for the private and other non-state players while allowing the state sector to continue with its business. Gradually, the non-state sector grew bigger and bigger while the state sector more or less remained the same size. Furthermore, competition shows the advantages of going-market, so that larger and larger parts of the state-sector started to convert into market-oriented actors. The net result is that the state sector accounted for a lesser portion in the whole economy. They started the process in the late 1970s (1978 to be exact), and by the mid-1990s, the state sector’s relative size had been small enough so that the social and economic repercussion of a direct restructuring of the state sector (which they did roughly between 1997 and 2000) became quite manageable. The economists call this a process of “growing out of the plan” – the plan economy was not outright reduced, but was simply outweighed by the much faster-growing non-state sector.²² It is “incremental” in the sense it always aims at increasing capacity, by bringing new forms, instead of converting the existing capacity into a new form. It aims at creating new beneficiaries while not necessarily taking benefits away from the existing players.

This is likely to be a major character of China’s new “grand strategy” as it tries to reshape the world system. Whenever possible, China will not aim to directly unsettle the incumbent, but rather create new space in which it will have more influence. Indeed if we take the end of the Cold War (1991-1992) as the starting point for China’s search for best way to rise into and help shaping a multipolar world, two decades have passed and China seems to have settled on such an approach. For most of the

²² Barry Naughton, *Growing Out of the Plan: Chinese Economic Reform, 1977-1993*. Cambridge, UK: Cambridge University Press (1996).

history of the People's Republic of China, it could only claim one multilateral organization for which it is a co-founder, the Shanghai Cooperation Organization (SCO) founded in 1996. Another one and a half decades have now passed, and post-2012, we are likely to see the mushrooming of the new multilateral organizations and platforms opening for business with China at the founding table.

And this has directly influenced China's approaches to the EU. With the formal EU-China relationship arriving at a plateau, with barriers for major breakthrough there to stay for years to come, China is likely to simply let its EU engagement slip into some kind of auto-piloting mode, while investing much more energy in crafting out new multilateral frameworks. Some of these will be built with Non-EU countries in Europe or EU's individual member states, but the larger portion of them will be built with emerging economies and powers, as the examples of BRICs and Asia Infrastructure Banks illustrated. EU in the multipolar world China is attempting to shape has become the "stock", while China's main effort will focus on creating the "increments". Eventually, China hopes these dense networks of multilateral platforms will ensure a stable global order in which participants can benefit from cooperation with each other.

IMPLICATIONS FOR GLOBAL GOVERNANCE AND EU

If this is an accurate understanding of China's "incremental multilateralism" toward a multipolar world order, the rise of China in this manner should be good news for the world. This approach shows China intends to build multilateral frameworks, instead of going for unilateralism or bilateralism (i.e. China has continuously rejected the idea of a G-2). Furthermore, China appears to believe in common or inclusive prosperity, aiming at development and improving living standards of all nations by locking every party

in such a direction with the multilateral arrangements it hopes to create. It believes only this way can other countries genuinely welcome the rise of China. In pursuing the various multilateral platforms, China does not directly upset the other existing institutions. But with the newly created organizations functioning well, a redistribution of power will certainly take place.

In this power redistribution, the relative importance of the emerging world, the BRICS and other countries, are increasing, while that of the EU and the US must be in (relative) decline. In this regard the EU does face a dilemma. Of course, EU still has many options if it wants to join China's rise. It can more proactively lock itself into the new multilateral arrangements China intend to promote, or at least making itself useful in such efforts of China. But as long as the EU remains reluctant to upgrade its relationship with China (by entering a Free Trade Agreement with China, for example), its share of importance in China's global strategy will almost certainly decline. At least in the economic and developmental sense, Australia and New Zealand have already made the decision to fully join the Asian Century. Geography is a factor, clearly. In that sense, EU and Europe has the luxury of sitting between the two most powerful economic blocs of the world, Asia and the North America. Therefore EU can afford to continue with its effort to strike a balance, and have the best of both worlds.

**AMERICA IN THE MIDDLE: DEFENDING OR
DOMINATING THE GEOSTRATEGIC AND
GEO-ECONOMIC SYSTEMS OF GOVERNANCE?**

*James Sperling**

The post-war American presence in European and Asian affairs was occasioned by World War II, a conflict leaving Europeans and Asians alike as supplicants dependent upon the US for their post-war economic recovery and military security. The absence of the historical, linguistic, and ethnic commonalities supporting the transatlantic community of mutual interests and values prevented the emergence of a parallel

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transpacific community supporting the US engagement in Asia despite its strategic and economic entanglement in the Pacific. Unlike Europe, American engagement in the region has been predominately strategic and interest-driven despite sporadic efforts to foster democratic governments and to graft western values on an unreceptive civilizational host. The American sense of exceptionalism and moral rectitude oftentimes clashed with the European understandable world-weariness and lingering sense of cultural superiority, while in Asia the immediacy of the colonial occupations, American and European connivance in sustaining those occupations into the first decade of the Cold War, and the unquestioned, reflexive assumption of civilizational superiority reinforced Asian grievances vis-à-vis the West, particularly in China, which remains obsessed with compensating for the “century of humiliation”.

This confluence of these psychological and cultural ties and complications, and the contradictory impulses engendered by them, have become exacerbated by competing American, European and Chinese conceptions of world order and their respective roles in it. The American liberal internationalism of the Cold War period was arguably embedded in the DNA of the US foreign policy establishment, but it underwent a unilateralist mutation in the early twenty-first century. Within the context of the Soviet-American competition to achieve European hegemony, the American reliance upon multilateral institutions and an unwillingness to flaunt international law was consistent with European sensibilities, although differences certainly existed at the margins of transatlantic diplomacy, particularly outside Europe. With the end of the Cold War, however, transatlantic schisms emerged that reflected changes in the American foreign policy elite, the nature and origins of the threats facing Europeans and Americans, and varying degrees of discomfort with the emergence

of the US as a *hyperpuissance*, the American triumphalism that it bred, and a newfound willingness to act alone.

With President Richard Nixon's "historic" opening to China in 1972, the Cold War was effectively ended in the Asia Pacific. China became a not unwitting pillar of the US containment strategy of the Soviet Union and reclaimed its 19th century status as an endless source of opportunity for American business. The Sino-American rapprochement was designed to balance the Soviet Union in Asia, facilitate the American withdrawal from Vietnam, and stabilize the Indochinese and Korean peninsulas. Despite the size of the People's Liberation Army (PLA) and the Chinese possession of a modest nuclear capability, American maritime and strategic dominance in the Pacific remained unchallenged and unquestioned for the entire Cold War era and into the first decade of the 21st century. The only "threat" to American dominance during that the Cold War was the anticipated emergence of Japan as an economic superpower that would eventually eclipse the United States. China's rapid economic rise after 1990 has generated deepening American concerns about the viability of American dominance in the Pacific and the fear of dislocation from its privileged position as systemic guarantor. Although Chinese rhetoric expresses an ambition to manage its "peaceful rise", its full realization will nonetheless result – in current economic trends continue into the foreseeable future – in a modified system of global economic governance reflects Chinese power and interests as well as establishing Chinese military-strategic hegemony in the western Pacific.¹

These states bilateral relations coexist in an international system comprised of regional systems of security governance that float beneath a global system of economic governance. Whereas

1 North America is the reference point used in this paper for geographic descriptors.

the system of global economic governance has been developed to maximize the joint-sum outcomes of deepening trade, financial, and macroeconomic interdependencies and enjoys a relatively high degree of legitimacy for existing and rising powers, the same can not be said for the systems of regional security governance that display different degrees of amity and enmity, (dis)satisfaction with the regional status quo, as well as the saliency of force in interstate relations. This fragmentation of global security and the singularity of the global economy have placed the United States in the middle: China, the EU and the United States are all guarantors of the current global system of economic governance, but the United States is the sole direct stakeholder in both the Pacific and Atlantic systems of regional security – neither the EU nor China are particularly concerned with the former or later, respectively.

The operating assumption of this paper is a simple one: the imbalance in rights and responsibilities is straining not only on the systems of regional security, but jeopardizes the system of global economic governance, particularly as the access to the global commons – maritime space, outer space, and cyberspace – constitute critical policy vectors where it is increasingly difficult to differentiate security from economy. The financial crisis of 2008 and the follow-on Euro crisis demonstrated the difficulty of democratic governance during prolonged recessions, the growing parochialism of American and European economic statecraft, and the Chinese dissatisfaction with the *status quo*, not only in the South China Sea, but increasingly with the American-sponsored post-war system of global economic governance.

Towards understanding the impact of the Euro-American financial crises on the bilateral and multilateral relations between the US, China, and the EU, this paper proceeds in four steps. First, the analysis considers the shifts that have taken place in the regional and global balances of capabilities; the purpose of

that exercise is to provide a foundation for generating a set of hypotheses that might explain America's "rebalancing" to Asia, China's growing assertiveness in strategic and economic fora, and the EU's efforts to mollify the United States on military-strategic issues while currying mercantile favour with China.

Second, the material interdependencies of China, the EU and US are identified as are the mutual role ascriptions and American perceptions and assessments of the EU and China. I then investigate the systems of global economic and regional security governance, particularly with respect to the three stakeholder's satisfaction with the *status quo*. The conclusion assesses the hypotheses put forward to explain the US "rebalancing" to Asia and the policy questions those hypotheses engender.

SHIFTS IN THE REGIONAL AND GLOBAL BALANCES OF POWER

The end of the Cold War and the subsequent dissolution of the Soviet Union in 1992 marked a sudden shift from bipolarity to military-strategic unipolarity and economic multipolarity if the EU is considered as a single actor.² The US emerged as the unchallengeable military superpower, although Europe's relative power increased measurably too. The EU-27 share of global GDP on a purchasing power parity basis in 1990 was greater than that of the United States (27.98% and 24.68%, respectively); those global GDP shares are essentially equal in 2013 and the US is projected to exceed that of the EU-27 in 2018 (see Table 1, p. 259). On the military side of the ledger, the quantity and quality of European conventional, nuclear, and force projection capabilities remain second only to those of the United States despite the secular decline

2 If the EU is disaggregated into its member states, however, the end of the Cold War also ushered in economic unipolarity; the closest competitors to the US were Japan (with 10.09% share) and Germany (with a 6.16% share).

of European defense spending since 1990 that is unlikely reverse itself. Nonetheless, European defense expenditures amounted to \$282 bn in 2012 (a 22% global share) compared to US defense expenditures of \$669 bn (a 53% global share). Together, the NATO allies account for a combined 75% of world defense expenditures although Europe suffers from limited force projection capabilities and declining interoperability with American forces.

A second major shift – the rise of China – emerged at the turn of the millennium; China’s status as a great power was consolidated by the first decade’s end. The liberalization of the Chinese economy and its access to western markets and capital transformed the geo-economic landscape: in 1990, the Chinese share of global GDP was 3.87% (about equal to the British GDP share); in 2000, the Chinese share rose to 7.12% (about the same as the combined French and German GDP shares); in 2013, the Chinese share of 15.82% was equal to approximately 84% of the EU-27 share; and in 2018, China is projected to emerge as the world’s largest economy followed by the US and the EU-27. Chinese defense spending as a share of global defense spending has similarly increased: in 1990, China only accounted for 1.64% of global defense spending (compared to the US and EU figures of 43.66% and 26.62%, respectively), but by 2012, the Chinese share has risen to 12.53% (compared to the US and EU shares of 53.17% and 22.39%, respectively). China’s emergence as a manufacturing power, increasingly critical role as creditor to the West, rapid modernization of its armed forces, acquisition of maritime and land-based anti-access and area-denial capabilities, and ambition to acquire a blue water maritime capability has effectively ended – or at least foreshadows the near-term end – of the “unipolar moment” and threatens both America’s strategic dominance in the Pacific and the integrity of the UNCLOS maritime regime (see below). This second shift is largely responsible for the Obama administration’s redeployment

of US military assets to the Pacific Basin – the so-called “pivot” or “rebalancing” of forces to Asia – and repackaging of a strategic retreat from Europe as “leading from behind”.

Developments within Europe amplified these systemic shifts in the structure of power. After 1989, the United States expected Europe to play a larger role in creating order and stability along its eastern and southern periphery. Europe simultaneously claimed the prerogative to do so, first within the NATO-sponsored European Security and Defense Identity, and subsequently within the EU’s Common Security and Defense Policy – developments consistent with the declining relative power differential between the two pillars of the Alliance. Yet, the transition from territorial defense to milieu-shaping security policies reduced the cohesion and purpose of the alliance. There is no deep agreement on those regions critical to NATO or the appropriate instruments for sustaining stable regional milieu. Moreover, regional instabilities present each ally with asymmetrical risks and vulnerabilities. Thus, the narrowing of the transatlantic power differential has enabled Europe to seek greater independence and autonomy from the United States (and NATO), while divergent interests within Europe have made the Europeans (and the EU) less compliant and useful security partners outside Europe.

What do these shifts in the global and regional structures of power mean for the Euro- American relationship? First, Europeans undertook to shape their regional milieu consistent with European values and interests. Second, the end of bipolarity decreased significantly the costs of defecting from US policy preferences, adopting policies frustrating US objectives, defying the American expectation of European obeisance, or redefining their obligations under the Atlantic Alliance to act “out of area”, particularly a reticence to become involved in US efforts to manage the shifting balance of power in the Asia Pacific.

What do these shifts in the global and regional structures of power mean for the Sino- American relationship? Chinese dissatisfaction with the US-sponsored post-war order in the Pacific has had three consequences: first, it led the Americans to recalibrate the strategic importance ascribed to Europe and downgrade American responsibility for secondary strategic challenges in southeastern Europe and the Mediterranean basin; second, European wariness of the US global security agenda, particularly in Asia, has expressed itself as European resistance to NATO's globalization from a fear of global entrapment in military- strategic issues which have no direct (or indirect) bearing on European security; and third, China has increasingly challenged the post-war hegemonic order, not only with respect to American maritime prerogatives in the South Pacific but also American privileges and the institutional power in the global system of economic governance.

These post-Cold War shifts in the global and regional structures of power have also had four major consequences for the trilateral relationship between Europe, the United States and China. First, alliance cohesion – between North America and Europe or within Europe itself – is no longer guaranteed by a commonly acknowledged existential threat to allied security. Second, transatlantic cohesion has been strained by Europe's ability and willingness to disagree with the United States on the definition of what constitutes a common strategic threat *and* the optimal method for addressing one, particularly with respect to the security salience of China's military modernization for Europe. Third, the absence of a security referent in the Sino-European relationship and the increasing centrality of that referent for the Sino-American relationship underscore the continuing position of the United States as Europe's pacifier and Asia's traffic cop. And finally, as European trade does not impose the direct or significant indirect security costs on Europeans, their contribution to Chinese military modernization in the Pacific is a

source of conflict with the US – a pattern not dissimilar Cold War conflicts over trade with Soviet Union.

Four plausible hypotheses frame the range of explanation for the Europe's waning and China's waxing in US foreign security policy calculations:

- *The capabilities hypothesis.* This hypothesis suggests that Europe's discounted role in US strategic calculations is roughly congruent with its material importance for the US, while Chinese economic growth and defense modernization potentially threatens US interests in the Pacific Basin.
- *The quiet/hot-zone hypothesis:* This hypothesis suggests that Europe is no longer central to US security calculations owing to the overall stability of the geopolitical space covered by the Washington Treaty, while disorder outside Europe and a revisionist China pose the most probable threats to US security and systemic stability.
- *The crowding-out hypothesis.* This hypothesis suggests that the process of globalization and the rising importance of the Asia Pacific and Southeast Asia have absorbed increasingly the preoccupations of the American foreign policy community and have reduced commensurately the policy space available for Europe;
- *The wave-of-the-future hypothesis.* This hypothesis has two components. First, it suggests that Europe perceives its economic future to lie in the Asia Pacific free that has no or little bearing on European security. Second, it suggests that the American future and role in the international system is most directly affected by the eventual American success or failure to manage the inevitable Chinese challenge to the US-sponsored and – protected post-war economic and security orders.

ASCRIBED ROLES, PERCEPTIONS AND ECONOMIC INTERDEPENDENCIES

The Material Interdependencies of China, the EU and the United States. Europe's relative economic importance to the American economy has declined owing to the rise of China (and the Pacific Basin more generally) as a manufacturing and trading locus, the accelerating importance of Mexico and Canada post-NAFTA, and the significant holdings of long-term Treasury debt by the nations of the Asia Pacific. Nonetheless, the EU remains as significant as ever as an economic partner. Europe, with an 18.3% and 16.6% share of US exports and imports, respectively, is the third largest market for US exports and imports after North America (32% and 26%) and the Asia Pacific (26.6% and 41%). Europe remains the primary destination for American capital (53% of the total stock of US FDI) and Europe is the largest investor in America (76% of the total stock of FDI in the US). Yet, the Asia Pacific states have become America's chief creditors: those states collectively hold over 60% of the \$5.59 trillion externally-held long-term US Treasury debt of (the Chinese and Japanese shares are, respectively, 22.84% and 20.7%).

Role Ascriptions: China, EU, US. The American, EU, and Chinese foreign policy role ascriptions have three major components: the meaning of their national placement along the international hierarchy relative to other states in the system; their overarching foreign policy purposes; and their conceptualization of the "other". These three actors' conceptions of their national and relative positions in the international system range from the compatible (US and EU), the inherently oppositional (China and the US), and strictly instrumental (China and the EU).

Just as the United States has viewed itself as a benevolent superpower that deserved the unquestioned obedience of

its European (and Asian) allies as well as the sufferance of its prerogatives by the rising powers, China has viewed itself as a great power seeking its rightful place at the “high table” of international relations and a position of dominance in its neighborhood, which is defined quite expansively. China – with some sympathy among Europeans – has sought to modify if not defrock the United States of its hegemonial prerogatives that no longer entirely comport with the distribution of capabilities in the international system. Chinese elites have framed China’s rise (and America’s decline) in a foreign policy rhetoric emphasizing multipolarity, China’s peaceful rise, the preference for a harmonious world, and the need for rebalancing the loci of institutional power in the governance of the global economy.

The EU has played a central role in consolidating and sustaining Europe’s relevance in the international system, despite the continuing dominance of national governments in the execution of foreign policy. Although the Europeans – and the EU – remain self-confidently at the center of international relations in every respect, the EU particularly has chosen to define itself as a “new” kind of actor that follows a logic of appropriateness rather than of consequentiality, assumes a joint-sum calculus in its interactions with states outside the EU, and advertises itself as a “normative” or “civilian power”. The American foreign policy elite remains skeptical that the EU is an autonomous actor outside the realm of trade, finance and exchange rates. Moreover, Americans remain suspicious that a more politically and economically unified Europe is as likely to complicate as further America’s strategic goals, to challenge rather than support American leadership within the transatlantic alliance, and to drift towards an equipoise in any future Sino-American geostrategic rift.

Both Europe and China seek a greater degree of autonomy and independence from the US as well as an American retreat

from their self-defined spheres of influence, although in the case of Europe that search is limited by a general acceptance and satisfaction with the *status quo*. Correspondingly, the United States has viewed (and continues to view) the EU as a subordinate that ought to defer to American preferences, either owing to a superior statecraft or the absence of a credible European alternative, but also as a partner seeking to avoid the twin dangers of global entrapment and regional abandonment. And despite the rhetoric of forming a strategic partnership with China, the US views China as a potential military adversary in the South and East China Seas, the most likely challenger to US monetary prerogatives attending the reserve role of the dollar, and the key threat to an unfettered access to the global commons.

US Perceptions of Europe and China. In the nine US national security strategies issued since 1990, four themes emerge: first, Europe – not the EU – remains the favored policy referent, particularly in security affairs where NATO retains institutional primacy; second, the relative amount of policy space devoted to Europe in these authoritative foreign policy statements has steadily contracted; third, the EU is overshadowed by the states of the Asia Pacific and North America in both the economic and security domains; and fourth, the future economic and security interests of the United States are increasingly tied to the evolution of the Asia Pacific – a change marked in 2010 with the (now disowned rhetoric) of the “pivot” to Asia.

This reorientation to the Asia Pacific and the preoccupation with China are reflected in press reporting, Senate hearings and reports, and Treasury documents. In the period 2008-2013, China accounted for 32% and 40% of the articles in the *Wall Street Journal* (*WSJ*) and the *New York Times* (*NYT*), respectively, as compared to other centers of power in the international system (Germany, France, Japan, Russia, the United Kingdom, and the EU) and the

major European and Asian institutional actors (NATO, ASEAN, APEC and ARF) (see Table 2, p. 259). Although the European countries and the EU jointly account for approximately 38% and 43% of the articles in the *WSJ* and *NYT*, respectively, China nonetheless emerges as the single most important unitary actor for the American attentive elites. In a content search of the *NYT*, the EU and China were matched to a set of economic and security keywords.

The results starkly reveal the relative lack of attention paid to the EU as compared to China: approximately 10.5% of the total number of articles referenced the EU, while China accounted for the balance (89.5%). The EU barely figured as a security actor – less than 20% of the results referenced security, defense and terrorism – and its role as an economic actor was concentrated on trade disputes, the financial crisis, the euro-crisis, and the dollar-euro exchange rate. Although economic issues dominated press reports on China, it is notable that over 41% of them concerned security, defense and terrorism. Two notable differences emerge. First, the dollar-euro cross-exchange rate is considered of greater consequence than that between the dollar and renminbi despite partisan concerns that the latter is undervalued vis-à-vis the dollar. Second, reports on European are mediated through the lens of NATO and the EU, whereas states are treated as the only actors of consequence in Asia; the roles played by the institutions supporting the Asian systems of security and economic governance – ASEAN, ARF, and APEC – barely warrant mention.

Despite the limitation of drawing on an English language version of a Chinese paper (*China Daily*) for the purposes of content analysis, the results are suggestive. The bilateral Sino-American relationship is framed by a number of key terms also found in Chinese foreign policy statements: hegemony, rising power, peaceful rise, multipolarity, and decline. US hegemony was

mentioned in over 50% of the references, 44% referred to China as a rising power or as a power seeking a peaceful rise, and 3% referenced multipolarity. The paper only referenced US decline in 1.70% of the articles, a slighter share than appeared in the *NYT* over a comparable time span. In a content search of China with the terms security threat, enemy, partner, rising state and military competitor, the *NYT* reported on China as a security threat or enemy in 53%, a rising state in 41.5%, as a military competitor in 3%, and as a military partner in less than 1% of the articles (see Table 3, p. 260).

Empirical evidence culled from Senate hearings and reports over the period 2008 to 2013 provides insight into the US perception of China's role in the international system and its bilateral relationship with the United States. First, almost 60% of the references to China concerned outstanding regional or bilateral security issues, while the remaining 40% focused on bilateral or multilateral economic issues. Second, the Senate was preoccupied with China's emergence as a "rising power" and its role as a "challenger" or "adversary" in the Asia Pacific (88%) and, in a content search that paired China with descriptors of its relationship with the US (enemy, adversary, competitor, partner and ally), less than 1% referenced China as a security partner or ally. Third, Senate appears to view China as both a problem and an opportunity in the global economy: 24% referred to China positively as a trading partner, although almost 59% of mentions used the descriptors trading adversary, trading competitor, or trading threat. Treasury documents were somewhat less alarmist: China was described most often as a trading "competitor" (46%), "challenger" (33%), and "partner" (21%). Moreover, 17% of the total number of Senate references to the bilateral Sino-American economic relationship

referenced the manipulation of the renminbi, while less than 1% of the Treasury references did so (see table 4, p. 260).

Despite the evident wariness with which the Senate approaches China's emergence as a global economic and military power, the hearings and reports on the 2008 financial crisis and its aftershocks demonstrates the centrality of China for the management of the global economy as well as for the relative success or failure of US macroeconomic policy. Senate references to Europe, China and Japan within the context of the financial crisis suggest a growing equality of status for China. Treasury documents, on the other hand, reveal a near equality between China and Europe (read: Germany), particularly with respect to unsustainable trade surpluses and an overdependence on export-led growth. Yet, Europe remains America's preeminent partner (and potential problem) with respect to the international monetary system: the dollar and euro remain the two most important currencies in the international system, largely attributable to the size of their economies, their integrated, sophisticated and transparent financial markets, and the safety of dollar- and euro-denominated assets.

THE GLOBAL SYSTEM OF ECONOMIC GOVERNANCE

The assessment of Europe and China's importance to the United States has both subjective and objective elements. But it is clear that the American political and foreign policy elites' subjective interpretation of Europe's capabilities, interests, and value as an ally and economic partner is not always consistent with Europe's contribution to American foreign policy goals or economic importance for the United States. Similarly, the relatively "quite" role China played and was asked to play in the financial crisis contrasts vividly with the American geopolitical preoccupation

with China's role in the Pacific as compared to its performance as a stakeholder in the global system of economic governance.

The concurrent financial, fiscal, and eurozone crises have damaged transatlantic relations: the US increasingly considers "Europe" an unreliable partner for addressing the negative externalities of globalization, while the Europeans blame the United States for the near collapse of the international financial system and macroeconomic policy solipsism. The process of globalization has also weakened transatlantic multilateralism more generally, owing to the attending shifts in national calculations of self-interest and the geopolitical reorientation of the United States to regions of the world where multilateralism is normatively and institutionally weak and where Europe lacks a compelling geostrategic interest. The Sino-American relationship is, if anything, more complex: in the real sector of the economy, China is a critical trading partner but also one prone to ignore or bend the "rules of the game": there are serious concerns about the non-protection of intellectual property rights, the tolerance if not sponsorship of industrial cyber-espionage, the violation of WTO trading rules that harm US (and European) producers and the multilateral trading regime more generally, and the government management of the external value of the renminbi, particularly the cross-exchange rate with the dollar. These US (and to a lesser extent European) complaints about Chinese trading practices must be considered in tandem with an equally important question: Did China act as a responsible stakeholder and credible partner during the 2008 financial crisis?

The failure of Lehman Brothers in September 2008 conveniently demarcates the onset of the near-collapse of the international financial system and the Great Recession in the transatlantic economy. The European and Chinese responses to the crisis provide a basis for assessing whether China has acted as a "responsible" stakeholder in managing the global macroeconomy.

Europeans and Chinese agreed that the crisis was “made in America” and caused by an asset bubble created by low interest rates and ineffective regulation of the financial and banking sectors of the economy. An OECD report supported that claim, but also pointed to unsustainable Chinese, German and Japanese current account surpluses as a contributing and enabling factor. The United States, despite the British and Japanese support for fiscal stimulus, faced a recalcitrant Germany and a supportive China. The US, however, had to craft a solution to the financial crisis and deepening recession that would satisfy the German demand for fiscal balance in Europe and global regulatory reform with the more pressing concern of allaying the Chinese (and Japanese) concern about the future value of their sizeable dollar-denominated assets. China emerged as a key partner for the United States, while the Germans saw China as the only solution to the problem of global economic growth *and* European austerity: Chancellor Merkel suggested that China pursue more expansive fiscal policies to increase global demand; China, in her view, could avoid increasing its level of debt and had a greater growth potential than Germany – two claims that could equally be made for Germany. The United States, in turn, depended upon the Chinese willing purchase of US Treasury bonds to support the \$841.2 bn fiscal stimulus package and accept the attending risk of an eventual revaluation of the renminbi vis-à-vis the dollar.

Not only did the Chinese government acquiesce to the Obama administration’s request that they continue to purchase US debt to finance the financial bailout and stimulus programs, but embarked upon their own fiscal stimulus program that risked inflation and a significant rise in central government debt. In 2009 and 2010, the output gap in China was -0.05 (suggesting a near balance of potential and actual output) whereas the (unweighted) output gap was -3.7 in three major European countries, -4.5 and -3.9 in the

US, and -7.0 and -5.5 in Japan. On the debt side of the equation, the Chinese central government balance rose from -0.1% of GDP in 2008 to -2.0 in 2009 and 2010, while the German balance rose from -1.1 to -4.2% and -4.6% for those two years. The other major states faced much larger deficits in 2008 and became unsustainable in 2009 and 2010. The German and US stimulus packages struck not dissimilar balances between tax reductions and spending increases, whereas the Chinese stimulus package was devoted almost exclusively to upfront expenditures. More important, the US and China fiscal stimulus packages amounted to \$841 bn (4.9% of GDP) and \$204bn (4.4% of GDP), while the combined stimulus measures of France, Germany and the UK amounted to \$192 bn (2% of GDP on an unweighted basis) (see Table 5, p. 261).

The macroeconomic consequences of the crisis, compounded by the paralytic political process in Washington, is the focal point of European (read German) dissatisfaction with current American macroeconomic policy, Chinese (and Japanese) concerns about their dollar- denominated debt losing value owing to a steady depreciation of the dollar, inflation or even technical default, and the American concern that these deficits could leave future American governments facing an inescapable debt trap and vulnerable to linkages between the continued holding of US debt and the resolution of geostrategic conflicts on terms favourable to China. In important respects, China has supplanted, if not supplanted, Germany as the most likely candidate to perform the role of a macroeconomic “locomotive”. China has also replaced France as the country most vexed by the privileged position of the dollar in the international monetary system and eager to find a substitute for it.

SYSTEMS OF SECURITY GOVERNANCE

Regional security subsystems range from ineffective or non-institutionalized governance (the transpacific balance of power) to more complex forms of governance (the transatlantic security community). The structural characteristics of the post-Westphalian European state impels states to seek highly institutionalized forms of security governance, just as the Westphalian states populating the Pacific Rim possess at best an instrumental and contingent interest in a weakly institutionalized system of security governance. Any security governance system has four distinct components – the referent; the regulator; the normative framework; and the interaction context – that fall along a broad spectrum of values. The range of values assigned to these four constitutive elements for any system of security governance provides a mechanism for identifying and categorizing regional systems of governance. The transatlantic system of regional security governance represents a contractual security community, while the transpacific system of security governance may be characterized as a balance of power system within which a nascent Southeast Asian concert is nested.

The *security referent* identifies the target of the security arrangement. The security referent may be directed outwardly towards an “other” (as in an alliance) or the regional milieu (as in a security community). Where the role of power dominates interstate relations, security arrangements will be outwardly directed towards an “other”. The *system regulator* identifies the conflict resolution mechanism(s) dominating a given geopolitical space. As the utility or legitimacy of war declines, so too does the willingness of states to rely on it to regulate conflict. The coalescence of national identities creates the context for the construction of a broader collective identity and a dominant role for institutions as mechanisms for conflict resolution. Where

those conditions are absent, war remains the *ratio ultima regum*. The *normative framework* of a governance system captures the function norms play in the calculation of states interests and behaviour. Where system-level norms govern within-group interactions, the sovereignty principle is discounted and within-group war or coercion delegitimized. When those conditions are met, system-level norms become intrinsic to the calculation of interest. When those conditions are not met, narrow national interests will trump system norms when they collide. The *interaction context* refers to the level of amity and enmity in the system and the intensity of the security dilemma. Where states that have lost or ceded sovereign control and discounted sovereign prerogatives to international or regional institutions, the security dilemma is likely to dissipate and amity will characterize interstate relations. Similarly, where states retain sovereign prerogatives and treat sovereignty as inviolable, then the security dilemma will remain acute, war remains a viable option, normatively and instrumentally, and states retain a narrowly defined national interest.

The *transatlantic system of security governance* meets the criteria of a contractual security community; it is characterized by a dense network of institutions, the most important of which are NATO and the EU. Although NATO and the EU's Common Security and Defense Policy remain intergovernmental in nature, the level of defense cooperation in both institutions is unsurpassed anywhere else in the world. It is also the case that in critical areas of security – infrastructure protection, cross-border crime and terrorism – the European states have sacrificed a great deal of sovereignty in order to craft and execute common solutions.

The elements of a contractual security community are fully met in this region: there are instrumental and normative constraints on the use of force and an unwillingness to use force as an instrument of within-group conflict resolution; international

law arbitrates conflicts between states; there are mechanisms for the peaceful adjudication and resolution of conflict; and collective identity formation has created high levels of amity and the security dilemma does not exist among the participating states.

The *transpacific system of security governance* is characterized by three major facets: first, a system of non-transitive, spoke-and-hub bilateral security relationships between the United States and its major allies in the region – South Korea, Japan, Australia, and New Zealand; second, the ten-member Association of South East Asian Nations (ASEAN) represents a concert system intended to reinforce the principle of non-interference, facilitate economic cooperation, and insulate those nations from great power competition; and third, the Chinese sponsored Shanghai Cooperation Organization, initially designed as a forum for resolving border conflicts in Central Asia, and now represents a Sino-Russian institutional framework for thwarting US encroachments in the region.

The transpacific system of security governance corresponds to the elements of a balance of power system. There is an absence of normative constraints on the use of force and a willingness to use force as an instrument of within-group conflict resolution – a willingness demonstrated within the ASEAN countries and now between China and most of the littoral states of the western Pacific. International law plays a non-binding role in the governance of interstate interactions when conflicts arise; there are no established and legitimate mechanisms for the peaceful adjudication and resolution of conflicts that touch on issues of national sovereignty. Moreover, national identities remain sharply defined and constructed in opposition to the other states and civilizations occupying the Pacific Basin – the Japanese, American and Chinese exceptionalisms are mutually exclusive and historical grievances from the distant past remain operational. The lack of trust in the region – particularly between China and

the US, between China and Japan, and between China, Japan and their littoral neighbors – reflects a high level of enmity and an intensified security dilemma, particularly between the two major Pacific antagonists, the US and China.

THE GLOBAL COMMONS: INTERSECTING ECONOMIC AND SECURITY GOVERNANCE

The preoccupation with assured access to the global commons may be attributed to the concurrent demilitarization of security within the transatlantic area and the securitization of issues once considered the exclusive domain of domestic politics. The four domains constituting the global commons – aerospace, maritime space, cyberspace and outer space – are inextricably linked, but the rules and principles governing maritime space, cyberspace, and outer space are increasingly contested. Most important, for the United States (and its European allies) continued open access to these domains underpins the American ability to operate globally on air, land and sea, while for the rising powers of Asia open access serves as a facilitator of continued US strategic hegemony and economic dominance. The US has an interest sustaining the regimes governing the commons and ensuring that any modification to them does no harm to its strategic interests or those of its allies. Similarly, China, India, Brazil and others have an interest in modifying those governance systems to align better US influence and power. Intra-mural debates between the United States and Europe have been restricted to a contestation of the rules, rather than disagreement on the underlying principles of governing the commons. The US and Europe generally expect that the internally settled limits of contestation will be shared and accepted other stakeholders in the system, particularly China, a state that has clearly expressed its dissatisfaction with the existing

system of governance that privileges US strategic interests in the Pacific Basin and beyond.

The Maritime Commons. The maritime commons retains an unparalleled security salience: the global and Atlantic economies are heavily dependent on sea-borne trade for manufactures and raw materials, and three quarters of global trade passes through vulnerable international straits and canals. The evolution of the global supply chain has made the advanced economies particularly vulnerable to any disruption of maritime trade, the global communications infrastructure is underpinned by a complex web of undersea cables, and global energy infrastructures are similarly dependent upon a stable maritime space. The violation of any component of “freedom of the seas” inevitably impinges upon the American and European ability to engage rivals at sea or to intervene militarily in regions outside the North Atlantic area deemed critical to allied security.

These objectives, in turn, have focused NATO’s attention to protecting the integrity of the UNCLOS regime, particularly innocent passage through territorial seas, transit through straits used for international navigation, archipelagic sea passage, and the definitions of territorial sea, the contiguous zone, the exclusive economic zone (EEZ), and continental shelf. The importance of the UNCLOS regime reflects the perceived threat posed to allied freedom of action on the seas owing to the putative and actual emergence of China as a formidable maritime power in conjunction with China’s revisionist ambitions in the South China Sea and on-going infringement of the UNCLOS provision on innocent passage inside the internationally recognized Chinese EEZ.

The US and Europe equate the integrity of the UNCLOS regime with the protection of the transatlantic economies from disruptions to sea-borne trade and the preservation of NATO’s comparatively

unencumbered maritime power projection capabilities. Policy analysts recognize that the NATO maritime powers are alone unable to ensure freedom of the seas or meet the threats posed by piracy, drug trafficking, and sea-borne WMD proliferation in the Indian Ocean, the Straits of Malacca, or elsewhere. A global system of maritime surveillance protecting sea-borne commerce could be enforced by a US-led Global Maritime Partnership or by integrated regional initiatives, but China among others is unlikely to acquiesce to a system that perpetuates US maritime dominance. Yet, American naval forces – and those of the NATO allies more generally – are central to any global solution to the security threats posed to the uninterrupted flow of goods on the high seas. The policy debate attending the progressive globalization of NATO’s naval role has revealed fissures between the continental and maritime member-states of the alliance. But those fissures pale in comparison with the chasm between NATO and non-NATO states, particularly those with a plausible claim to regional dominance, notably China, India, and Russia. The purpose – and hence legitimacy – of a NATO-dominated maritime order is questioned outside the North Atlantic area. Arguably, the BRICS have as great a stake in an uninterrupted flow of manufactures and raw materials on the high seas as do the member states of the alliance.

Despite the recognition that NATO is unable to provide security on the high seas alone, the emerging maritime powers are viewed as posing a challenge to US (and NATO) maritime dominance, rather than as potential partners contributing to the stability of the global economy – a contradictory position if maritime space is indeed a global commons.

US suspicions of the Chinese, Indian, or Russian maritime ambitions are only explicable *if* the western ambition is to lock-in the American command of the maritime commons. As China – and the other BRICS – become capable of challenging the maritime

prerogatives now enjoyed by American (and NATO) naval forces outside the North Atlantic region, the viability of the maritime regime currently servicing their shared commercial interests will be undermined by opposed diplomatic and strategic objectives in the Indian and Arctic Oceans and the South China and East Seas. Thus, the geostrategic and geo-economic requirements for securing the maritime commons are counter-indicative: the latter would welcome an enhanced BRIC naval contribution for the purposes of enforcing the letter and substance of the UNCLOS, while the former underscores the need for continued American (and NATO) naval dominance.

Cyberspace. Cyberspace has perforated national sovereignty; it has accelerated the growing irrelevance of geography and borders for commerce, finance, and communications. The revolution in information technologies and the digital linking of national economies and societies have contributed to the unparalleled openness, productivity, and vulnerability of NATO member state economies. The ease with which disturbances are transmitted across cyberspace *and* the difficulty of deflecting those disturbances have reduced systemic resiliency to exogenous shocks or malevolent acts by a broad range of actors. Not only is data transmitted in cyberspace vulnerable to attack, but so to are the physical and virtual infrastructures containing cyberspace. The private ownership of the cyber infrastructure (e.g., software and the global fibre optic cable network) in conjunction with the military reliance upon that infrastructure has not only securitized civilian cyberspace, but elevated cyberspace to a critical theatre of operations for the alliance.

The threats to cyberspace are varied with respect to agent (terrorists, malicious hackers, criminals, states), strategies of disruption (computer network operations, computer network attack, domination of the electromagnetic spectrum), and target

(data, physical infrastructure or software). Moreover, major power vulnerability to the disruption of cyberspace is asymmetrical. Unlike Americans and Europeans, late adapters to cyberspace – as China is – have been able to reduce their vulnerability to disrupted cyberspace with national gateway controls. Moreover, the American-led embrace of net-centric warfare has created new vulnerabilities for American and allied forces, particularly the targeted destruction of the physical or virtual infrastructure of cyberspace.

There are significant external barriers to the creation of a viable international regime creating a cyber-commons. First, any regime must first address the problem of attribution, state responsibility for non-state actors operating within national jurisdictions, and the proportionality of response to cyber-attacks, -spying or -commercial espionage. Second, the physical conflation of commercial and military assets places into question the appropriate institution for crafting such a regime, particularly since the critical vulnerabilities of western societies are economic and financial data networks and the legitimacy of a leading NATO role is contested in the Asia-Pacific. A final barrier to an effective international regime protecting access to the commons is the opposed strategic objectives of the major cyber-antagonists in the international system, the United States and China: each seeks cyber-dominance and the ability to disrupt the networks of potential adversaries.

Outerspace. The outer space and cyberspace commons are partially substitutable: each can be used to transmit data. Access to the space commons, however, is essential for the important (military) task of data collection, whereas cyberspace remains the key location for storing and analyzing data. The vulnerabilities plaguing the outer space commons are not dissimilar to those found in cyberspace and, like cyberspace, the securitization of space has virtually erased the distinction between the civilian and military functions of space-based communications assets.

The military-strategic saliency of outer space for the US, and to a somewhat lesser extent the EU, can hardly be overstated. NATO and US access to space-based assets is the *sine qua non* for expeditionary operations, a state of affairs driven by the transition to net-centric warfare. The over-riding goal of NATO in the outer space commons is developing an international space regime that will establish rules for orbital (and spectrum) allocations that will not degrade or impede NATO's military mission. NATO access to space-based assets are threatened by any number of malefactors – states, terrorist or criminal organizations or hackers – only matched by the number of threats to access: electronic warfare, anti-satellite weapons, kinetic attacks on ground stations, and space debris that threatens the integrity of space-based platforms.

An effective and broadly legitimate outer space regime faces significant barriers. First, a common space policy is problematic owing to the competitive nature of national space programs. Established and rising powers alike seek to reap the commercial benefits of a robust space industry and all parties have an interest in enhancing or acquiring an autonomous space-based intelligence capability. Moreover, the American transition to net-centric warfare and the policy objective of space dominance create another set of barriers: the former has made US armed forces extremely vulnerable to an interruption of space-based communications and information gathering platforms, while the latter requires an offensive as well as defensive capability in space – an option the Chinese have chosen and the Europeans have explicitly rejected. There is little evidence that NATO member states and formal US allies in Asia possess the legitimacy or power to create unilaterally a regime that would enable the Americans unfettered access to outer space in support of out-of-area operations or enhance the ability to project power into areas of strategic concern to China and other rising powers. Most important, perhaps, is the unlikely role of China, particularly, as a

constructive partner in forging any international agreement given the recognized and easily exploited vulnerability of the space-based platforms critical to US (or NATO) military operations.

CONCLUSION

Four hypotheses were proposed to explain the place of the EU and China in the American foreign policy calculus. How do they fare against the empirical record?

- The capabilities hypothesis is generally confirmed. The relative decline of European military capabilities and internal macroeconomic malaise and the rapid modernization of Chinese military capabilities have diverted US attention and resources to the Asia- Pacific.
- The quiet/hot zone hypothesis is confirmed. American and European foreign policy elites agree that there is no existential threat to the existing European order and that the sources of disorder are outside Europe and increasingly distant from it. A more assertive China, particularly territorial claims that imperil formal US allies or threaten US freedom of the seas, has pushed forward the American “rebalancing” announced in the first Obama Administration.
- The crowding-out hypothesis is strongly confirmed. The process of globalization, the rise of once marginalized states, and the Chinese challenge to the status quo limit the policy attention that can be devoted to Europe.
- The wave-of-the-future hypothesis is problematic. First, it is clear that American attention is increasingly diverted to other regions of the world owing to geopolitical challenges and geo-economic interests, but it does not necessarily imply that America’s future is not intertwined with that of Europe, first and foremost. The few states outside the transatlantic

area that share values, interests, and foreign policy purpose to the same degree or as consistently. Second, it is as clear that the 21st century is likely to be known as the Pacific Century and China could possibly emerge as the world's foremost power. If it does, China will be fully within its rights to demand a re-ordering of the rules governing the international system. The only open question is whether the major protagonists will treat the negotiation as a joint-sum or as a zero-sum game.

Table 1. Global GDP Share: 1990-2018

	1990	1995	2000	2005	2010	2013	2018
United States	24.682	22.857	23.493	22.163	19.363	18.619	17.681
China	3.873	5.65	7.117	9.418	13.526	15.621	18.971
Russia	n/a	2.936	2.646	2.979	2.994	3.028	2.934
Japan	10.087	8.854	7.686	6.829	5.862	5.479	4.709
EU-27	27.977	25.476	24.523	22.679	20.153	18.503	16.32

Source: IMF (2013), "Data and Statistics" at: <http://www.imf.org/external/pubs/ft/weo/2013/01/weodata/weoselgr.aspx>.

Table 2. Press Perception of EU and China

	WSJ (2009- 2013)	NYT (2008- 2012)	EU & issue area	NYT (2008- 2012)	China & issue area	NYT (2008- 2012)	China share	EU share
EU	5.78%	2.61%	Trade	25.33%	Trade	12.95%	11.58%	2.68%
Germany	13.81%	14.12%	Finance	10.65%	Finance	7.12%	6.37%	1.13%
France	13.38%	7.24%	Energy	12.26%	Energy	17.71%	15.84%	1.30%
UK	6.34%	19.12%	Oil/gas	5.04%	Oil/gas	18.41%	16.47%	0.53%
Russia	9.15%	8.12%	Euro crisis	5.61%	Euro crisis	1.04%	0.93%	0.59%
China	31.52%	40.44%	\$-€	20.34%	\$-renminbi	0.51%	0.45%	2.15%
Japan	17.55%	7.24%						
NATO	1.95%	1.04%	Security	6.57%	Security	21.94%	19.63%	0.69%
ASEAN	0.14%	0.04%	Defense	11.85%	Defense	15.90%	14.22%	1.25%
APEC	0.33%	0.03%	Terrorism	1.75%	Terrorism	3.53%	3.16%	0.19%
ARF	0.01%	>0.00%				TOTAL	89.43%	10.57%

Table 3. Press Descriptors of China and United States

China Daily		New York Times	
<i>China and:</i>		<i>China and:</i>	
Rising power	23.15%	Threat	31.89%
Peaceful rise	20.06%	Enemy	21.88%
multipolarity	3.29%	Partner	0.04%
		Rising power	41.52%
<i>US and</i>		Competitor	3.29%
Hegemony	51.85%	<i>US and:</i>	
decline	1.70%	decline	1.38%

Table 4. Senate and Treasury Descriptors of China

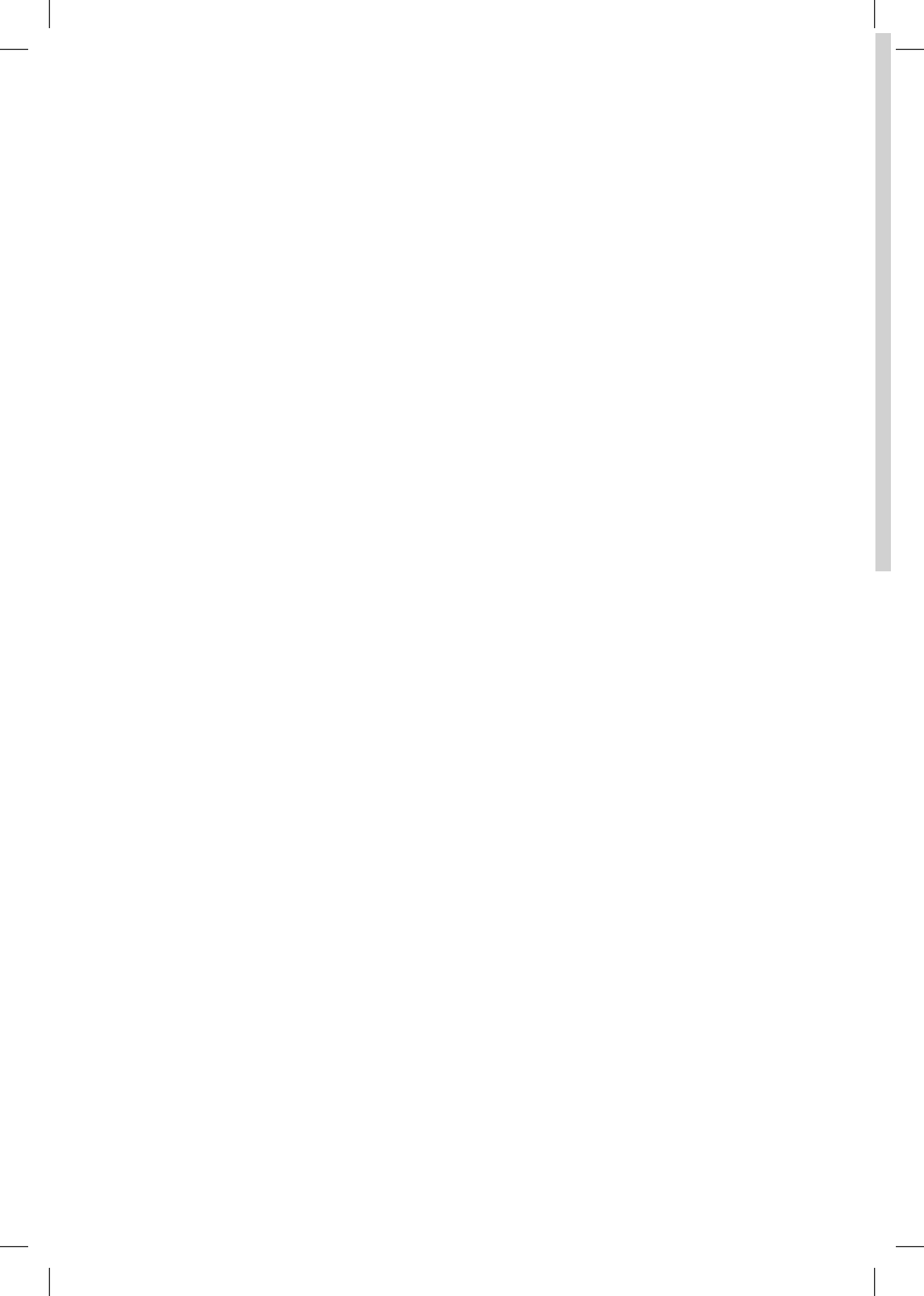
Senate		Treasury	
<i>Economy:</i>	share	<i>Trading:</i>	
Partner	24.04%	Challenger	45.56%
Adversary	5.90%	Partner	32.52%
Competitor	14.03%	Competitor	21.49%
Threat	39.46%	Adversary	0.02%
<i>Manipulation</i>	16.57%	<i>Manipulation</i>	0.41%

Security	
Adversary	13.07%
Enemy	20.45%
Ally	0.00%
Partner	0.53%
Rising power	32.83%
Challenger	32.34%
Competitor	0.78%

Table 5. Stimulus Measures, 2008-2010

	US	China	Japan	France	FRG	UK
<i>Output gap</i> 2009	-4.5	-0.05	-7.0	-3.2	-3.6	-4.9
2010	-3.9	-0.05	-5.5	-3.2	-3.3	-4.7
<i>Expenditure measures</i>						
Infrastructure Investment	x	x	x x	x	x x	x
Support to SMEs						
Social Safety Net	x	x	x	x	x	x
Housing/Construction		x	x	x	x	x
Strategic Industries		x			x	
<i>Revenue measures</i>						
Corporate Income Tax	x		x	x	x	
Personal Income Tax Indirect Tax	x	x	x	x	x x	x x
<i>Fiscal cost (as % of GDP)</i> 2008	1.1	0.4	0.4	0.0	0.0	0.2
2009	2.0	2.0	1.4	0.7	1.5	1.4
2010	1.8	2.0	0.4	0.7	2.0	-0.1
<i>Total fiscal cost (\$bn)</i>	841.2	204.3	104.4	20.5	130.4	40.8

Sources: IMF, *The State of Public Finances: Outlook and Medium-Term Policies after the 2008 Crisis*, 6 March 2009; IMF *World Economic Outlook* (Washington, DC: IMF, October 2009).



THE EUROPEAN UNION AND GLOBAL ECONOMIC GOVERNANCE IN LIGHT OF THE GREAT RECESSION

*Carlos Márcio Cozendey**

The EU's position in global governance was strongly challenged by the consequences of the Great Recession triggered by the global financial crisis of 2008, and even more intensely by its unfolding in the 2011 European crisis. But the transition to a new equilibrium in the mechanisms of global economic management was not completed and could now become

* Secretary of International Affairs of the Brazilian Ministry of Finance. The opinions expressed in this article are responsibility of the author and do not necessarily express the position of the Ministry of Finance. The author thanks the team of the Undersecretariat for Financial-Economic Institutions and International Cooperation for preparing the graphics that illustrate the text.

stagnant. The threat to the EU's position resulted from factors that were already present in the global economic movement prior to the crisis, some of which deepened in response to the crisis, as well as in the way the EU and its member countries responded to the crisis.

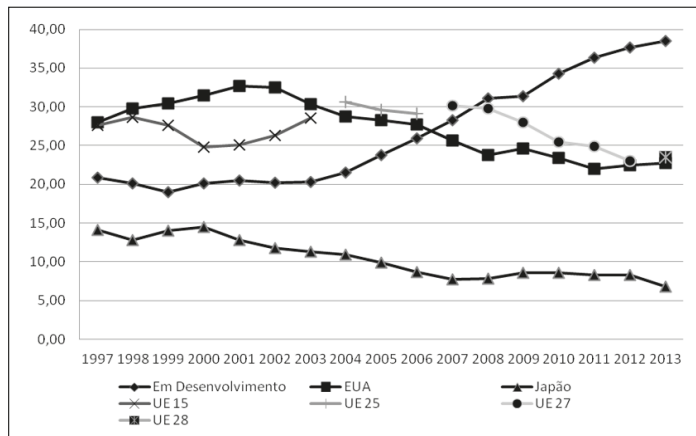
The decade preceding the crisis saw a prolonged period of growth in the world economy where developing countries, in particular those who became identified as emerging economies that had overcome the pitfalls of the crises of the late 20th and early new Century (Asia, Russia, Brazil, Argentina), registered strong economic growth rates. In particular, the Chinese phenomenon demonstrated all its strength from an accelerated increase in productivity when transferring mass manual labor from the countryside to industry, which resulted in a strong growth in manufacturing output to supply a demand fueled by the juggling act of financial markets in developed countries. The passage of Asia into a situation as a net importer and producer of food and raw materials transmitted the growth of the region to other parts of the developing world, through demand and commodity prices.

In parallel, Europe has been slow to recover from the recession at the beginning of the century and, in most European countries, failed plans for structural reforms that would significantly raise productivity as expressed, for example, in the Lisbon Strategy, established in 2000 by the European Union to "make Europe, by 2010, the most competitive and dynamic knowledge-based economy in the world" (European Council, Lisbon March 23 and 24 2000, Conclusions of the Presidency). At the same time, despite the intentions of the European Commission, the weight of the common agricultural policy and the necessities to cushion the entry of new members from Eastern Europe into the Union in terms of regional policies left little room in the community

budget for competitiveness policies, including technological development or the integration of infrastructures.

As a result, while the participation of developing countries in world GDP at current prices increased consistently over the last decade, the participation of the European Union decreased, even with the expansion from 15 to the current 28 members.

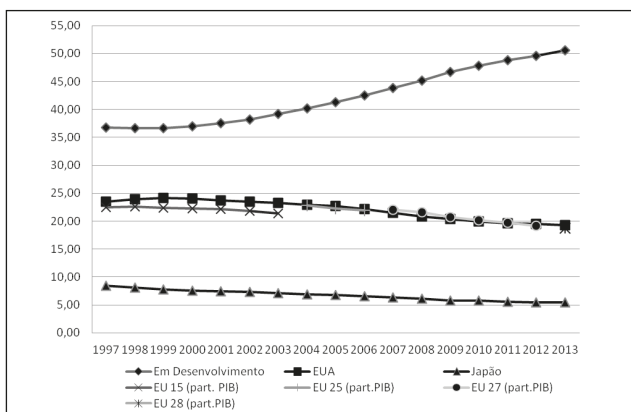
Participation in global GDP (Current Prices)



Source: FMI, WEO Prepared by: MF/SAIN

In terms of purchasing power parity, on the other hand, developing countries are now currently over 50% of global GDP, which underlines the crucial role they play in sustaining the growth of the world economy, especially after the 2008 crisis.

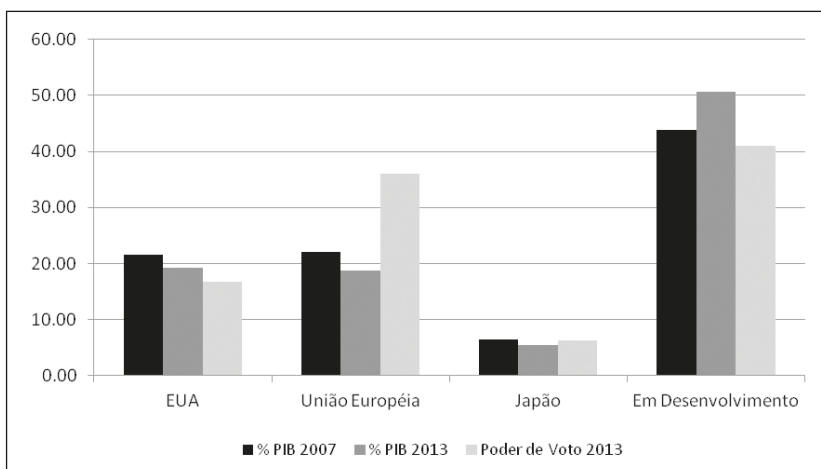
Participation in Global GDP



Source: FMI, WEO Prepared by: MF/SAIN

This trend was leaving an increasingly evident contrast between the composition of the central decision-making mechanisms of economic schemes established after World War II, particularly in regard to the governance of the International Monetary Fund and World Bank, and the new reality of the international economy.

Participation in Global GDP x Voting Power in 2013



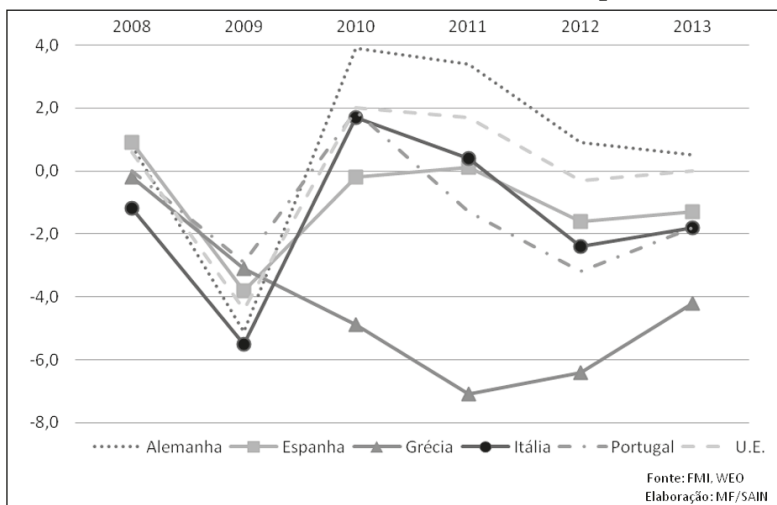
Source: FMI Prepared by: MF/SAIN

As can be seen in the graph above, European countries, on the threshold of the 2008 crisis, were already widely overrepresented in terms of voting power in the IMF compared to their share in world GDP. As a result, there was mounting pressure from developing countries, especially the major emerging economies, over the European countries for a space assignment in the governance of international economic institutions. Although the overrepresentation affected advanced countries in general, the United States maintained its participation in global GDP above its voting power in the IMF, which allowed the American Executive a more favorable stance to the changing composition of the shares, which is reflected in the voting power, toward a greater participation of emerging and developing countries.

The 2008 crisis deepens this picture. European countries, in varying degrees of intensity, faced a severe recession in 2008 and 2009. In 2010, the recovery appeared to settle in, but Greece had remained on the way. The state of Greek public finances, which had already become critical before the crisis, irretrievably deteriorated and, without effective European rescue mechanisms in place, the vicious cycle of low growth and fiscal deterioration was set in place. In 2011 Greece is forced to restructure its debt, while Ireland, called to rescue its banking system, and Portugal, whose finances were also already in a delicate state pre-crisis, are forced to seek help from the EU and IMF to meet debt payment obligations. Given this situation, investors who had become accustomed to an insignificant difference between the remuneration received from the sovereign bonds of different countries of the euro zone, started to demand higher payments in most of the countries considered being in a fragile fiscal situation and Spain and Italy joined the line. If the European rescue mechanisms had been improvised to rescue Greece, Ireland and Portugal, the picture presented is critical of the view that it was necessary to bail out those two countries, whose economic order of greatness is on

another level. The European Central Bank (ECB), which had already adopted a controversial measure to raise interest rates in 2010 when the economic recovery was still incipient, made it clear that it would not firmly support sovereign bonds, with the understanding that it should not finance public shortfalls, which would be inconsistent with its constitutional limitations and a narrow mandate to price stability. Moreover, as European banks had great exposure, but uncertainly in government bonds now doubtful, its funding sources in Europe and across the Atlantic dried, in so far as that financial institutions and European and American investors, already affected by the crisis, sought to protect themselves from the European sovereign risks. The result was a reversal in Europe's growth recovery and a crisis that called the mechanisms of European integration into question, raising doubts on the continued existence of the single currency.

GDF Growth of Selected Countries from the European Union

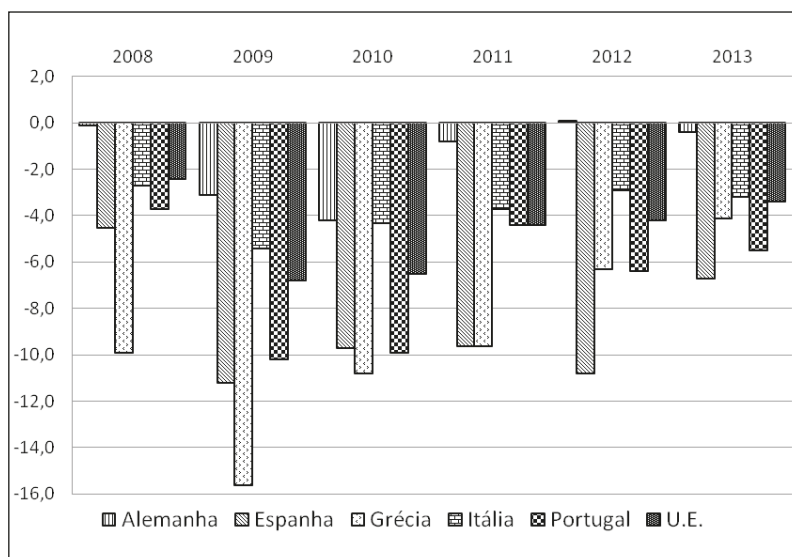


The response by a majority of the countries to the 2008 crisis was to coordinate a trigger to their countercyclical levers. The automatic stabilizers of increased government spending for unemployment insurance mechanisms were added to the bank

bailout and stimulus of a different nature to demand recovery programs. This increase in spending, as opposed to the decrease in revenues due to the economic recession, naturally generated high public deficits that have resulted in a sharp increase of public debt to GDP ratio in advanced countries.

European countries with more critical fiscal situations, or perceived as weaker, did not have another way out other than seeking to reduce their public deficits, whether or not in the context of the adjustment arising from financial assistance agreements with the EU and IMF programs. The degree and the pace of fiscal consolidation, however, ended up aggravating the vicious cycle of low growth/fiscal deficit. At the same time, the view that prevailed in Europe, under the leadership of Germany and other countries in a better fiscal and financial situation, was that a rapid fiscal adjustment, with reversal of the stress from the reaction to the 2008 crisis, was essential to ensure investor confidence. This was not only the recipe presented to countries in more fragile positions, but the proposal for their own economic policies. As seen in the table below, Germany quickly reduced its fiscal deficit and in 2012, in full impact of the second dive of the GDP generated by the European crisis, ended the year with a fiscal surplus, thus conveying a contractionary impetus for the European economy.

Nominal fiscal result in the European Union and selected countries (in % of GDP)



Source: FMI, WEO Prepared by: MF/SAIN

This is not the place for a description of the comings and goings of the European decision-making process for dealing with the weaknesses revealed in the single currency project by the 2011 crisis. But in summary, the problems of the formation of a single currency without fiscal union and no union bank were evidenced. The EU came out of the crisis with strengthened – but still underpowered – mechanisms for collective fiscal control, established and tested funds of stabilization – albeit in a limited volume – and an incomplete – but designed and gradually implemented – banking union. In this area, the ECB was elevated to the single banking supervisor, as a basis for community mechanisms of deposit guarantees, settlement and lending of last resort. However, during the crisis, the complexity and difficulty of collective decision-making processes in the union

became evident, while the tension between the collective and the national was exacerbated.

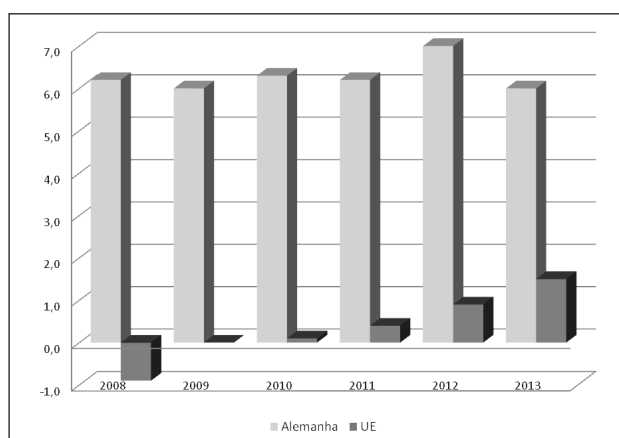
To the eyes of the European public, while dysfunctional aspects of EU institutions came into focus, European solidarity found itself heavily tested. The Union, which had been, to many countries, notably the European periphery, a source of growth and positive expectations, was suddenly a source of restrictions and demands for traumatic adjustments. Better-off countries not only acted to limit their exposure to the risk posed by countries in fragile situations, but also developed strong fiscal adjustment policies, not transmitting a boost in demand to the rest of the Union to help rescue those who had entered the debt/recession spiral.

At the international level, the response to the 2008 crisis brought on the search for a coordination of countercyclical stimuli for the demands within the G20, a forum for discussion for finance ministers and central bank presidents who went on to meet at the level of heads of government. By “summoning” the largest developing and emerging market countries to assist in recovery from a crisis heralded as catastrophic, the advanced countries recognized that the world had changed and that the decision-making processes of international economic regimes needed to incorporate new players. In the next step, the expectation of the developed countries was that the G20 would allow the coordination of a rebalancing of the global demand, where the emerging sustained the demand and countries with current account surpluses strongly stimulated domestic demand and helped the recovery in global demand.

Indeed, emerging and developing countries were generally able to use the space that had been built in their fiscal and monetary policies to quickly restore growth and contribute so that the crisis did not reach the expected levels.

Regarding rebalancing, more than five years later, the results indicate a reduction of the American deficit and the Japanese and Chinese surpluses, in contrast to the maintenance, almost unchanged, of the current account surplus of Germany, which, together with the adjustment made by the European periphery, reversed the position of the current account balance deficit of the European Union into a surplus.

**Current account balance of Germany and the European Union
(in % GDP)**



Source: FMI, WEO Prepared by: MF/SAIN

Germany has basically replaced most of its exports to the crisis-stricken European Union for developing and emerging countries, without expanding its domestic demand in a manner sufficient enough to function as an auxiliary line in the European recovery.

With Europe and other developed countries growing less and developing countries sustaining global growth, their participation in the global economy continued increasing. What was found, however, was that these countries still do not enjoy the breath to

sustain the dynamism of the world economy without the recovery of the advanced countries.

In any case, if the crisis in the institutional field accelerated processes and initiated the incorporation of large developing countries in central decision-making processes of the international economic regimes, it also accelerated the growth of their importance in the global economy, which had been the source of this incorporation. As a result, it aggravated disparities between the participation of these economies in the global product and their participation in the decision-making process of the Bretton Woods institutions.

In the case of the IMF, this situation is even more complex because in 2009, and again in 2012, the large emerging countries were called, along with some of the developed countries, to make loans to the institution in order to expand its capacity to act, on the understanding that these contributions would subsequently be converted largely into quotas in the capital of the organization, with a corresponding increase of the voting power. However, the review of IMF quotas approved in 2010, which moderately transfers quotas in favor of developing countries, with reduced losses in Europe, has not yet been ratified and not entered into force. As the reform of 2010 was considered unsatisfactory by developing and emerging market countries, the promise was included that it would be resumed with a renewed discussion of the formula that serves as a basis for discussions about the size of quotas by January 2013, as well as a further review of quotas by January 2014. The discussions to that respect met great resistance from European countries and, with a delay in the ratification of the 2010 reform by the United States, neither of these objectives were achieved.

The logic of institutional movements and the real economy triggered by the 2008 crisis and deepened by the one in 2011 indicate that today a reduction in the over-representation of advanced countries is more justified, especially European countries, in favor of developing countries, notably the BRICS. However, such a move comes in direct contradiction with the goal of the creation and deepening of the European Union, that is, to enable European countries, through their union, a greater weight in the management of international regimes. In the face of the challenge posed by the crisis to the functionality of intra-European decision-making mechanisms, this source of legitimacy of the European integration process assumed even greater weight.

Thus, the transition process of international economic regimes to handle the increasing weight of large developing countries faces a complicated scenario ahead, facing, on one hand, the skepticism of U.S. Congress regarding multilateral regimes and, on the other, the European resistance to the loss of relative power.

After the most critical moments of the global economic crisis, the big developing countries temporarily lost bargaining power in the effort to reform global economic governance, to the extent that their “support” became less necessary and, with smaller economic growth, less substantive.

In this scenario one can find the efforts of the BRICS countries to create their own economic multilateral institutions such as the New Development Bank and the Reserve Quota Arrangement, whose constitutive treaties were signed at the BRICS summit in Fortaleza in July 2014. Envisaged to act in a complementary way to existing institutions, but under control of the BRICS, they introduce a new dimension of the evolution of global governance and, although it is obviously too early to judge their effectiveness and their impact, are a way of responding to

possible deadlocks on reform and the tendency for immobility of the Bretton Woods institutions.

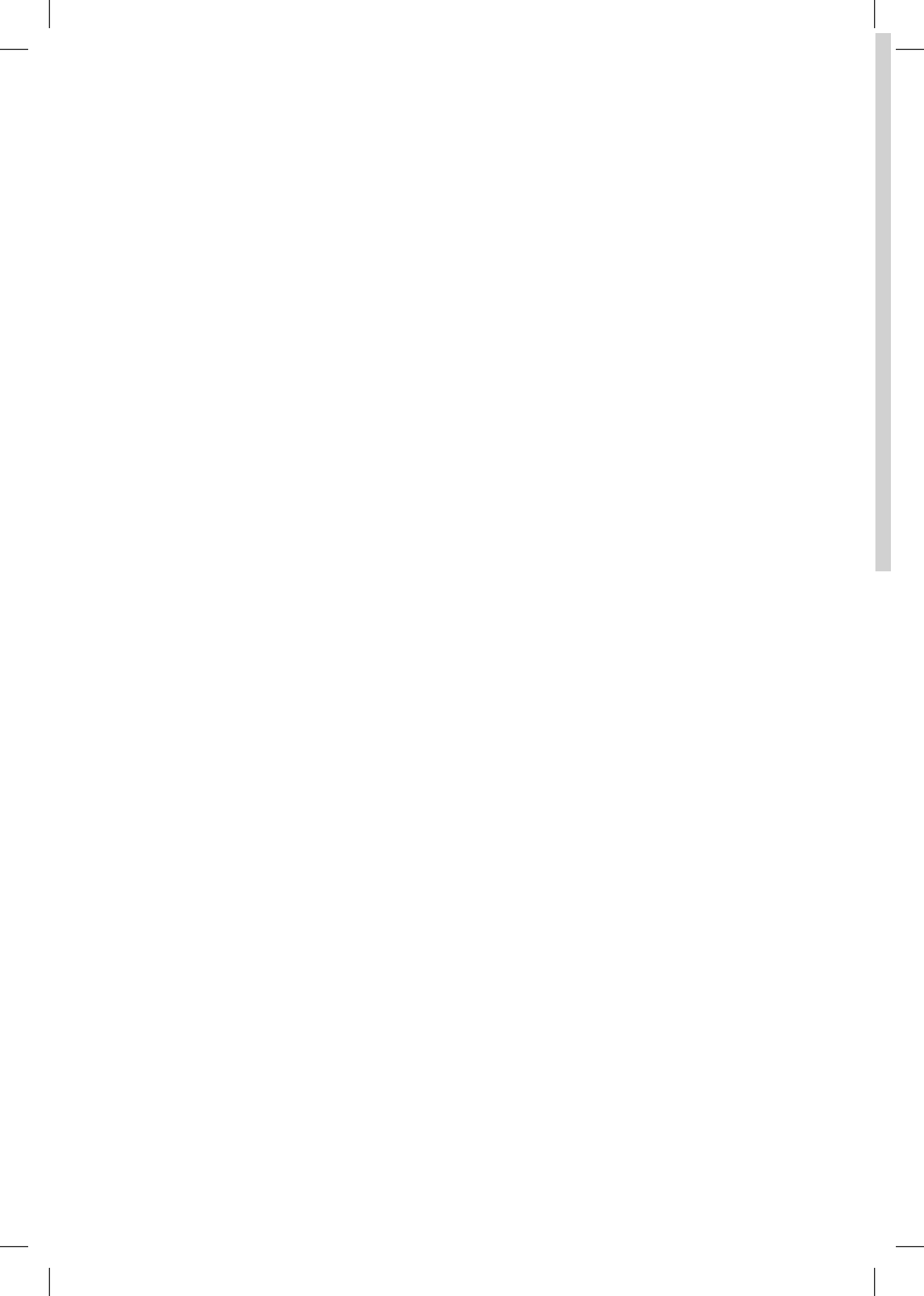
The BRICS thereby make their own autonomous advances to give an expression to the economic multipolarity that the crisis had accelerated. In this scenario, the EU must decide if it meets its vocation for multilateralism – given its constitution – and makes room for a more complete transition of international economic regimes, with greater preservation of the existing structure, or answers the call of the desire for power, which also comes from its constitution process, and resists this transition, with the consequence being a more intensive search for alternatives to the existing schemes. Either way, a more multipolar global economic reality seems unquestionable.



PART III

THE ROLE OF THE EMERGENT:

LATIN AMERICA



INNER, OUTER AND CROSS-COUNTRY PEOPLE'S PERCEPTIONS

*Marcelo Côrtes Neri**

INTRODUCTION

The Economics of Happiness is a relatively new field in economic analysis, which seeks a subjective evaluation of people's welfare, from a variety of perspectives (individual/collective, present/future and cross-country). In this article data is presented regarding Brazilians' social perceptions,

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compared internationally and related to the literature on the Economics of Happiness and Human Development.

Objective data related to people's subjectivity are used, derived from polls carried out in a hundred countries by Gallup World Poll. Its international character allows us to differ between Brazilian and other countries' points of view. Besides this data, the Social Perceptions Indicator System (*SIPS*) by Ipea, began, in 2012, to repeat the same kind of question to a representative sample of the country and its regions, which allowed for the assessment of this kind of perception throughout the Brazilian territory.

The three major forms of perceptions used in these polls are:

- People's satisfaction regarding their own lives/individual;
- People's satisfaction regarding life in the country/collective;
- Cross Country People's Perception.

This article is divided in this introduction and three sections. Section one explores compared data reported by Brazilians regarding present happiness, as well as their relation with income, and makes international comparisons. Section two analyzes data about future happiness and their implications. Section three shows data related to Cross Country People's Perception.

PRESENT HAPPINESS AND INCOME²

The Gallup World Poll data on satisfaction with life are based on a sample of 150 thousand respondents. Regarding current satisfaction with life, Brazil placed 18th among 160 countries in

2 This section is based on NERI, M. C. A FELICIDADE ACOMPANHA A RENDA? In: NERI, M. C. and SCHIAVINATTO, F. (Orgs.). *SIPS 2014: percepções da população sobre políticas*. Rio de Janeiro: Ipea, 2014.

2012, obtaining an average of 6.9, on a scale from 0 to 10. As seen in the table below, showing data from 2006 to 2012, Brazilians report a higher level of happiness than the other BRICS members and European countries, behind Mexico alone among Latin American countries in the poll.

Comparing data before and after the crisis, we can notice a sharp fall in satisfaction with life in all European countries in the poll. On the other hand, in Latin American countries, the perception of happiness, which already used to be high, did not fall; it has increased in the period.

Table 1. Current satisfaction with life today – a selection of European, Latin American and BRICS countries - 2006-2012

	2012		2011		2010		2009		2008		2007		2006		Change	Overall
	level	rank	level	rank	level	rank	level	rank	level	rank	level	rank	level	rank	2010-12 2006-08	Mean
Portugal	4,99	82	5,22	75	4,87	80	5,32	59	5,72	37			5,41	51	-9,67%	5,22
Italy	5,84	49	6,06	41	6,35	31	6,33	25	6,78	21	6,57	18	6,85	19	-9,65%	6,33
Greece	5,10	75	5,37	68	5,84	47	6,04	33			6,65	16	6,01	36	-14,11%	5,73
Spain	6,29	31	6,52	33	6,19	36	6,20	29	7,29	8	6,99	11	7,15	12	-11,34%	6,62
Brazil	6,93	18	7,04	16	6,84	20	7,00	11	6,69	23	6,32	24	6,64	21	5,90%	6,77
Russia	5,62	56	5,39	66	5,38	64	5,16	69	5,62	40	5,22	51	4,96	73	3,73%	5,37
China	5,09	76	5,04	79	4,65	92	4,45	93	4,85	76	4,86	66	4,56	95	3,57%	4,82
Sout Africa	5,13	73	4,93	90	4,65	93	5,22	64	5,35	53	5,20	54	5,08	70	-5,89%	5,09
Latin America																
Chile	6,60	24	6,53	32	6,64	20	6,49	20	5,79	35	5,70	34	6,06	34	12,65%	6,30
Colombia	6,37	28	6,46	35	6,41	28	6,27	28	6,17	30	6,14	27	6,02	35	4,96%	6,28
Mexico	7,32	7	6,91	20	6,80	12	6,96	12	6,83	19	6,53	19	6,58	23	5,47%	6,91
Peru	5,82	50	5,89	44	5,61	47	5,52	47	5,13	63	5,21	53	4,81	77	14,32%	5,48

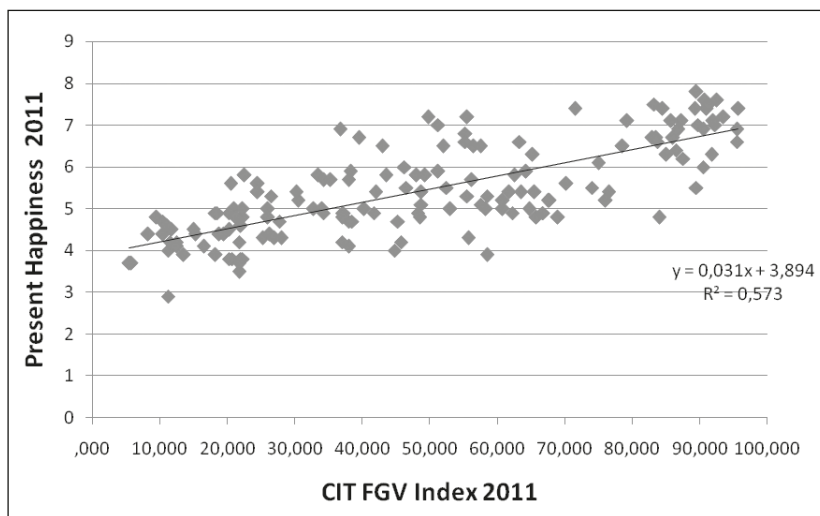
Source:SAE/PR from micro data by Gallup World Poll

Since developed countries do not report a higher level of happiness, it becomes important to investigate the connection between income and happiness. Angus Deaton (2007), based on Gallup World Poll data, analyzes this connection by comparing

GDP *per capita*, adjusted by Purchasing Power Parity (PPP) and perceived happiness. Results show us that there is a positive relation between these two variables and that Brazilian citizens are above the trend line.

Ipea conducted research¹ using same questions used by Gallup World Poll to analyze how happiness and income are related in the Brazilian case. Results show that there is a direct positive relation between present happiness and income in Brazil, controlled by several variables.

Chart 1. Relation between present happiness and internet coverage (%)



Source: CPS/FGV, from Gallup World Poll data

1 NERI, M. C. e SCHIAVINATTO, F. (Orgs.). SIPS 2014: PERCEPÇÕES DA POPULAÇÃO SOBRE POLÍTICAS. Rio de Janeiro: Ipea, 2014.

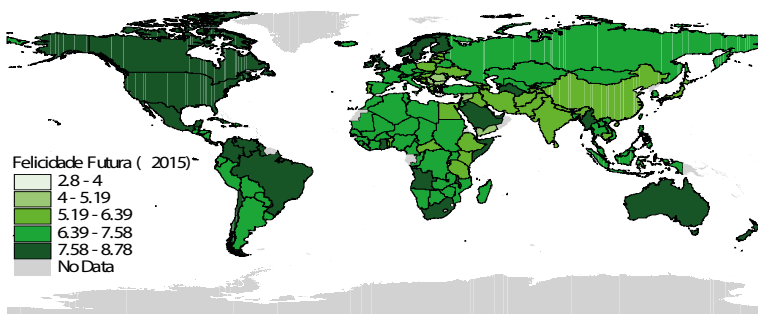
FUTURE AND EXTERNAL HAPPINESS²

Regarding present happiness with life, Brazil has been around 20th among all the countries in the research since 2006; on future happiness, five years from now, Brazil has the highest score in all editions of the poll, among all countries. In order to get a better view of this empirical regularity, the odds of this happening in a random draw are twenty in a trillion, even rarer than matching all the six lottery numbers.

Thus, it is possible to understand sentences like “Brazil is the country of the future”; that is how we face the future – optimistically. This optimism is not necessarily a quality, but an attribute; it is certainly bad for savings and possibly helps to explain why Brazilian interest rates are so high.

In the international scenario, Brazil is in the same group as Australia, New Zealand, United States, Canada and European developed countries in terms of future happiness, as seen in the map below.

Map 1. Future happiness – 2015



Source: CPS/FGV from Gallup World Poll data

2 This section is based on NERI, M. C. O FUTURO, O PAÍS E A AGENDA DO “PAÍS DO FUTURO”. In: NERI, M. C. and SCHIAVINATTO, F. (Orgs.). *SIPS 2014: percepções da população sobre políticas*. Rio de Janeiro: Ipea, 2014.

As seen above, Brazil is seven times champion in future happiness; also, the average Brazilian future happiness in the 15-29 year old group, is 9.29, also higher than any other country in the study. In other words, Brazil is world champion in future happiness, or in “young attitude”. So it is possible to balance two monikers often assigned to Brazil: “country of the future”, for some, and “young country”, for others. More than a country of young people in its demographic composition, Brazil is a country inhabited by young spirits.

Despite being optimistic about the future, there is a large difference when comparing individual happiness reported by Brazilians and the nation’s general happiness. The results of another Gallup poll, in 2008, show that the expectation for national general satisfaction for the next five years was still 6.8, while individual happiness expectation for the same period was 8.68. In the interpretation proposed here, this second element has a higher importance attributed, in the national context, to troubles related to collective actions, like inequality, inflation, informality, violence and lack of democracy, among others; problems that make the whole less than the sum of its parts, requiring mobilization and coordination of society.

Brazilian population in general is very optimistic about their own life and the future, but not the surrounding environment. Besides being less optimistic about the collectivity represented in national polls, average Brazilians also have a low level of satisfaction regarding their cities.

Compared to other BRICS countries, Brazil is in a lower degree than Russia and India, which tended to fall in recent years, but much higher than South Africa. China leads among the BRICS and is the only country in the group that grew in a comparison between the periods of 2006-2009 and 2010-2012.

Europeans in general have higher levels of satisfaction with their own cities than other countries, even with the decrease seen in the years after the 2008 crisis. Latin American countries also show high rates of satisfaction, with an emphasis on the significant rise in Chile and Peru in the last few years.

The table below shows that only 3 countries among the 14 selected have grown in the periods of 2006-2009 and 2010-2012, which means a general reduction of people's satisfaction regarding their cities of residence.

Table 2. People's perception about the satisfaction with their cities of residence – Are you satisfied with your city of residence?

	2009			2010			2011			2012			var 2006-09 x 2010-12
	rank		absolute	rank		absolute	rank		absolute	rank		absolute	
	absolute	relative		absolute	relative		absolute	relative		absolute	relative		absolute	relative
Brazil	76,33%	75	0,65	79,31%	69	0,57	78,35%	83	0,56	73,25%	96	0,74	-2,26%
Russia	80,07%	66	0,57	76,24%	81	0,66	73,40%	103	0,7	76,70%	86	0,66	-4,86%
India	83,93%	45	0,39	82,28%	56	0,46	83,21%	65	0,44	76,42%	89	0,68	-7,60%
China	75,86%	77	0,67	77,78%	78	0,64	79,29%	77	0,52	80,83%	69	0,53	0,68%
South Africa	54,75%	109	0,95	58,66%	116	0,95	62,86%	136	0,92	55,11%	127	0,98	-11,08%
Portugal	89,34%	23	0,2	89,33%	27	0,22	89,15%	32	0,22	88,66%	33	0,25	-1,47%
Italy	83,07%	51	0,44	79,72%	67	0,55	77,82%	88	0,59	76,51%	88	0,68	-3,16%
Ireland	92,77%	9	0,08	90,76%	16	0,13	93,89%	11	0,07	91,09%	25	0,19	-1,94%
Greece	81,92%	57	0,5	81,23%	63	0,52	74,96%	98	0,66	80,51%	71	0,55	-4,10%
Spain	91,95%	15	0,13	88,63%	29	0,24	88,34%	39	0,26	88,67%	32	0,25	-3,63%
Chile	83,11%	50	0,43	81,76%	60	0,49	81,19%	72	0,49	83,30%	60	0,46	4,95%
Colombia	84,33%	43	0,37	82,40%	55	0,45	83,95%	63	0,43	85,56%	47	0,36	-0,33%
Mexico	80,19%	65	0,57	72,91%	89	0,73	78,20%	85	0,57	81,01%	68	0,52	-6,19%
Peru	73,94%	84	0,73	77,45%	79	0,65	76,14%	93	0,63	75,12%	94	0,72	4,52%
first	96,88%	Turkmenistan	95,10%	Luxembourg	97,72%	Turkmenistan	95,62%	Turkmenistan					
last	41,53%	Senegal	44,51%	Sierra Leone	25,36%	Senegal	39,85%	Syria					
total number	115			122			148			130			

Source: SAE/PR from Gallup World Poll data

The relative disappointment of Brazilians with their cities helps to explain, partially, the occurrence of a complex phenomenon about social manifestations which happened in the country during June 2013. Some of the main demands of these manifestations were related to issues directly related to life in the cities, especially in the larger ones. Among these issues are urban mobility and access to quality public services, like education and health.

CROSSED PERCEPTIONS

So far, people's perception about their own lives have been discussed, as well as their cities of residence and the country as a whole (collective), but what is the perception with regard to external matters, related to other countries?

The *Gallup World Poll* research also shows cross-country people's perceptions. Here we will show Latin Americans' assessments of President Lula's performance in Brazil and Venezuela's leadership and, from a sample of the global population, perceptions about USA's, China's and European countries' governments.

When asked about President Lula's performance, most Latin Americans indicated their approval. The percentage of approval in South America, in 2010, was above 70% in 8 out of 9 researched countries; only Ecuador had a smaller value, 66.26%, and the Uruguayan approval percentage was 88.59%. The variation between 2008 and 2010 was also positive in 7 out of 9 South American countries.

The evaluation of Central Americans is less positive. It is possible that the result may be affected by lack of information. Only 38.51% of Honduran people have evaluated Lula's performance positively, while 76.16% of Haitians have done so, probably due to Brazil's activity in the United Nations Stabilization Mission in Haiti.

Table 3. Performance of President Lula, evaluated by other Latin American countries

Do you approve or disapprove of the job performance of Luiz Ignacio Lula da Silva (president of Brazil)?

Yes	2008	rank		2009	rank		2010	rank		var 2006-09 x 2010 -12
		absolute	relative		absolute	relative		absolute	relative	
Argentina	73,93%	8	0,44	76,28%	1	0,11	78,57%	5	0,28	4,62%
Bolivia	74,84%	7	0,39	71,73%	3	0,33	79,57%	4	0,22	8,58%
Chile	60,05%	14	0,78	64,77%	5	0,56	73,41%	7	0,39	17,62%
Colombia	78,52%	4	0,22	62,82%	6	0,67	80,39%	3	0,17	13,76%
Costa Rica	63,28%	11	0,61	69,72%	4	0,44	68,28%	12	0,67	2,67%
Dominican Republic	.	.	.	.	.	.	71,09%	11	0,61	#DIV/0!
Ecuador	66,70%	10	0,56	56,10%	8	0,89	66,26%	13	0,72	7,91%
El Salvador	54,42%	17	0,94	73,10%	2	0,22	72,78%	8	0,44	14,14%
Guatemala	60,05%	13	0,72	59,42%	7	0,78	63,64%	14	0,78	6,55%
Haiti	55,78%	15	0,83	.	.	.	76,16%	6	0,33	36,54%
Honduras	54,43%	16	0,89	39,64%	9	1	38,51%	18	1	-18,13%
Mexico	.	.	.	.	.	.	62,15%	17	0,94	#DIV/0!
Nicaragua	67,33%	9	0,5	.	.	.	62,61%	16	0,89	-7,01%
Panama	63,00%	12	0,67	.	.	.	62,74%	15	0,83	-0,42%
Paraguay	79,20%	3	0,17	.	.	.	71,40%	10	0,56	-9,85%
Peru	82,39%	1	0,06	.	.	.	81,55%	2	0,11	-1,02%
Uruguay	81,49%	2	0,11	.	.	.	88,59%	1	0,06	8,71%
Venezuela	75,48%	6	0,33	.	.	.	71,84%	9	0,5	-4,82%
<i>first</i>	82,39%	<i>Peru</i>		76,28%	<i>Argentina</i>		88,59%	<i>Uruguay</i>		
<i>last</i>	23,88%	<i>Trinidad and Tob</i>		39,64%	<i>Honduras</i>		38,51%	<i>Honduras</i>		
<i>total number</i>		18			9			18		

Source: SAE/PR from Gallup World Poll micro data

The perceptions of the same group of countries related to Venezuelan leadership (in this case, the variable was the country itself and not their president) are less positive. Among 18 countries, only Uruguay (67.61%) and the Dominican Republic (60.45%) had rates higher than 60%. On the other hand, Peru (23.43%) and Mexico (21.68%) made the worst evaluations. There is not a clear tendency in the variation of people's perceptions between 2006 and 2007; in any case, during the whole period of analysis, the Venezuelan President was Hugo Chavez.

Table 4. Approval or disapproval of Venezuelan leadership

Do you approve or disapprove of the job performance of Luiz Ignacio Lula da Silva (president of Brazil)?

Yes	2006	rank		2007	rank		2008	rank		2009	rank		var
		absolute	relative		absolute	relative		absolute	relative		absolute	relative		2006-09 x 2010-12
Argentina	58,70%	4	0,22	52,98%	4	0,24	..	.	.	78,57%	5	0,28	25,41%
Bolivia	55,61%	5	0,28	51,09%	6	0,35	42,06%	7	0,41	79,57%	4	0,22	44,36%
Chile	42,73%	11	0,61	25,64%	16	0,94	33,81%	10	0,59	73,41%	7	0,39	75,89%
Colombia	33,19%	15	0,83	36,58%	9	0,53	16,36%	17	1	80,39%	3	0,17	115,89%
Costa Rica	30,21%	16	0,89	21,56%	17	1	27,04%	13	0,76	68,28%	12	0,67	83,88%
Dominican Republic	60,45%	3	0,17	44,81%	7	0,41	64,03%	2	0,12	71,09%	11	0,61	25,98%
Ecuador	49,96%	8	0,44	59,58%	2	0,12	50,12%	5	0,29	66,26%	13	0,72	22,84%
El Salvador	.	.	.	40,18%	6	0,47	33,69%	11	0,65	72,78%	8	0,44	48,55%
Guatemala	52,25%	7	0,39	26,72%	15	0,88	50,27%	4	0,24	63,64%	14	0,78	34,94%
Haiti	34,15%	13	0,72	.	.	.	80,23%	1	0,06	76,16%	6	0,33	33,16%
Honduras	53,73%	6	0,33	33,64%	10	0,59	36,04%	8	0,47	38,51%	18	1	-5,53%
Mexico	21,68%	18	1	32,94%	11	0,65	24,98%	14	0,82	62,15%	17	0,94	134,22%
Nicaragua	.	.	.	59,27%	3	0,18	55,79%	3	0,18	62,61%	16	0,89	8,82%
Panama	44,66%	10	0,56	28,04%	14	0,82	24,56%	15	0,88	62,74%	15	0,83	93,50%
Paraguay	.	.	.	.	.	.	.	.	.	71,40%	10	0,56	#DIV/0!
Peru	23,43%	17	0,94	28,26%	12	0,71	30,79%	12	0,71	81,55%	2	0,11	196,61%
Uruguay	67,61%	2	0,11	51,84%	5	0,29	44,99%	6	0,35	88,59%	1	0,06	61,63%
Venezuela	.	.	.	.	.	.	..	.	.	71,84%	9	0,5	#DIV/0!
first	83,11%	Jamaica		72,27%	Belarus		80,23%	Haiti		88,59%	Uruguay		
last	21,68%	Mexico		21,56%	Costa Rica		16,36%	Colombia		38,51%	Honduras		
total number	18			17			17			18			

Source: SAE/PR from Gallup World Poll micro data

From a more comprehensive sample, involving countries from all continents, it can be concluded that the assessment of USA leadership is less positive than Latin Americans' in relation to Lula and Venezuela, but it grows significantly in the 2006-2010 period. This phenomenon may be associated with Barack Obama's election. There is a clear tendency for growth between the George W. Bush (2001-2009) and Barack Obama (2009 to date) administrations. However, this positive perception has not held throughout the years and in 2012 there was a tendency for drop. However, in general, levels were higher than 2006 and 2008. The

most critical countries in terms of North American leadership are Cyprus, Syria, Serbia and Pakistan, and the countries with the highest rates of approval are Cambodia, Burkina Faso and Albania.

Table 5. Approval or disapproval of North American leadership

Do you approve or disapprove of the job performance of the leadership of the United States?

Yes	2006	rank		2008	rank		2010	rank		2012	rank		var 2006-09 x 2010-12
		absolute	relative		absolute	relative		absolute	relative		absolute	relative	
Brazil	28,02%	91	0,78	34,86%	74	0,66	68,85%	63	0,55	54,41%	85	0,7	96,03%
Russia	22,38%	99	0,85	19,22%	94	0,84	43,64%	99	0,86	23,12%	118	0,97	60,48%
India	56,47%	41	0,35	71,28%	32	0,29	70,99%	56	0,49	57,87%	76	0,62	0,87%
South Africa	.	.	.	88,40%	7	0,06	92,18%	9	0,08	83,82%	14	0,11	-0,45%
Portugal	29,96%	83	0,72	16,54%	97	0,87	88,75%	15	0,13	75,12%	34	0,28	252,41%
Italy	35,11%	71	0,61	34,22%	75	0,67	83,27%	22	0,19	74,31%	35	0,29	127,30%
Ireland	39,27%	64	0,55	20,62%	91	0,81	83,25%	23	0,2	76,70%	28	0,23	167,10%
Greece	11,17%	112	0,97	.	.	.	36,22%	103	0,9	30,72%	112	0,92	199,72%
Spain	15,39%	105	0,91	12,28%	107	0,96	72,86%	48	0,42	53,26%	86	0,7	355,84%
Chile	29,85%	85	0,73	40,55%	66	0,59	78,75%	33	0,29	64,10%	64	0,52	102,90%
Colombia	50,47%	47	0,41	69,93%	35	0,31	75,53%	44	0,38	67,81%	55	0,45	19,05%
Mexico	33,49%	75	0,65	38,13%	68	0,61	56,65%	88	0,77	57,25%	79	0,65	59,04%
Peru	44,24%	58	0,5	52,62%	55	0,49	70,92%	58	0,5	56,83%	80	0,66	31,88%
first	96,05%	Cambodia		92,97%	Cambodia		96,44%	Burkina Faso		92,43%	Albania		
last	8,11%	Cyprus		5,66%	Syria		15,40%	Serbia		12,82%	Pakistan		
total number	116			112			115			122			
Avg Above	32,98%			41,55%			70,91%			59,64%			
Avg All	46,25%			50,80%			68,13%			61,70%			

Source: SAE/PR from Gallup World Poll micro data

The evaluation of European Union leadership shows a positive peak of different proportions among non-European countries, in 2010, compared to 2009, and a fall to lower levels than 2008, in 2012. For European residents, the fall seen in 2010 was possibly caused by 2008 financial crisis and is strongly emphasized in 2012.

Pakistan and Egypt were the countries most critical of European leadership, having approval rates lower than 20%.

Table 6. Approval or disapproval of European leadership

Do you approve or disapprove of the job performance of Luiz Ignacio Lula da Silva (president of Brazil)?

Yes	2008	rank		2010	rank		2012	rank		var 2006-09 x 2010 -12
		absolute	relative		absolute	relative		absolute	relative	
Brazil	47,53%	96	0,86	63,11%	61	0,58	43,83%	97	0,8	12,49%
Russia	54,72%	88	0,79	60,23%	72	0,68	38,02%	103	0,84	-10,22%
India	35,96%	106	0,95	43,45%	96	0,91	34,29%	115	0,94	8,09%
South Africa	78,61%	33	0,29	80,35%	12	0,11	66,78%	35	0,29	-6,42%
Portugal	78,31%	35	0,31	74,45%	28	0,26	48,38%	85	0,7	-20,98%
Italy	69,11%	56	0,5	71,99%	40	0,38	52,97%	70	0,57	-9,59%
Ireland	82,70%	19	0,17	67,56%	51	0,48	50,49%	79	0,65	-29,58%
Greece	.	.	.	38,74%	101	0,95	21,86%	121	0,99	
Spain	83,18%	18	0,16	67,78%	50	0,47	51,45%	76	0,62	-28,33%
Chile	62,26%	76	0,68	77,09%	19	0,18	44,88%	96	0,79	-2,04%
Colombia	78,17%	36	0,32	80,19%	13	0,12	54,34%	63	0,52	-13,95%
Mexico	66,45%	64	0,57	68,29%	48	0,45	47,44%	91	0,75	-12,93%
Peru	68,16%	60	0,54	75,40%	24	0,23	52,20%	72	0,59	-6,41%
first	90,57%	Botswana		90,58%	Mongolia		88,53%	Albania		
last	18,38%	Pakistan		18,44%	Pakistan		13,58%	Egypt		
total number		112			106			122		
Avg Above		67,10%			66,82%			46,69%		
Avg All		66,77%			65,79%			56,69%		

Source: SAE/PR from Gallup World Poll micro data

Perceptions on Chinese leadership do not have a defined tendency during the years analyzed. Among the BRICS, there is a fall with a high range of variation in India, South Africa and Russia, and a small increase in Brazilian perception. Compared to other evaluations, it is possible to notice that the critics of Chinese leadership are more radicals, as shown by the fact that less than 10% of Slovaks and Austrians have rated Chinese leadership positively.

Table 7. Cross Perception – approval or disapproval of Chinese leadership

Do you approve or disapprove of the job performance of the leadership of the United States?

Yes	2006	rank		2008	rank		2010	rank		2012	rank		var 2006-09 x 2010-12
		absolute	relative		absolute	relative		absolute	relative		absolute	relative	
Brazil	44,32%	79	0,71	43,51%	81	0,76	41,18%	78	0,72	48,41%	69	0,56	2,01%
Russia	56,73%	59	0,53	64,37%	53	0,5	60,40%	43	0,39	53,40%	59	0,48	-6,03%
India	37,46%	93	0,83	50,94%	73	0,68	40,66%	79	0,72	39,02%	85	0,69	-9,86%
South Africa	.	.	.	57,49%	62	0,58	47,78%	72	0,66	52,55%	62	0,5	-12,74%
Portugal	32,90%	99	0,88	26,45%	89	0,83	23,66%	99	0,91	28,97%	105	0,85	-11,33%
Italy	26,38%	102	0,91	9,17%	104	0,97	11,95%	109	1	19,49%	114	0,93	-11,56%
Ireland	42,98%	82	0,73	18,13%	98	0,92	33,43%	87	0,8	40,33%	82	0,67	20,70%
Greece	55,99%	63	0,56	.	.	.	47,42%	74	0,68	43,39%	76	0,62	-18,90%
Spain	26,34%	103	0,92	13,25%	103	0,96	29,62%	92	0,84	22,42%	110	0,89	31,46%
Chile	56,46%	60	0,54	48,83%	74	0,69	49,35%	67	0,61	40,83%	81	0,66	-14,36%
Colombia	55,72%	64	0,57	67,43%	46	0,43	56,73%	54	0,5	49,39%	66	0,54	-13,83%
Mexico	46,76%	74	0,66	.	.	.	61,64%	40	0,37	46,67%	71	0,58	15,82%
Peru	67,97%	36	0,32	68,83%	43	0,4	67,61%	26	0,24	54,80%	58	0,47	-10,52%
first	88,10%	Senegal		89,70%	Sri Lanka		92,68%	Mali		94,70%	Mali		
last	4,65%	Slovakia		6,49%	Austria		11,95%	Italy		7,74%	Austria		
total number		112		107		109		123					
Avg Above		45,83%		42,58%		43,96%		41,51%					
Avg All		55,74%		56,67%		52,95%		51,35%					

Source: SAE/PR from Gallup World Poll micro data

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FUTURE GLOBAL AND REGIONAL GOVERNANCE: A VIEW FROM THE DEEP SOUTH

*Félix Peña**

SOME MAIN CHALLENGES FOR GLOBAL GOVERNANCE IN A G-0 WORLD

With regard to the issue of global governance at least three approaches are possible. Firstly, global governance is related with the classic tension between order and anarchy, which in its most extreme version refers to

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the alternation between peace and war in the relations among nations (Aron, 1962). This is a tension that has had in the long history epicenters mainly of a regional scope. In those epicenters the connectivity and, the physical proximity between sovereign political units have intensified the tension originated from the perception of opposed values and interests, which many times have led to conflict and eventually armed confrontation among neighbors. Since World War II, especially due to the collapse of physical distances resulting from technological changes in communications and transport, chain reactions caused by regional conflicts have often enlarged their geographical scope. So in this first approach, global governance is related with the existence of institutions and rules that, due to their effectiveness and legitimacy, ensure the prevalence of an international order that neutralizes the tendencies towards the use of force among nations at the regional or interregional level.

Various other approaches to global governance are indeed possible. One of them refers to unequal effects resulting from the organization of production in transnational value chains. On the one hand, the global transnational productive networks contribute to accelerate the transmission of the impact of economic and financial crisis between nations, even distant ones, such as has been evident after the recent 2008 crisis. It has visible effects still present in many countries, yet calling for certain reserve in the diagnosis of its defeat. But on the other hand, precisely due to the connectivity and chain effects that they generate between the different economic systems at a trans-national scale, the proliferation of such productive networks increases the interest of nations in avoiding a worsening of the crisis through the policies applied to defend themselves. This is almost the opposite of what happened during the Great Depression of the 30's. The ease of contagion generates a collective interest in answers that preserve

global order and governance in the face of any trend towards a “run for your life” attitude. At the same time it promotes favorable reflexes toward the idea of an effective international economic order and of global governance.

A third approach -the one that we are going to focus on-, is related with the capacity of the international system to articulate solutions for relevant issues of the global economic agenda that, due to their scope, can only be tackled effectively by some agreement among all nations. This means that it is not possible for them to be tackled successfully only by one nation or a limited group of nations. Those issues are the result of the globalization of the economic activities. Among others, we can mention those related with climate-change, the trade and currency “wars”, the global regulation of the financial markets and the creation of conditions favorable for the development of all nations. It is precisely in view of this reality of globalization of the world economy that systemic deficiencies may be observed.

In fact, the shifts in world power during the last decades (Zakaria 2008) have gradually eroded the ability of the international institutions related as a result of WW II to generate effective responses to the most relevant economic issues of the global agenda. It is not an easy task now to adapt them to the new geography of world power. And those then originated in the financial domain as informal mechanisms between the most developed nations such as the G7, have shown their inadequacies when the 2008 crisis and its economic implications became evident. They led to resorting to the G20 which, however, has been unable to pass the test of sustainable efficiency and international legitimacy. Thus, at the global level, it has become difficult to gather around a single negotiating table the sufficient critical mass of power that is required for decisions to effectively impact reality. In the presence of relevant issues of the global agenda that demands effective and

legitimate decisions, the fundamental question remains; which nations should be summoned and which nations understand that they should be summoned? The answer will not always be the same to both questions. Traditionally it has been force more than reason that has set the rules for sustainable order in the relations between autonomous units of power at the international level. At least these are the teachings of the long history of mankind. This is the reason why what is currently happening in international relations – the idea of achieving order without war – is such a novelty, both at the global level and in some of the regional spaces that have had a greater tradition of violent conflicts and wars.

The scattering of world power in multiple relevant centers is complicating the task of redesigning the institutions of a new global architecture. The existing ones were born at a time when it was clear who held most power, which was enough to be acknowledged as the maker of rules at world level. As many times before, the answer emerged from war. This accounts for agreements such as Breton Woods. It also explains why it can be an illusion to pretend to reproduce a similar scenario now, a kind of “another Breton Woods” demanded by some economists. The failed attempts, between 1918 and 1939, to create international institutions that made the world governable, remind us how difficult it is to achieve viable agreements in a multipolar and heterogeneous context without a previous enforced definition of which countries can effectively guarantee international order.

The problem is then at the level of power relations between nations. For a time at least it will not be an easy task to add up the necessary concentration of power in order to adapt the institutions that make global economic governance possible. Not only has the international system become globalized but it tends to be a kind of “multiplex world” (Acharya 2013). Several other factors also help turn it heterogeneous in terms of values, memories, perceptions

and visions. This means that it is potentially more ungovernable. From there the growing importance of mechanisms that enable to summon a sufficient critical mass of power to make possible a process of creation of new international rules, the revision of the existing international institutions (such as the UN and world financial institutions) or to insure their proper functioning (such as the WTO). It could be facilitated by the agreements that may be achieved in those formal or informal ambits of regional scope, such as the EU, or trans-regional such as BRICS. In certain way they all represent diverse modalities of coalitions of nations that, at the same time, reflect different international subsystems. These are coalitions of a variable geometry adapted to the main issues of the regional, trans-regional or global agenda that lead to its formation. They can even be coalitions with superposed memberships. A country may be a member of different coalitions at the same time, depending on its relative relevance in different international subsystems. The joint work of the coalitions of nations towards common goals has been frequent in the history of international relations. Often they are of informal groups without institutionalization. Other times they result in formal agreements that originate international agencies. Additionally, their other objectives reflect the interests of a group of nations in international trade negotiations, for example within the framework of the WTO or to have an impact in the definition of new international institutions, or the transformation of the existing ones. The latter could be precisely the case of BRICS.

In historical terms, what is currently happening poses an unprecedented challenge. It consists of an attempt, through dialogue and negotiations between nations with varying degrees of power and a diversity of interests, to find an agreement on the mechanisms, rules and conditions that will enable them to achieve reasonable levels of regional and global governance. It

implies favoring the method of a gradual transformation or metamorphosis (Morin 2010) that comes as a result of the main changes that are taking place at the multiple levels of the political, economical, social and cultural life of nations. It is an unprecedented challenge precisely because the experience of the last centuries has shown that the shifts in world power, such as the ones that can be seen today at a global scale, have encouraged a tendency towards anarchy and not necessarily towards a sustainable order. Therefore, the violent confrontations and innovative modalities of wars, which have sometimes lasted some years, have determined in the past the transition towards new periods of world order in which those with superiority of power prevailed (Goldstein 1988).

Today each nation appears to be on its own (Bremmer 2012). This is a blunt way of describing the criteria that seems to prevail in the new international economic reality especially in the transition from a collapsing world order to one that may still take a long time to emerge and to consolidate. Quite soundly Bremmer points out right from the title of his last book this characteristic of a world in which each nation must find its own way of navigating it so as not to become a loser. Because, as also hinted by the title of the book, there is no doubt that there will be winners and losers at the end of the road. This is something that history has taught us well enough.

According to Bremmer the main reason for such a diagnosis is that in today's world no nation would be capable, or even willing for that matter, to exercise individually a collective leadership such as some nations did in the past. This is the case of the US, a country that has not ceased to be a great power, indeed the main military power, and will probably continue to be so for a while. However, it is very likely that a heavily indebted Washington will have, for many years to come, an agenda dominated by local economic issues with the inevitable social consequences, many of them with clear implications in values and political behavior as has

been evident in the recent paralysis of the US government. The same situation applies to Germany, France, the United Kingdom and other countries of the EU. Everything indicates that in the next years their energies will be focused on preventing the collapse of a construction that is showing evident signs of weakness. Additionally, it has become vulnerable to the effects of disturbing trends towards the radicalization of the domestic political front of some countries, which seem to be affected by an end of their illusions. The case of Greece illustrates this point. However, it might not be the only one and not even the most difficult to handle. At the same time, as indicated by Bremmer, it is also possible that the great re-emerging nations such as China and India will be focused for a long time on consolidating their modernization processes, which sometimes show signs of economic, social and political weakness. It is unlikely that in the short or even medium term these nations will have any interest in wasting energies in their trans-regional fronts if there is no pressing need for it. Unless, as has happened before in history, their leaderships eventually yield to the temptation of seeking external factors that help them preserve the necessary national cohesion.

Precisely, the notion of a polycentric and interconnected world is one of the main ideas of an in-depth report published by the EU Institute for Security Studies (de Vasconcelos 2012). This report analyzes in particular three main trends that are currently emerging and that would contribute to shape the global system towards 2030. These are: the empowerment of citizens, which contributes to the sense of belonging to a unique human community; a greater tension in relation to the objective of sustainable development; and the emergence of polycentrism characterized by shifts in power from the national states to individuals and different types of transnational networks and

by growing governance gaps, in the measure that international institutions fail to answer appropriately to global public demands.

It is possible to imagine that the effectiveness and legitimacy of the decisions that result from an ambit such as the G20 would be enhanced if some of the nations that form part of it could speak in the name of their own regions. This seems not to be the case today, not even the EU in spite of the steps taken regarding its foreign policy with the enforcement of the Treaty of Lisbon. It even has serious difficulties to preserve its capacity to devise collective answers to the economic and financial problems being faced by some of its members. In the case of South America, even if Argentina and Brazil are members of the G20, it would be difficult to consider that they always reflect the point of view of their region in such ambit.

RELEVANT FACTORS THAT ARE EMERGING IN NEW INTERNATIONAL REALITIES

We have entered a period of transition towards a different world that will be characterized by continuous dialectic tensions between the forces that drive towards convergence and, simultaneously, those that lead to fragmentation. It is still not possible to forecast which forces will prevail in each of the regions of the world. For a long time this will be a world full of uncertainties. It is necessary to keep in mind that those tensions will not exclude certain forms of violence, even innovative ones given the technological advances enacted by very different protagonists and not necessarily by states.

More connectivity and diversity, more difficulties in providing public goods that guarantee regional and global governance guidelines, more prominence of non-state actors – middle class citizens and urban consumers; social and production transnational

networks – will be some of the other factors that will condition global economic competition in the future and, as a consequence, the international trade of goods and services.

Moreover, it will be a competition marked by the rising of a third industrial revolution (Marsh 2012). It will have an impact on new modalities of value chains of transnational scope. These could result from multiple impacts of all kinds of technological innovations in the development of novel forms of orchestration of productive chains that will seek to satisfy a growing demand for personalized products and services – combining resources, technologies, creativity and highly qualified labor – coming especially from the urban middle-class consumers.

Within the newly emerging international context the quality of the strategy for the insertion in the global economic competition of each nation and its firms will become increasingly important. This includes not only the right policies, instruments and roadmaps to navigate the world of the future, but also the density of connectivity with other nations and of the coalitions and alliances they build. The quality of the domestic front is a key variable if the aim is to stay on the winning side in the world of the future.

Some other relevant factors are surfacing in the new international reality. They could have a strong impact in the future development of global and regional international relations. We are referring to the issue of the empowerment of citizens and consumers and, more specifically, of the emerging urban middle classes. From the 8 billion people that will probably inhabit the world in 2030 about 4.9 billion will be middle class in terms of economic income. By 2030, 74% of China's consumers will be middle class and by 2040, 90% of Indian consumers will be middle class as well. Two-thirds of Brazilians will be considered to be

middle class by 2030 (Neri 2012). Moreover, they will be middle class consumers and citizens that will live in cities and, in many cases, big cities of over one million inhabitants. They will be increasingly more educated, informed and interconnected, even at a global scale and well aware of the power that they hold. It is logical to imagine that they will attempt to use it. With their actions and demands they will sometimes surpass the deeds of governments. In some cases, they could become disoriented and “outraged” at the same time (Hessel 2011). This is why it can be considered that we are entering a stage of international relations in which, increasingly, the US could lose their role at least as the main actors. South America as a region is no stranger to these trends. According to UN data by 2030 the region will have about fifty cities with more than one million inhabitants and several cities with more than ten million citizens and consumers with expectations and consumption patterns characteristic of the middle class.

INTERNATIONAL TRADE NEGOTIATIONS AND ITS IMPACT IN GLOBAL GOVERNANCE

If concluded successfully and this is not always the case, international trade negotiations among a group of nations that, due to their economic dimension, are relevant players in world trade, could have a strong impact on the design of a new global economic order and, obviously in the map of international trade. This is a reason why they need to be followed closely by nations and firms with active participation in world markets, even while not directly involved in a concrete negotiation. That is so because it is a known fact that the design of the rules of the global trade of tomorrow could have an influence on the future definition of winners and losers, with all the political implications this entails

when nations compete for their presence in those markets that are the most attractive.

The above considerations become ever more relevant due to two concurrent facts: on the one hand, the stagnation that today dominates multilateral trade negotiations within the WTO and, on the other hand, the size of the economies involved in the current negotiations of preferential mega-trade agreements, such as the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership, or agreements that are being promoted at the Asia-Pacific region, such as the Regional Comprehensive Economic Partnership, and by the EU itself, especially with India, Canada and Japan. Both facts evoke conflicting diagnoses. In some cases these focus on the need to preserve the WTO multilateral trading system. In others, they lead to propose a new organization with participation limited to a restricted group of nations (Baldwin 2012).

On the side of the WTO, until now there are no promising prospects with regards to the results expected from the next Bali Ministerial Conference, either in its three priority issues (trade facilitation, agriculture and issues related to developing and least developed countries) or in relation of a “post-Bali agenda”. This issue is related to the credibility of the multilateral trading system and can be linked with the risks of a rising protectionism that could result from pessimistic perceptions about the evolution of the world economy.

On the side of the mega-trade agreements currently under negotiation, what is important to note is the fact that expanding the number of members (for example Japan and Korea) and the diversity of situations and interests at stake may nevertheless accentuate the doubts regarding they could be concluded soon. The other front where negotiation of a preferential mega-trade

agreement is expected to conclude soon is that of the EU and India. However, difficulties persisted in some sectors that are precisely the most sensitive in the majority of the trade agreements currently under negotiation, especially those related with the automotive, agricultural, intellectual property and government procurement chapters.

Understanding the evolution of the various fronts of international trade negotiations implies, moreover, to be able to interpret the major trends that are affecting the definition of the new map of global power and even of the different regions. Some authors has referred to the fact that these negotiations of preferential mega-trade agreements highlight the fact that power politics has come back to influence the strategies of the major players in world trade (Läidi 2012). Even if this was always the case there has been a tendency to consider that economic factors were what really mattered, sometimes nuanced in certain analysis by the influence that the political factors could have on them. But it was only a nuance, given that the political was not viewed by many analysts as the central aspect.

If we attempt to diagnose the uncertain evolution of the current international scenario in the perspective of the future of global trade and the main fronts of multilateral and preferential trade negotiations, three factors seem relevant. The first is the diversity of actors. Today there are many nations with capacity to have a significant impact at the international level. Some of them – China and India – have centuries of accumulated experiences. Understanding the multiple options they have in their international strategies and, in particular, the cultural differences and perceptions of their interests and values is now something of increasing importance. A second factor is the strong dynamics of change. Being able to grasp in a timely manner those events loaded with future implications and the major trends within the

international arena is something necessary, difficult and relevant for each nation and their businesses. The third factor is complexity. It implies the need to understand the main differences and to resist tendencies to simplify reality. The least advisable in order to understand the world of today would be to pretend that what is happening, is something similar to what were realities when GATT or even the WTO were created.

THREE CONDITIONS REQUIRED FOR THE CONSTRUCTION OF GLOBAL AND REGIONAL GOVERNANCE: THE CASES OF MERCOSUR AND OF THE EU-MERCOSUR NEGOTIATIONS

Three conditions are required in order to move forward in the concerted construction of reasonable governance, at both the global and regional levels. These would also apply if the aim is to build inter-regional spaces such as the ones that could result from the Mercosur-EU negotiations, in the measure that they effectively aspire to become something more than just an attempt at improving trade and investments (Peña 2013). These conditions are a firm political will aimed at achieving ambitious goals at the global or regional level; a strategic idea that is feasible and adapted to the interests of all the participating nations, and technical creativity in the definition of the methods to be used for its attainment.

As for the political will, it is a crucial condition in the measure that it originates at the highest political level of each of the protagonists but, as the case of Mercosur demonstrates, it would seem not to suffice if it were limited to just a foundational moment. On the contrary, to be effective it should become sustainable in time as a political drive that flows steadily into the negotiating table where the actual common decisions are made.

Concerning the second condition, a strategic idea driving the political thrust should be feasible. This implies that it needs to be based on concrete interests of the different nations, on the reality of their relative power and, most particularly, on a correct assessment of the international context where the initiative is inserted, including its continuous adaptation to the changes that are taking place, sometimes at a very fast pace. For a long time, this was accomplished in Europe on the basis of a vision molded by the idea inspired by Monnet and nurtured by the political will of Schumann and Adenauer, among others. It does not appear to be the case in more recent years.

And the third condition is a good dose of technical creativity. This implies not to follow previous models or textbook recommendations. On the contrary, it is about the creation of mechanisms and instruments adapted to the objectives and to the reality of the protagonists, and to the conditions that might result from global and regional commitments previously assumed by them. Both in the case of the future construction of Mercosur as of the Mercosur-EU bi-regional partnership, said creativity should additionally take advantage of flexibilities that result from the ambiguous rules of WTO and of GATT's article XXIV-8.

In the South American geographic space, if fulfilled and combined together, the three mentioned above conditions would imply a most necessary qualitative leap both in Mercosur's and UNASUR experiences, and in the future development of a bi-regional partnership with the EU that could be extended then to similar preferential trade agreements with other nations and regions. If this were the case, those processes would contribute towards the construction of global and inter-regional governance. But in both cases it seems necessary that they could retrieve its symbolic power as a political and strategic project. However, even more fundamental still will be that the citizens of the

member countries can see a clear link between their legitimate expectations for democracy, employment and social progress and the commitments assumed and in their effective implementation. This is not happening yet today and could be the origin of the evident signs of dissatisfaction that can be seen regarding their results and their future perspectives.

IS IT POSSIBLE TO HAVE AN OPTIMISTIC VIEW ABOUT THE INCREASING VALUE OF SOUTH AMERICA?

Latin America is a region of increasing value in the perspective of relevant players of world economic competition. It becomes more evident in the case of re-emerging economies such as China and India. It is reflected by trade flows and direct investments. This fact does not go unnoticed by the US or the countries of the EU.

Such valuation is even more notorious in the case of South America. Is it possible to argue, as Marco Aurelio Garcia did, that it is becoming “the world’s most relevant region in terms of food production... additionally we have enormous mineral reserves of the conventional type, such as iron, and of the new generation kind, such as lithium. We also have both due to the size of the population and the social inclusion policies being implemented in our countries... the reality of a considerable internal market. We are almost 400 million South Americans and have become a main point of attraction. We have abundant water resources and biodiversity”. He completed his idea pointing out that: “additionally, we possess characteristics that are essential to guarantee the quality of life. It is a region with certain cultural and linguistic homogeneity, which prevents us from being overburdened by the task of having to deal with several languages or a diversity of cultures. Moreover, it is a peaceful region. It is probably the only region in the world where there are no nuclear weapons... and if any conflict regarding border

issues should arise, they can be easily resolved through diplomatic means. Moreover... it is a region of democratic governments, voted in free elections and under international scrutiny” (Garcia 2011 – *the translation is ours*).

A view such as this expresses some convincing arguments that allow having an optimistic view on the role of the region in the global economic competition of the future. These may explain the fact that in many cases, governments, businessmen and citizens are becoming increasingly assertive, pragmatic and optimistic.

Of course, the huge challenges that the countries of the region will need to overcome in the next years should not be overlooked. It is a known fact that in a world of constant systemic change any optimistic view could prove risky. In the case of South America, given the image that has long prevailed in more developed countries, especially in Europe and in the US, it has often been safer to predict negative scenarios. Today, however, there are some factors that lead to propose a more positive forecast with regards to the value of the region. To begin with the shortcomings that may still be observed, it would be relevant to refer to the inventory of reasons that have for long fueled the skepticism on the region. The following are some factors that could eventually justify a continued pessimistic view regarding its future: the subsistence of poverty in large social sectors and, in particular, of great social inequalities; the low institutional quality reflected by a weak ability to ensure the articulation of contradicting social interests and the predominance of the rule of law in social life; the political instability as an endemic condition often leading to schemes that are not sustainable for efficiently dealing with the most serious economic and social problems; the insufficient number of firms with the capacity to compete in international markets, which is the result of a low level of innovation and investment in science and technology. These factors, among others, have had prevalence

in the analysis of the future of the region, leading to pessimistic conclusions even when they are assessed together with other factors of a more positive nature, such as the abundance of valuable natural resources.

Before mentioning the circumstances that would lead to a more optimistic view, we should remember that these not always surface with similar characteristics and the same intensity in every country of the region. South America is a vast and diversified territory. There can be no analysis of the realities and perceptions without acknowledging the differences, at times very deep, that exist between the countries. Therefore the factors that would account for a more optimistic forecast of the future of the region are not necessarily valid for every one of them. However, they are more visible today in certain countries that have become key ones due to their size and economic relevance, and that have thus a strong potential to generate a spillover effect of their eventual success to the rest of the region.

Even when other cases could be mentioned, one of these countries is Brazil; the deep changes that took place in the last two decades are transforming the largest country of South America in what may be a driving force of a more positive future for the rest of the region. Certainly, this does not imply that Brazil by itself can lead the rest of the region to different levels of economic and political development. On the contrary, the construction of a regional space functional to a scenario of peace, political stability and sustainable social and economic development will require an active cooperation between several nations, and even of those outside the region but with strong interests in it.

Having made this point clear, it is then possible to mention at least three reasons that would allow having a cautiously optimistic view of the future of South America.

The first of these reasons refers to those aspects in which the learning process of the last decades becomes more evident. Firstly, the growing number of social and political leaders representing a wide ideological spectrum, and of vast sectors of the public opinion in different nations who recognize the importance of fiscal discipline and macroeconomic stability to guarantee development goals within a democratic and open society framework. The second one refers to the recognition of the importance of institutional quality to move forward in the areas of productive transformation, social cohesion and competitive insertion in world economy. Thirdly, the clear perception that in the current international system nobody will take up the problems of another nation – unless these affect them directly or indirectly – and that the destiny of any country – big or small – will need to be worked out at a national level with an active participation of all the society. The need to reach the articulation of the different social interests and to achieve collective disciplines as a result of strong institutions; a home-grown strategy for economic development; and a competitive insertion in world economy are three lessons that several countries of the region and their public opinions are drawing from their experiences of the last decades. These have a strong impact on social attitudes and public policies.

A second reason to be optimistic is the existence of clear signs of a cultural change with regards to what the region may achieve in the future. These signs are related with the great value being assigned to the definition of long term objectives and to the development of pragmatic strategies to achieve them. This entails having a clear idea of where a country is headed to in terms of its development and its international insertion, what it can effectively achieve and, most particularly, which steps would be necessary to move forward along the chosen path. It is possibly in this aspect where the greatest differences between the countries of the region can be found. Deeply rooted structural issues, yet unresolved, including those related with the active participation of all social

actors in the development of the nation, can sometimes explain these differences. In some cases the countries are still on their way towards achieving greater social inclusion. These can account for a certain propensity towards political instability and even towards economic and social policies of a more radical nature. In such cases future perspectives are more questionable and uncertain.

The third reason is related with the impact of deep changes that are taking place in the global scenario. As a result the countries of the region now have multiple options in terms of external markets and sources of investment and technology. As a consequence diversification in their international relations has expanded. They perceive that they have a significant value for what might be their contribution to face some of the critical problems of the global agenda. Energy, food security and climate change are some of the issues about which the countries of the region, especially acting together, have something to say.

Finally, if the most optimistic forecasts regarding the region were to be confirmed in the coming years, taking full advantage of this would require moving forward in a dynamic articulation of the national interests of its countries. This could only be feasible through collective leadership. On this regard, the strategic alliance of Argentina with Brazil and Mercosur itself constitute the hard-core of the construction of a South American geographic space, in which UNASUR will be called upon to play also an essential role.

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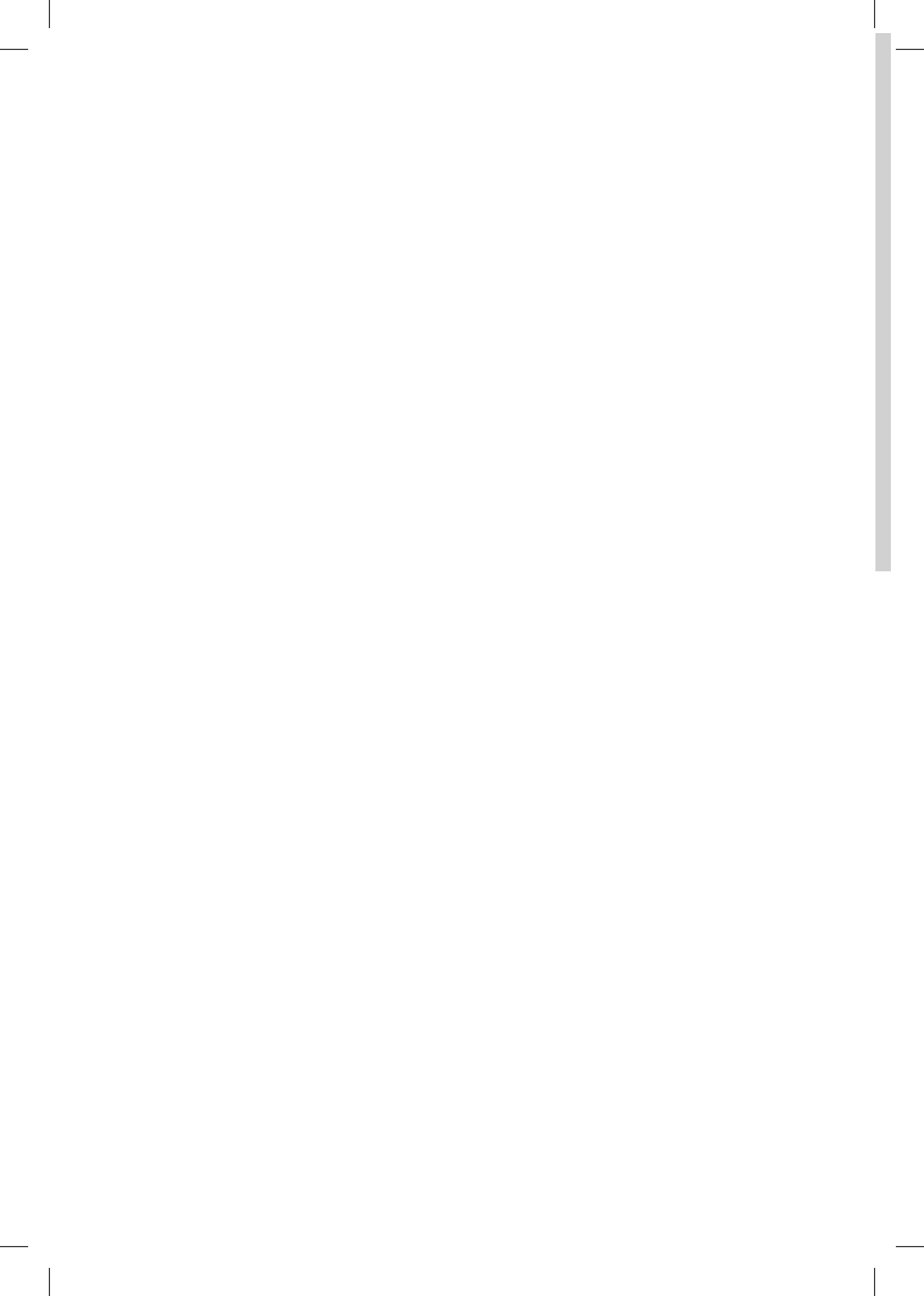
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THE COMPLEX INSERTION OF COLOMBIA IN A CHANGING INTERNATIONAL SYSTEM

*Eduardo Pastrana Buelvas**

The purpose of this paper is to develop a preliminary and tentative discussion on what some consider the “new” position of Colombia in the International System, taking into account the external policy carried out by President Juan Manuel Santos (2010-2013) and his staff. The main objectives will thus be, on the one hand, to interpret “how Colombia has seen

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itself” in the international scene, considering the internal and external or the “intermestic” context, and on the other to recover or try to reconstruct the current image and the “Colombian positions” in force vis-à-vis the structures of the International System and some regional subsystems or arrangements, having in mind the potential or actual changes (pressures) that elicited greater interest in the media and in the political arenas.

Since this is only an approximation, the intention is not to start from an empiric exercise in order to determine which is the vision of the leaders and their perceptions (internal-external) and its causal connections with the formulation of domestic and foreign policies. Rather, a window of opportunity is opened to question the coherence between internal and external policy of the government in power and the appropriateness of some positions taken by the government in view of existing dynamics in the International System. What precedes does not mean ignoring the previous work of the author, who had recourse to some analytical categories from Constructivism and Neoclassic realism (theory-driven) in order to contribute to the clarification of the continuities or discontinuities in Colombian foreign policy, mainly between the administrations of Alvaro Uribe (2002-2010) and J.M. Santos.

COLOMBIA’S CHANGING IMAGE AND ITS EXTERNAL POLICY

Quite a few presidential speeches and declarations bring up the idea that Colombia experiences, in its internal dimension, a very different context (economic, political, military and social) from the one that characterized the State in the 1990’s and the mid-2000’s. The latter period was evoked as a time of turbulence in which the country was often identified (within and without) as being in disarray, both institutionally (regarding its main rules and the inability of enforcing them) and territorially (zones

with weak presence or total absence of State organizations) due to phenomena such as chronic insurgency, escalation in paramilitarism and extremely high bureaucratic corruption, all of the above affected by a wider problem: drug trafficking.

In the perception of the Colombian government and in that of the United States Colombia was about to become a “failed State”, and the strongest boost to this discourse came from the outside, from the way in which American decision makers adopted an attitude of active assistance in the “international war against drugs” consolidated in the 1990’s in order to support countries deemed to be in greater risk of collapsing because of their penetration (Tokatlián, 2008: 82). Despite such “good intentions”, behind instruments such as “certification” (so often endured and so incomprehensible for the Samper Pizano government – 1994-98) and commercial preferences in exchange of results in the eradication of illicit plantations, captures, extraditions and confiscations (ATPA or Law of Andean Preferences in 1992 and updated as ATPDEA or Law of Andean Preferences and Drug Eradication in 2002), there was a predominance of an extremely asymmetrical logic of dependence that was finally reflected on a timid and “parochial”, focused-within-itself Colombian foreign policy especially during the successive administrations of Andrés Pastrana and Alvaro Uribe (his eight years).

Previously, the ironclad requirements demanded by the American Congress from Colombia or any other country that desired to enjoy commercial preferences or eventually join NAFTA (North American Free Trade Area) were already visible in ATPA: among others, not to support Communism; not to expropriate or nationalize the property of American citizens in the candidate country; to protect the intellectual property rights of American citizens and companies to avoid imposing tributes that result in losses for interests of the United States; to respect international

arbitration decisions when American interests are involved; not to have signed extradition treaties of American citizens; to eliminate or modify preferential treatment granted to third “developed” countries if they affect American interests; and to protect labor rights in accordance with international standards (Maldonado, 198-201). Several among these conditions which denote verticality and non-reciprocity were kept both in APTDEA and in the Free Trade Treaties (TLC) (MEF, 2001: 36) thus limiting the margin of internal autonomy not only of Colombia but also of similar nations in the Andean zone (primary economies, dependent on the American market and affected by illegal plantations) such as Peru, Ecuador, Venezuela and Bolivia.

The extremely hegemonic relationship, in which the United States included strategically economic, geographic, political and ideological issues, forcing a convergence between its own objectives and the internal and external agendas of countries receiving assistance and preferences, is certainly not “new” in its strict sense. With regard to the image of Colombia in its foreign policy, Cepeda and Pardo (1989) make a good presentation of Colombian weaknesses and contradictions as a multilaterally active, “pioneer” country, founder of regional and global institutional structures since the end of World War II (such as the UN, the OAS and the Andean Group), respectful and abiding of international “legal order” and even capable of discussing “cordially” in particular circumstances facing positions of the Superpower (in the Security Council and the Non-Aligned) but with productive weakness and dependence on the market, credit and cooperation of the United States. Moreover, its internal instability due to political violence and drug traffic has always prevented the maintenance of a geographic and thematically diversified autonomous external policy.

Institutionally, it is important to mention the historical presidential system and the budgetary and policy-making and policy-execution weaknesses of the Ministry of External Relations (MRE) vis-à-vis the Executive branch and other entities that play important roles in foreign relations such as the Finance Ministry, the Bank of the Republic and the Ministry of War (Defense) or the Ministry of External Trade (created in 1991 with J.M. Santos as one of its architects and mainly responsible for it in the Gaviria era), and even vis-à-vis influent labor and private business organizations supported by the State (such as the National Federation of Coffee Growers in the prosperous times of the 1950's and 1970's, and Proexport since 1992 with antecedents like Proexpo and Incomex in the 1960's). The direct consequence of this has been the oscillation between mandates in which the influence of the individual variable or the presidential leader was well known (external policy of the government) reinforcing or mitigating the alignment with the United States according to his personality or political beliefs, and mandates in which different national labor or governmental organizations carry out their own international relations in accordance with their sectorial agenda and interests with little or no coordination, causing the "fractioning" of the external policy (fragmented external policy) (Cepeda and Pardo, 1989: 10, Tickner, Pardo and Beltrán, 2006: 63). In spite of the weight of the individual factor and the fragmentation, some authors suggest the existence, at least formally, of a spinal column close to a "State foreign policy" between the Gaviria and Uribe periods (explained in part by the end of the rigid structure of bipolar interference of the Cold War) with respect to international law, the defense of sovereignty and autonomy, the diversification of external relations and the promotion of integration and regional understanding (Tickner, Pardo and Beltrán, 2006: 66).

Thus the predominant alignment of Colombian external policy with the United States has been justified essentially by economic interests, accompanied in several administrations by ideological elements (anti-Communism) and internal security needs (drug traffic, insurgence), but toward the end of the 20th century it changed into a common perception that Colombia possessed an “under-utilized” diplomatic potential and an overly “discreet” external policy (Cepeda and Pardo, 1989: 9). Such labels to identify the external policy would be increasingly stressed in the times of Pastrana (1998-2002) and Uribe (2002-2010) during which the external policy was in general excessively presidential and almost all efforts of international cooperation and coordination were directed to the solution of the internal armed conflict. In the case of Pastrana, his strategy consisted of involving mainly the United States and European Union countries in a scenery of support to the peace negotiated with the FARC (the Caguán) but always keeping close alignment with the superpower in order to intensify the military and judicial offensive against the drug traffic within the lines essentially set by Washington (Plan Colombia) and under a permanent critical eye from Europe for its adverse effects on human rights (Gonzalez, 2004: 280-282). The failure of the peace process (of which the United States was always skeptic) generated a clear return to the “Respice Polum” (look North).

In the case of Alvaro Uribe (2002-2006 and 2006-2010), his two terms stressed the militarization and “ideologization” of the internal security problems (with some social incentives), speeding up “regionalization” or the overflow of the armed conflict across borders with the consequent reaction of political distancing and ill-feeling by the governments of the Andean sub-region as well as provoking a desire of intervention on their part (sometimes translated in direct, non-authorized conflict) in order to exert pressure for a negotiated way out between the guerrilla and the

Colombian government (in the case of Hugo Chávez's Venezuela or Rafael Correa's Ecuador). Taking up the "Regional Security Complexes" (Buzan and Weaver, 2003), Tickner (2005) argues that the process of "securitization" or mediation and rise of the Colombian crisis as a "regional security problem" or "regional threat" and his plan to confront it: Plan Colombia II or "Plan Patriota")¹ did not have as much to do with its trans-border "objective effects"² as with the negative perception of governments that criticized the United States (especially Bolivia Ecuador and Venezuela) about the regional role of its intelligence agencies (CIA, DEA, NSA) and Armed Forces and the growing involvement of Andean countries in the "containment" of Colombian problems (for instance through the Andean Regional Initiative or ARI³).

One of the features of that foreign policy which resulted in almost isolating Colombia from the processes of construction of new political relations in South America (UNASUR) was the combination between building an identity based on antagonism or differentiation from the ALBA governments and the historic coincidence with national projects of (neo) populist characteristics (Colombia, Venezuela and Ecuador) on opposite poles (Pastrana and Vera, 2012a). In this way, what separated Colombia from its

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- 1 The imperative need for military recovery of the national territory, the offensives at one's discretion and the use of incentives, including economic ones, from "Plan Patriota" brought irreversible blows on the FARC and FLN leadership structure but also perverse long term effects on the populations most affected by the conflict. Consider, for instance, the 2013 State Council condemnation of the Nation (and the military forces) for the re-location of almost 2.500 people at Peñas Coloradas (Caquetá) in 2004 as a result of military action. See *El Tiempo* (July 19 2013: "Nation condemned for *Plan Patriota* excesses in Caquetá. Available at: <http://www.eltiempo.com/justicia/ARTICULO-WEB-NEW_NOTA_INTERIOR-12938003.html>.
 - 2 Forced re-location, impacts on the environment and on animal and human health from glyphosate and territorial incursions of rebels and Colombian para-military and military that had also been detected before Uribe (in the 1990's).
 - 3 Storrs and Serafino (2003), Andean Regional Initiative (ARI), FY 2002 and FY 2003 Assistance for Colombia and Neighbors. Report for Congress. Available at: <<http://fpc.state.gov/documents/organization/16800.pdf>>.

neighbors during the Uribe era was not so much the ideological chasm regarding the model of State (democratic-liberal versus proto-socialist) in the governing party or coalition (uribism-conservatism versus chavism and correism, or regarding the vision for the region (Plan Colombia in a regional version or grafted on UNASUR versus “Bolivarian Continental Revolution”), but rather the dangerous mixture between ideological polarization and populist models that learned to utilize the external policy to strengthen the presidents’ individual leadership and internal legitimacy (all of them intending to win re-election), to use Andean tension to earn the favor of public opinion and compete for international prestige (Pastrana and Vera 2012a: 312-313).

In other words, in the Uribe era the external policy of Colombia not only kept intact the features of “narcotization” of its agenda (to give priority to the fight against drug trafficking) by linking, in its institutions and external action, the American diagnostic of the problem (Ganumen, 2012: 236) and the “internationalization” of the internal armed conflict (although Uribe denied its existence), through approaching or “inviting” external actors (the United States, the European Union) (Tickner, 2007, Borda, 2007) in order to compensate for endogenous weaknesses, and finally through the “securitization”, by linking the external policy to the Doctrine of Democratic Security and to military rationality which granted a too wide margin of maneuver to the military and intelligence sectors (Ruiz 2012: 105). It also resulted in the subordination of the instruments of external policy to the “populist strategy”, thus distorting the interests and roles of the Colombian State by providing a confused construction of its identity, setting it apart from its historic heritage of multilateralism and adherence to international law and involving it in “containment adventures” against the 21st century Socialism (political and intelligence action in Caracas and Quito) as the leader’s beliefs and objectives were

almost automatically equated with those of the nation⁴ in order to exploit politically the fear of the other and nationalism (Pastrana and Vera, 2012a: 319, 321). Although economic objectives were not absent⁵ the axis of the external economic policy revolved mainly around the extension of ATPDEA, the “unfettering” of the TLC with the United States and the signature of a TLC with the European Union. These two instruments of foreign trade experienced postponements due to strong denunciations about continuing violations of human rights amid the open war and the weakness of labor protection, besides the intense lobbying of American labor unions and European NGOs in favor of freezing or revising the TLCs.

THE “NEW” IMAGE OF COLOMBIA AND ITS POSITION IN THE INTERNATIONAL SYSTEM DURING THE SANTOS ADMINISTRATION

An image of Colombia has been pushed forth since the start of J.M. Santos’ term as a country that is “close” to overcoming a longstanding armed conflict (almost 50 years from the inception of FARC) either through negotiations with the insurgents (the “key to peace”) or through military force (the “Sword of Honor” strategy), which could also permanently “free” some zones from the presence of illicit plantations⁶ and take the production of drugs to its

4 It is fitting to recall the permanent effort of President Uribe and of *uribism* to spread the idea that the favorable perception of the government by the citizenry in the opinion polls (an average of 80%) implied a mechanical and majority legitimization of any initiative from the Executive. By arguing: “The State of Opinion is a superior form of the State of Law” the *uribist* looked not only for a second reelection (prohibited in the Legislative Act that allowed Uribe to be President-candidate since 2005) but also for a capacity of executive administration with exceptional power without going through due Legislative rites and freed from the constitutional system of “weights and counterweights.” See *Semana* (August 15 2009), “La Estrategia del Estado de Opinión”. Available at: <<http://www.semana.com/nacion/articulo/la-estrategia-del-estado-opinion/106304-3>>.

5 Exploration, exploitation and export of oil and minerals, market opening and attraction of external investment.

6 *El Pais* (July 27 2013) “In August Santander should be free of illicit plantations: president Santos.” Available at: <<http://www.elpais.com.co/elpais/colombia/noticias/santander-podria-estar-libre-cultivos-ilicitos-presidente-santos>>.

historical minimum (MDN, 2011: 32-33). Data such as those from the United Nations Office Against Drugs and Transnational Crime (UNODC) – which reported in its illicit plantation census in 2012 a strong reduction (-25%) with respect to 2011, from an estimated 68.000 planted hectares to about 48.000, the lowest amount since that organization started to keep records (1999) (UNODC, 20013: 8, 11) – has allowed the government to speak confidently enough of the construction of a “new Colombia”.⁷ This perception has been disseminated in speeches and is not immune from criticism.⁸

It is worth noting that in general assessment of the security field it has been argued there no longer exists a threat of a national scope but rather “local threats” (9 FARC strongholds, 4 of the ELN and 10 of Criminal Armed Bands (BACRIM). (MDN, 2013: 11, 12). In the government summary (2010- May 2013) on the FARC, two members of the Secretariat, three from the Central Military Staff and forty-two front commanders are reported as neutralized, 3.494 demobilized and 3.425 members of support networks captured and demobilized (MDN, 2013: 47). In the case of the ELN, eight commanders and 1.547 are reported as neutralized, 572 demobilized and 489 members of support networks captured and demobilized (MDN, 2013: 47). As for the BACRIM, it is explained that “all the chiefs” have been killed, captured or

7 Presidency (July 20 2013) Words by President Juan Manuel Santos at the inauguration of the 2013-2014 Session of Congress. Available at: <http://wsp.presidencia.gov.co/prensa/2013/julio/paginas/20130720_02-palabras-del-presidente-santos-en-la-instalacion-de-la-legislatura-del-congreso-de-la-republica.aspx>.

8 Bermudez argues, for instance, that instant satellite imaging does not easily permit ulterior identification of re-sowing of plantations, that measurements were taken at a moment of concentration of all eradication efforts and in the summer, forgetting that it is also possible to sow in the winter 50% of what has been eradicated, that there has been a reduction in the number of yearly measurements due to lack of resources and that persistent plantations are located in zones of difficult access by the Public Forces, such as Indian reservations, community councils, national parks and border areas (in which the Santos government pledged not to make aerial sprayings because of complaints by neighboring countries). See Bermudez A. (August 8 2013). “Los cultivos de coca no cayeron tanto como dice el Gobierno”. Available at: <<http://www.lasillavacia.com/node/45362>>.

surrendered and 11.702 criminals are reported as demobilized (MDN, 2013: 47). With regard to homicides and kidnappings, the government reports a reduction of 2.7% and 7.8%, respectively, from 200 to 2013 (MDN, 2013, 48).

Despite some doubts and contradictions, the presidential report points out that the “military accomplishments”, the chance of peace in stricter conditions than those of the Caguán process⁹ and the consolidation of economic objectives inherited from the second part of the previous administration¹⁰ represent an unusual context. The existence of a political and institutional environment favorable both to the introduction of historically pending or blocked reforms (e.g., agrarian reform¹¹) and to emphasizing social policy or the achievement of “peace with social justice”¹² is upheld.

Although the Conservative Party and some (quite few) members of the Party of the U have been distancing themselves from the positions of Santos¹³ and entering into agreements with “Centro Democrático”, the new party of former President Uribe, the governing coalition, or “Unidad Nacional”, in the Congress still remains the majority force even if it no longer relies on the overwhelming support of 80% (the U, the Conservatives, “Radical Change”, the

9 No clearance, no cease-fire, negotiation outside the national territory and representation by former constitutional assembly members, entrepreneurs, military and police at the table.

10 Sustained growth, constant flow of direct foreign investment and Market diversification through free trade agreements.

11 Caracol (June 24 2013). “President Santos announces agrarian reform”. Available at: <<http://www.caracol.com.co/noticias/actualidad/presidente-santos-anuncio-reforma-agraria/20130624/nota/1920759.aspx>>.

12 Presidencia (June 26 2013). Statement by President Juan Manuel Santos and the award of homes at Ciudadela Los Estoraques de Cucuta: free homes for vulnerable sectors and universal free education. Available at: <http://wsp.presidencia.gov.co/Prensa/2013/Julio/Paginas/20130726_04-Palabras-del-Presidente-Santos-en-la-entrega-de-casas-en-la-Ciudadela-Los-Estoraques-de-Cucuta.aspx>.

13 Such as negotiation with the FARC, to accept the existence of internal armed conflict and the responsibility for action or omission by the State as a part of the same, maintaining a stable relationship with Venezuela by “freeing” it from the FARC, (emphasis on the economy and political dialogue instead of inquiring on the degree of penetration by the FARC in the territory and political system of the neighboring country), and keeping a “prudent” instead of offensive attitude to the Nicaraguan territorial claims.

Liberals and months later the Green Party) that it commanded at the inauguration of the Congress in 2010.¹⁴ Nominally, this guarantees political continuity and relative ease in the formulation of major projects and managing re-election, although according to the opinion polls popular support to re-election seems to be polarized depending on its source (50% to 60% for re-election against the best candidate from other parties¹⁵ or 60% against, influenced by the prolongation of the FARC process.¹⁶ With an optimistic tone that announces the preparation of the re-election strategy, Santos adds the presence of a new economic panorama by reiterating data such as an average 4.9% three-year annual growth of the GDP, ranking Colombia in third place in Latin America; an unemployment rate of about 9.2%; inflation close to 2%; surplus of 2 billion pesos (US\$ 1,033,965,775.73) in public accounts;¹⁷ reduction of poverty, declining from 37.2% in 2011 to 32.7% in 2012 (-4.5%) making Colombia the second country that most reduced it in the region, behind Peru, and reduction of economic inequality (Gini coefficient) falling from 0.56 in 2011 to 0.4 in 2012, thus bringing Colombia out from the second or third greatest wealth concentration in Latin America and the seventh position in the world.¹⁸ Even so, this favorable picture did not prevent the main source of skepticism to reside in the industrial and rural sectors, since the former has been experiencing strong periods of

14 *Semana* (July 17 2010). "El Congreso del Bicentenario". Available at: <<http://www.semana.com/nacion/articulo/el-congreso-del-bicentenario/119401-3>>.

15 *El Tiempo* (August 13 2013). July presidential opinion poll. Available at: <<http://www.eltiempo.com/Multimedia/infografia/encuestapresidenciajuli/>>.

16 *El Heraldo* (August 2 2013). 60% reject eventual re-election of Santos and support to dialogue with the FARC declines. Poll at: <<http://www.elheraldo.co/noticias/politica/el-60-rechaza-eventual-reeleccion-de-santos-y-cae-apoyo-a-dialogo-con-farc-encuesta-119531>>.

17 Presidencia (August 14 2013) Economic growth in Colombia in the last three years has been in average the third highest in Latin America. President Santos. Available at: <http://wsp.presidencia.gov.co/Prensa/2013/Agosto/Paginas/20130814_01-Crecimiento-economico-de-Colombia-en-los-ultimos-tres-a%C3%B1os-ha-sido-el-tercero-mas-alto-en-Am%C3%A9rica-Latina.aspx>.

18 Presidencia (April 18 2013). Statement by President Juan Manuel Santos on the results of the fight against poverty. Available at: <http://wsp.presidencia.gov.co/Prensa/2013/Abril/Paginas/20130418_03.aspx>.

contraction¹⁹ and the latter an increase in the indexes of poverty and extreme poverty between 2010 and 2011²⁰ a complaint that found expression in the National Agricultural and Livestock Strike together with other grievances such as the extremely high concentration of land ownership, the high price of fuels and agricultural inputs, the re-evaluation of the peso and the unchecked imports of foodstuffs through the combination between smuggling and TLC.²¹ The Government tried to contain both phenomena with reactivation plans such as Program of Support to Productivity and Employment (PIPE), tax reform, exceptional customs duties and specific import controls, to “pause” the signature of new TLCs, incentives to rural capitalization (ICR) and the National Agrarian Census among other measures. In spite of these efforts, the economic policy will have to do much more in order to reverse the trend to extreme dependence on exports of oil and minerals (67.9% or US\$ 3.275 million FOB in July (DANE, 2013a: 4) and dependence on the market of the United States (34.68%), which nevertheless seems also to decline since 2010 (42.2%) (DANE, 2013b) due both to market diversification and to the slowing down of the American economy.

Amid difficulties, this “promising” internal context (economic, political, military and social) – or at least its interpretation by

19 According to the Joint Industrial Opinion Poll (EOIC) carried out by ANDI with Acicam, Acoplásticos, Andigraf, Anfalit, Camacol and the Colombian Bok Chamber for the period April 2012-April 2013, the sectors most affected by the reduction of demand were spinning, weaving and finished products with a decline of 20.1%, followed by iron and steel with -19.9%, rubber products with -18.7% auto parts with a fall of 15.1% and shoes with -8.6%. See Colombia Confidencial (June 19 2013). “Contracción tocó fondo en Abril. ANDI. Available at: <<http://confidencialcolombia.com/es/1/303/7592/Contracci%C3%B3n-toc%C3%B3-fondo-en-abril-ANDI-econom%C3%ADa-colombiana-empresas-industria.htm>>.

20 Perfetti, J. (May 3 2013). “Qué pasa con la pobreza rural?” Available at: <http://www.elcolombiano.com/BancoConocimiento/Q/que_pasa_con_la_pobreza_rural/que_pasa_con_la_pobreza_rural.asp>.

21 See *Contexto Ganadero* (August 18 2013). “Así será el paro agrario de Colombia este 19 de agosto”. Available at: <<http://contextoganadero.com/agricultura/asi-sera-el-paro-agrario-de-colombia-este-19-de-agosto>>, *Semana* (2012) “Así es la Colombia rural”. Special report. Available at: <<http://www.semana.com/especiales/pilares-tierra/asi-es-la-colombia-rural.html>>.

the government – is not strictly “new” but has fuelled Colombia’s international activism as the presidential agenda develops. Tokatlián (2008: 102-103, for example, warns that between 2003 and 2005 a kind of hasty triumphalism according to which, supported by DEA statements and by the anti-drugs Czar and members of the Southern Command of the United States, plus the positive media effect of the World Bank report on the significant rise of foreign investment levels, Colombia started to be considered as a country that had graduated from a “failed State” to a “model” State in its anti-drug and counter-insurgency activities as well as having the possibility of repeating its success (with help of the United States) in such diverse contexts as the internal conflicts in Afghanistan and Iraq. In the Santos era the idea of promoting Colombia as a “consultant” State that could generate outsourcing in areas like security, economic “good practices” and peace and reconstruction, as well as an ability to co-participate in formulation of some of the items of the “global agenda”. These are incipient roles that are added to the recovery of external policy bequests such as the promotion of the instruments and normative frameworks of international law, the co-participation in the establishment of regional organizations and arrangements (thus cooperating or competing with Brazil, which now attempts at establishing itself as a “regional power”) and the revalidation and/or updating (without too ambitious reforms) of the inter-American system (OAS) and the United Nations. In fact, since the beginning the Strategic Plan of the Ministry of External Relations (2010-2014) set without much preamble the goals of “political and cooperative leadership” and ambitious sub-objectives such as “to put in place a diversified international agenda” and “to show progress” in questions on the agenda of the United Nations Security Council (MRE, 2012: 3,8).

Recovering a category from Classical Realism (Nolte, 2012, Flandes, 2012, Flandes and Wojczewski, 2012, Pastrana and Vera, 2012b: 189) interpret this “ambitious” image of Colombia in relation to its limited capabilities as a symptom of the manifestation of its

interests as a “secondary power” since it adapts its resources and projects its strategies better within the regional scope, although it does not give up acquiring prestige out of its zone of direct influence in such a way that “attracts” the regional power (Brazil) to favorable multilateral transactions and agreements, but also “challenge” or hold back to a certain extent its goals and strategies with a “soft” or institutional counterweight, by forming, for instance, sub-regional coalitions such as the “Pacific Alliance” and/or making use of regional rules such as those of the OAS or UNASUR, at the same time as it competes for prestige and influence with other similar powers, such as Venezuela, Chile and Argentina. The individual²² and domestic factors mentioned explain part of the construction of this “new” image in external policy but the systemic or external factors have had a favorable impact.

Colombian external policy seems to be attempting to adjust in order to respond to two great structural changes (Pastrana and Vera, 2012c). On the one hand, at the end of the second administration of George W. Bush and during the two Obama administrations a general “distancing” by the United States from South America has been perceived, or a focus on more unstable regions of the world (in order to intervene) in spite of the maintenance of dense relations with certain units in regards to trade, security and cooperation, which results in a greater “margin of manoeuvre” for the States of the zone and is reflected in the emergence of different attempts at individual or integration projection that sometimes do not coincide with the postures of the superpower and so “exclude” it (such as UNASUR or CELAC) or challenge it (such as ALBA). (Pastrana and Vera, 2012c: 613-614). On the other hand, and articulated with the preceding phenomenon, Colombia has attempted at adapting, but without aligning itself, (without “Respice Australis” – look to the South) to

22 Santos’s pragmatism and his low tendency to bring ideology to external relations, added to his belief that Colombia is destined to play leadership roles.

the emergence of a Brazil that bets on its consolidation as regional hegemonic power based on its greater geographic, demographic, economic and military capabilities and on institutional strategies of “linkages” or cohesion such as the widening of MERCOSUL and on positioning itself as a material and symbolic pivot – generating a South American identity – at the OTCA (Organization of the Treaty of Amazon Cooperation) and UNASUL but at the same times places its bets on coalitions such as BRICS²³ to position itself as a “global player” capable of exerting permanent influence at the systemic level (Pastrana and Vera, 2012b: 198).

In fact, Colombia has increased its trade with Brazil (still with a deficit, although a declining one) with exports in 2011 close to US\$ 1.486 million and US\$ 1.355 million in 2012, numbers that are quite superior to those of the best previous year US\$ 907 million in 2008.²⁴ Direct investments received by Colombia from its neighbor rose by 34% from the first quarter of 2011 to the first quarter of 2012 (Proexport, 2012: 10). Colombia strengthened its cooperation with the Southern “giant” since the eight agreements signed in 2010 on many issues such as development and border security, police cooperation, scientific and academic research, agro-industrial technical assistance, environment, infrastructure, military industry and biofuels, besides signing nine other agreements on several social policy issues (sexual health, gender equality, re-integration, food security, education) and scientific support (Pastrana and Vera, 2012c: 630-631, 633). However, this does not mean that at the bilateral

23 Brazil, Russia, India, China and South Africa make up this acronym originally introduced by Jim O'Neill of Goldman Sachs without South Africa (BRIC) that became a coalition and forum for dialogue and consider themselves as the most promising among the new industrialized economies. See Ministry of External Relations and Cooperation of Spain (2013). Países BRICS. Available at: <<http://www.exteriores.gob.es/PORTAL/ES/POLITICAEXTERIORCOOPERACION/PAISESBRICS/Paginas/InicioBrics.aspx>>.

24 Numbers from the records of the External Trade Information System (SICOMEX) of the Latin American Integration Association (ALADI). See: Enternal Trade Information System. Brasil-Colombia Trade Balance. Available at: <http://consultaweb.aladi.org/sicoex/jsf/totales_comercio_exterior_balanza.seam>.

level Colombia's relations (economic, political and military) with the regional power are a priority as is the case with the United States, although with a wider margin of autonomy, nor that MERCOSUL or UNASUL constitute its privileged multilateral regional bets due to the de facto weakening of the Andean Community of Nations (CAN) with the withdrawal of Venezuela and the TLCs of Colombia and Peru with the United States and the European Union. Instead of a "follower attitude" and in spite of the existence of greater institutional and intergovernmental synergies within the integration spaces led by Brazil, Colombia has adopted postures that generate friction between the two countries.

There are examples that denote frictions, such as Colombia looking first at the markets and opportunities for cooperation in NAFTA and Asia-Pacific; attempting a diplomatic "rapprochement" of the United States with a region mostly critical of its hemispheric and global hegemony; trying to bring Mexico closer – Mexico is a traditional competitor of Brazil as Latin American medium power – through the Pacific Alliance or "Deep Integration Area" (AIP); "tempting" Uruguay²⁵ and Paraguay²⁶ toward AIP by starting as observer States

25 Uruguay seems divided today. President Mujica mentioned at first the desire that his country would be a "protagonist" of AIP in the long run and not a mere observer, but not too long afterwards, under pressure by several critical governments, almost retracted by recalling the importance of the Brazilian market as its prime trade partner. For his part, Foreign Minister Almagro seems to have a recurrent disagreement with Vice-president Astori to the extent that the former defends not belonging to AIP and a new approximation with ALBA while the latter argues with the need to look for TLCs and become a full member of AIP. Previously, Tabaré Vazquez did not hide as President his discomfort with the dominant commercial presence of Brazil, looking for a TLC with the United States and eyeing the AIP, which was defeated by the Legislative. See *El País* (May 29 2013). "En el FA rechazan ingreso pleno en bloque del Pacífico". Available at: <<http://www.elpais.com.uy/informacion/frente-amplio-rechazan-ingreso-bloque-del-pacifico.html>>, *El País* (June 15 2013). "Alianza del Pacífico desnuda dos visiones sobre la política exterior". Available at: <<http://www.elpais.com.uy/informacion/alianza-pacifico-diferencias-almagro-astori.html>>, *Dinero* (June 25 2013). "Uruguay quiere meterse en la Alianza Pacífico". Available at: <<http://www.dinero.com/internacional/articulo/uruguay-quiere-meterse-alianza-pacifico/178476>>, *Notimex* (July 11 2013). Mujica rechaza que Uruguay abandone Mercosur por Alianza del Pacífico". Available at: <<http://noticias.starmedia.com/politica/mujica-rechaza-que-uruguay-abandone-mercosur-por-alianza-pacifico.html>>.

26 Federico Franco, immediate successor of deposed Fernando Lugo in 2012 threatened to go to AIP when his country was suspended from MERCOSUL due to the latter's constitutional but arbitrary removal. Paraguay applied for membership in AIP in January. The "solution" President democratically

and projecting their insertion (which would be incompatible with their permanence in MERCOSUL). Colombia also defended “open regionalism” against the positions of “post-liberal regionalism and aimed at avoiding the replacement of structures of the OAS by UNASUL or CELAC by promoting the former’s strengthening, for instance by updating and strengthening the Inter-American Human Rights Court (CIDH) or promoting anti-drug “alternatives” within the OAS and with Secretary-General Insulza (Pastrana and Vera, 2012b: 197-199). The cooperation agreement between NATO and Colombia also caused discomfort in Brazil because it meant closeness with an “extra-regional defensive alliance”.²⁷ Colombia expressed surprise by the fact that because of the revelations by the former American information expert Edward Snowden on direct and lengthy espionage activities of the NSA (National Security Agency) on Brazil, Mexico, Colombia, Venezuela and other Latin American countries Brazil and other affected countries adopted firm attitudes of rejection and demanded explanations from Washington, while the reaction from Colombia and Mexico showed rather little shock or indignation.²⁸

There has been a recent slight perception that the Brazilian policy-makers could be evolving from a “benevolent indifference”

elected in April 2013 to replace Franco was Horacio Cartes, who since the beginning rejected the Venezuelan pro-tempore presidency of MERCOSUL and denounced “pressure” by Brazil on AIP countries to prevent Paraguay’s aspirations. See *América Economía* (May 28 2013) “Paraguay busca cerrar TLC con Mexico para ingresar a la Alianza del Pacífico”. Available at: <<http://www.americaeconomia.com/economia-mercados/comercio/paraguay-busca-cerrar-tlc-con-mexico-para-ingresar-la-alianza-del-pacifico>>, *Infolatam* (June 14 2013). “La rebelión de Horacio Cartes contra Venezuela”. Available at: <<http://www.infolatam.com/2013/07/14/la-rebelion-de-horacio-cartes-contra-venezuela/>>.

27 *El Universal* (June 6 2013). “El acercamiento de Colombia con la OTAN preocupa a Brasil y al Ecuador”. Available at: <<http://www.eluniversal.com.co/cartagena/internacional/el-acercamiento-de-colombia-con-la-otan-preocupa-brasil-y-ecuador-122193>>.

28 SDP (July 9 2013) “Estiman que Mexico tenía conocimiento del espionaje de E.E.U.U.”. Available at: <<http://www.sdpnoticias.com/nacional/2013/07/09/estiman-que-mexico-tenia-conocimiento-del-espionaje-de-eu>>.

regarding AIP to an outright skeptical posture.²⁹ Brazil reinforces its regional position through the boomerang effect of its participation in BRICS. In Colombia's horizon is the possibility of contributing to the formation of CIVETS³⁰ and becoming a member of OECD (Organization for Economic Cooperation and Development) of which two of its three partners in AIP are already members (Mexico and Chile). The latter objective seems extremely ambitious but counts on the explicit support (and certainly politically calculated) of the United States,³¹ while ascribing priority to CIVETS and Asia-Pacific options such as AIP, APEC³² or FOCALAE³³ clashes directly with the constitutional guideline of prioritizing the promotion of Latin American integration (CSCE, 2011: 14), so that Colombia has tried to find a very complex balance among different geographic interests. In other words, it must keep close to the superpower and the regional power at the same time but its interests demand to keep some distance from both or to commit itself with some degree of flexibility.

In order to better review Colombian postures in the International System and in the region that may be linked to this self-confidence

29 Brazilian Foreign Minister Antonio Patriota characterized AIP as a simple alliance, without a free trade zone or customs union and not "deep integration like MERCOSUL". See *Paraguay.com* (July 16 2013) "Brasil lanza críticas contra la Alianza del Pacífico". Available at: <<http://www.paraguay.com/internacionales/brasil-lanza-criticas-contra-la-alianza-del-pacifico-95494>>.

30 Colombia, Indonesia, Viet-Nam, Egypt and South Africa (although Egypt seems not to be politically viable due to its politico-military internal crisis). This acronym refers to a potential second wave of "new emerging economies" or bloc of medium economic powers coined by Robert Ward, Director of the *Economist Intelligence Unit*. See *Semana* (August 7 2010). "Qué son los CIVETS?". Available at: <<http://www.semana.com/economia/articulo/que-civets/120194-3>>.

31 See *Portafolio* (April 12 2013) "Estados Unidos apoya ingreso de Colombia a la OCDE". Available at: <<http://www.portafolio.co/internacional/estados-unidos-apoya-ingreso-colombia-la-ocde>>, and *Portafolio* (May 27 2012). "Debería haber más integración económica: Biden". Available at: <<http://www.portafolio.co/economia/visita-joe-biden-colombia>>.

32 Asia-Pacific Cooperation Forum, in which the three partners of Colombia in AIP also participate. This group needs to lift the moratorium on the accession of new members and Colombia seeks support from Singapore to accede. See *El Espectador* (May 7 2012) "Santos reitera en Singapur interés de ingresar a la APEC". Available at: <<http://www.elespectador.com/noticias/politica/articulo-344199-santos-reitera-singapur-interes-de-ingresar-apec>>.

33 Latin American and Caribbean-Eastern Asia Cooperation Forum.

and self-image in the Santos era, it is worthwhile to mention the United Nations and some relevant regional landmarks.

In what regards its role in the United Nations Security Council, Colombia avails itself of the non-permanent seat (2011-2012) and the expression of confidence of the 186 members of the General Assembly that voted for its initiative, as well as of the diplomatic heritage of six previous participations (1947-48, 1953-54, 1957-58, 1969-70, 1989-1990 and 2001-2002).³⁴ According to Gil (Paredes, 2010) Colombia has had a good performance previously but faced international criticism when it chose to place its close relations with the United States before its functional duties, as was the case a decade ago when Alfonso Valadares occupied the temporary presidency for Colombia and hastened to hand to the Americans the report that “proved” the presence of nuclear weapons in Iraq prior to bringing it to the full Council. “Aligned” postures obviously lead to tacit or explicit friction with Brazil and other emerging powers “skeptical” of United States interventionism, and even if the seat brings potential individual benefits such as prestige, partial influence on the agenda and the search for wider foreign policy objectives, it also involves risks such as “improvising” an external policy by groping between autonomy and “alignment”, raise suspicions among neighbors most questioned by the United States (and Uribe) and to take up unforeseen costs for lack of vision or preparation (Gil, 2010).

However, Lewin (2011) interprets the recent posture of refusal to recognize Palestine as an independent State (the only Latin American country to do so together with Mexico) and the requirement as “prior condition” of a definitive peace agreement between Palestine and Israel not so much as a way to passively support the United States but as denoting the existence of military and security

³⁴ Ministry of External Relations. United Nations Organization (UN) Available at: <<http://www.cancilleria.gov.co/internacional/multilateral/united-nations/uno>>.

interests reflected in Colombian purchase from Israel between 2006 and 2008, an even more autonomous motive when complemented by issues like the “juicy” sales of INDUMIL (Colombian Military Industries) to Israeli military and security industrial concerns³⁵ and the purchase and development of drones (unmanned airplanes) with Israeli technology.³⁶ In the case of internal crisis in Syria and the evidence of use of chemical weapons by the armed forces at the service of al-Assad against rebels and the civilian population in 2013, the legalist tradition of Colombia prevailed to the extent of rejecting unilateral intervention (by the United States or any other) and support either the facilitation of dialogue through the demarche of Secretary-General Ban Ki-Moon or through the formal decision of applying sanctions by the Security Council. Santos even proposed to “transmit” to a currently fractioned Syria, in case of a post-conflict, the Colombian experience with regard to the care of victims and reparation (Pastrana and Vera, 2012b: 208). Regarding the internal conflict in Libya and violations against the civilian population on the part of the troops led by the dictator Muhammad al Gaddafi (deposed and killed in confused events) Colombia followed the position of the majority led by France, the United Kingdom and Lebanon to support the adoption of a resolution aimed at creating a “flight exclusion zone”, although Brazil abstained with a critical posture together with Germany, India, Russia and China (MRE, 2013: 29-30).

In general, while Colombia was in the Council, it adopted primarily normative but not too risky postures, choosing for instance stabilization and reconstruction in Haiti as an issue that allowed it to carry out a cohesive diplomacy (little opposition) availing itself

35 In 2011 Israel Weapons Industries (IWI) received 88% of INDUMIL's exports for about 5.814 million pesos (US\$ 2.9 million). In 2012, 4% of sales were exports and out of them IWI received 90.7% for a total of about 13.224 million pesos (US\$ 6.8 million). See INDUMIL (2011) Management Report, and INDUMIL (2012) Management Report. Available at: <<https://www.indumil.gov.co>>.

36 *El Tiempo* (July 23 2013). “Colombia compra más drones, pero no a Estados Unidos”. Available at: <www.eltiempo.com/justicia/ARTICULO-WEB-NEW_NOTA_INTERIOR-12944442.html>

of the discourse of development in order to link global issues of interest, problems of the country in question and “examples from the Colombian case” and appearing as a “leader” in South-South cooperation by pointing out opportunities for developing countries to contribute to the poorest (Romero, 2011). Besides food and aid in support of the health brigades, Colombia sent a small police contingent to train local forces in anti-kidnapping and anti-drug actions although Santos questioned the extension of a peace-keeping mission in a country without subversion or another kind of internal war (Gil, 2011). In this the posture of President Bill Clinton, who congratulated the military command of the mission by Brazil, contrasted with that of President Santos, who in passing questioned the number of troops deployed by requesting more civilians and engineers as volunteers and suggesting a pause in the reconstruction plan mentioning the need for a “change of vision”³⁷.

Even with this “groping diplomacy”, looking for moderate opportunities for prestige, Colombia carried out three somewhat wiser strategies. First, President Santos and Foreign Minister Holguín tried, through recurrent contacts, to bring together again Israeli Prime Minister Netanyahu and Palestine President Mahmud Abbas at the dialogue table, as a display of cordial “neutrality” and indirect commitment (without recognizing Palestine as a *de facto* State and without shocking the United States) (Pastrana and Vera, 2012b: 207-208). Second, Colombia decided to push forth a new proposal on sustained development together with Guatemala (Sustainable Development Goals (ODSs), both at the General Assembly and at the Rio+20 Summit suggesting new indicators of economic, social and environmental progress in accordance with national priorities

37 HOY (April 6 2011). “Santos propone que la MINUSTAH se dedique también al desarrollo de Haití.” Available at: <<http://hoy.com.do/el-mundo/2011/4/6/370077/Santos-propone-que-la-MINUSTAH-se-dedique-tambien-al-desarrollo-de-Haiti>>.

and contexts³⁸, and although a preliminary economic vision road map was signed for the coming 20 or 30 years, the Summit was criticized because of the absence of key leaders (Obama, Merkel and Cameron), lack of binding goals to reduce environmental degradation, lack of financing to help developing countries (the G-77) to reach those goals and reticence by big countries like the United States and Brazil to convert the United Nations Environmental Program (PNUMA) in an independent organization with powers³⁹. For the third measure, Colombia was one of the most enthusiastic promoters of a framework treaty for the regulation of the international trade of conventional arms in the United Nations, and although its adoption was achieved with 154 positive votes, there is concern about the rejection by Iran, Syria and North Korea and the abstention (or absence) of Russia, India, China and neighboring countries such as Nicaragua, Bolivia, Cuba, Ecuador and Venezuela amid criticism such as the absence of a binding mechanism, its possible use for political purposes by the West and its possible effect to bolster the exports of this kind of weapons by the United States as a more formal market⁴⁰.

On potential United Nations reforms, Colombia supports the deepening of the gender perspectives based on the institutional strengthening of the Organization in order to promote international humanitarian law, eradicate sexual crime in political conflicts and guarantee coordination between programs aimed at the protection of women and children, including support to the establishment of UN-Women, created in 2010 (MRE, 2013: 245-246). Disagreements

38 *El Tiempo* (June 22 2012). "Cumbre Rio+20 culmina con plan para medio ambiente y contra la pobreza". Available at: <http://www.eltiempo.com/vida-de-hoy/ecologia/ARTICULO-WEB-NEW_NOTA_INTERIOR-11967029.html>.

39 *El Tiempo* (June 22 2012). "Cumbre Rio+20 culmina con plan para medio ambiente y contra la pobreza." Available at: <http://www.eltiempo.com/vida-de-hoy/ecologia/ARTICULO-WEB-NEW_NOTA_INTERIOR-11967029.html>.

40 See: OXFAM (April 2013). "Tratado Internacional sobre el Comercio de Armas: Preguntas y Respuestas." Available at: <<http://www.oxfam.org/es/campaigns/tratado-internacional-sobre-el-comercio-de-armas-preguntas-y-respuestas>>, and RT (April 3 2013).

regarding the aspirations of emerging powers to expand the number of permanent seats in the Security Council are well known: Italia dissents from Germany's aspiration, and Argentina and Mexico from that of Brazil, China and South Korea from Japan's and Pakistan from India's (Sepúlveda and Riquelme, 2010: 30). Colombia's position has not changed significantly, maintaining as antecedent the draft A/59/L.68 that it helped to be introduced in 2005 and that was co-sponsored by Argentina, Canada, Costa Rica, Spain, Italy, Malta, Mexico, Pakistan, Republic of Korea, San Marino and Turkey, which proposes rather to expand the number of non-permanent members from 10 to 20 but not alter the structure of the permanent group (Sepúlveda and Riquelme, 2010: 30).

Concerning the key actors of the International System, Colombia has been diversifying its geographic interests in the Santos era with special intensity and is not entirely alien to the important changes that happened since the end of the Cold War. Although it continues to consider that the global political primacy (of the United States) has not disappeared, it accepts a "slight" trend to multi-lateralization and the stressing of regional dynamics, identifying as critical issues the consolidation of alternative currencies vis-à-vis the US dollar, such as the yuan and the yen; the rise of "emerging powers" with aspirations of leadership in the system; the potential for democratization ("Arab Spring") and the need for the big powers to accept a larger number of global partners (MRE: 2013: 37). In the Colombian view, Russia has an economic and military market with great potential but faces enormous challenges as it tries to recover influence in Central Asia and Eastern Europe. China is an important trade partner, as the second world economy with direct impact in the commerce, investment and reserves in the United States, an ascending military power and central player in Asia Pacific and recently in Africa. Japan is the third economic power and a technological center of fundamental importance for innovation and education policies (together with South Korea). Germany is the

largest economy in Europe and its capacity to exchange value is vital. The United Kingdom is the chief military power in Europe behind Russia and an essential horizon for the flow of value, while Brazil is the most important player in Latin America followed by Mexico, Argentina, Colombia and Chile in this order (MRE, 2013: 37-38). Regarding the commercial panorama, Colombia intends to privilege the consolidation of access to the markets of 20 countries in order of [priority (besides the United States): China, India, Singapore, Costa Rica, Dominican Republic, Australia, Indonesia, South Africa, Thailand, Viet-Nam, Egypt, the Gulf States, Japan, Israel, Nicaragua, Russia, Malaysia, Caricom, New Zealand and the Philippines (CSCE, 2011:4).

This systemic diagnosis of opportunities in view of its new “self-confidence” have led President Santos to argue that Colombia has the capacity to become a “bridge” country⁴¹, both as a new emerging economy and as a mediator between different geographic and political positions in order to contribute to the solution of conflicts (MRE, 2013: 12). This intention to function as a “bridge” or a “hinge” may be explained by the Neoclassical realism as a strategy of multiple diplomatic links that allows States with few power resources in the International System and plenty of geographic interests to approach several actors, especially powerful States, with the objective of consolidating stable networks of inter-exchanges that permit them to intervene in the formulation of agendas (Pastrana and Vera, 2012: 47), in accordance with individual concerns or interests of a government that aspires to become “regional conciliator” in order

41 This idea is not altogether new in the presidential imagery of Colombian external policy. Previously, Virgilio Barco (1986-1990) defended the notion of Latin America and of Colombia, as a State with a pacific coast in particular, as a “bridge” between the Old World (Atlantic countries) and the New World (Pacific countries). See Gonzalez, R. (2004) “La política exterior de Colombia a finales del siglo XX. Primera aproximación. Red de Integración Latinoamericana y caribeña (REDIR) y la Asociación de Unidad por Nuestra América (AUNA). Available at: <<http://rcientificas.uninorte.edu.co/index.php/investigacion>>.

to multiply its transnational possibilities with everyone (Nolte, 2012:34). For Carvajal (2012: 9-13) Santos could be contemplating taking Turkey as a point of reference to become a “hinge” country, not only due to the recent mutual opening of embassies and the advice and/or consultations received by Colombia on the Turkish model of external policy and conflict mediation but also to the current reflection about belonging to several geographic connections, good economic performance, great biodiversity and abundance of hydro sources that the country possesses, the potential to receive immigrants, its potential in education and culture, its military strengthening and the historic value ascribed to multilateralism.

COLOMBIAN INTERNATIONAL ACTIVISM IN THE SANTOS ERA

Such intention to “lead” does not necessarily correspond to a coherence between the degree of progress of the internal agenda (with many pending problems still to be dealt with) and the wider external objectives, neither does it entail a satisfactory autonomy vis-à-vis the criteria of its main commercial and military ally (the United States), but brings forth several indications of its renewed international activism. (Pastrana and Vera, 2012b: 205-214). For this reason it is useful to register some significant milestones:

1. A political “reconciliation” with the governments of Venezuela and Ecuador, including the resumption of the mechanism of good neighborhood, bilateral cooperation and border development, which facilitated not only a more pro-active closeness with Brazil (although it is not identified with bolivarianism) but also the presentation of an initiative to update or “re-engineer” the Community of Andean Nations (CAN).
2. An active return to Latin American spaces by giving central importance to UNASUL by making use of the appointment

(also politically calculated by Brazil) of the former Colombian Foreign Minister Maria Emma Mejia as Secretary-General of that organization. In one year in office, not only its budget and internal rules were strengthened but also the Additional Protocol of “commitment to democracy” as a form of government was promoted; the coordination of the implementation of the eight Ministerial Councils (Energy, Defense, Infrastructure, Health, Social Development, Drugs, Education, Culture, Science, Technology and Innovation, Economy and Finance) was started; and the creation of the Center of Strategic Defense Studies (CEED) and of the South American Institute on Government and Health (ISAGS)⁴² was supported.

3. An attempt was made to use the opportunity of hosting the VI Summit of the Americas in 2012 as a way to contribute to the normalization of relations between Cuba and the United States, on the one hand, and to display willingness to act as a “bridge” between the North and the South (a role that was being played by Brazil) and between many geopolitical blocs – NAFTA, CARICOM, ALBA, MERCOSUL, CAN and AIF. Nevertheless, this aspiration was partially cut short due to the persisting exclusion of Cuba by the United States and Canada; the more acute complaints from Argentina at the failure to treat its dispute with the United Kingdom over the Malvinas as a central issue; the failure to include the United States and Brazil in the same “basket of interests”; and the realization of the enormous cost of the attempt to bring closer together the United States and countries most wary of its hemispheric hegemony (Nicaragua, Ecuador, Bolivia, Argentina and

⁴² Ministry of External Relations (June 11 2012). “Colombia entrega una UNASUR fortalecida, funcionando y en orden” Available at: <<http://www.cancilleria.gov.co/content/colombia-entrega-una-unasur-fortalecida-funcionando-y-en-orden#sthash.SAnukpbu.dpuf>>.

Venezuela). The latter were, in fact, the most distrustful of the cooperation agreement signed by Colombia with the North Atlantic Treaty Organization (NATO), which although limited to the field of information, capacitation and good practices in issues like the fight against drug traffic and terrorism, was interpreted by some of them as a form of insertion in the Western alliance and a threat to countries in the region that criticize the United States⁴³.

4. Colombia's role as a driver of the establishment of the Alliance of the Pacific, or AIP (Colombia, Chile, Mexico and Peru) has been particularly noticeable to the extent that this coalition of common commercial and investment interests not only responds to the frustration of ALCA (Free Trade Area of the Americas, pushed by the United States and stopped by Brazil and Venezuela in an attempt to prevent trade negotiations outside the WTO and sub-regional blocs) but also had hoped for an eventual "trans-Pacific" wider market or Trans-Pacific Partnership (TPP) (strongly promoted by the United States). It is also a strategy to "detach" geographically from MERCOSUL as a semi-"protectionist" bloc and from Brazil as the main influence in the processes of integration. It is a strategy of "strengthening among peers" (both economic and ideologically) that allows them to challenge in part the regional policies of Brazil and reduce some of the disadvantages of competing singly against the regional power for market access (mainly in the primary sector) and American investments, to "call attention" for the prioritizing of their prospects in regional arrangements and to keep confidence and closeness with the United States in an environment increasingly critical of neo-liberalism (Pastrana

43 See, for instance, *Semana* (Junio 3 de 2013). "El vecindario se molesta por acuerdo con la OTAN." Available at: <<http://www.semana.com/nacion/articulo/el-vecindario-molesta-acuerdo-otan/345320-3>>.

and Vera, 2012b: 214). The commitment to this option of insertion in the economies of the United States, the European Union and Asia-Pacific grows to the extent that Canada (a buyer and an investor in the mineral and energy sector) has shown increased interest in the alliance⁴⁴ and as the ideological commitment of its members with the validity of the State of Law, (representative) democracy, separation of the powers of the State and the assurance of individual rights and liberties⁴⁵ inevitably sets them apart from the ALBA model and any other integration proposal that shuns liberal democracy and the free market. In other words, this includes the maintenance of fluid relations with the main financial, monetary and commercial global structures (World Bank, IMF and WTO), another aspect not shared by the “alternative” governments of the region.

5. Colombia has been presenting itself as offering “South-South cooperation” and is trying to change its image as a primarily receiving country. Not only was the Presidential Colombian Agency of International Cooperation (APC-Colombia) was created but there is also an effort to channel external financing and to synchronize internal and external programs with the objectives of the National Development Plan, reduce poverty, increase employment and strengthen security (APC, 2012: 3), besides providing mechanisms abroad in order to work with countries that fell behind in the achievement of the Millennium Development Goals (MDG) and with neighbors in the management of border development plans.

44 *Dinero* (May 22 2013). “Canadá con sus ojos puestos en la Alianza del Pacífico.” Available at: <<http://www.dinero.com/actualidad/economia/articulo/canada-ojos-puestos-alianza-del-pacifico/176222>>.

45 See Article 2 of the Pacific Alliance Framework Agreement (Acuerdo Marco de la Alianza del Pacífico) Available at: <http://www.sice.oas.org/TPD/Pacific_Alliance/Agreements/Framework_Agreement_Pacific_Alliance_s.pdf>.

Although it may seem controversial to help others as internal development goals still remain unfulfilled, Colombia looks forward to formalize, as a medium income country, its bilateral cooperation and implement three great projects: the Strategy of Cooperation with the Countries of the Caribbean Basin, the Regional Program for Mesoamerica (APC, 2012: 14) and the Strategy of International Cooperation in Integral Security. Some of the achievements in this connection include: the holding of the “Africa- Latin America International Seminar on Integral Security and Organized Transnational Crime”, by the Foreign Ministry. Ministry of Defense and National Police⁴⁶, the transfer of knowledge on Food and Nutritional Security, Environment, Disaster Risk Management, Academic Mobility, Professional Technical Training, Culture and Second Language for professionals from Jamaica, Trinidad & Tobago, Belize, Dominica, Grenada, Saint Lucia, Antigua & Barbuda and Haiti⁴⁷, the holding of an “International Workshop on Adaptation to Climate Change and Risk Management” for delegates from Vietnam, Malaysia and Mongolia⁴⁸ and the holding of the first “South-South Cooperation Dialogue” among CIVETS countries (Colombia, Indonesia, Viet-Nam, Egypt, Turkey and South Africa), Kazakhstan and Azerbaijan.⁴⁹

46 Ministry of External Relations (March 27 2012). “Colombia estrecha cooperación técnica con África para combatir la Delincuencia Organizada Transnacional”.

47 Foreign Ministry (December 26 2011). “Colombia promueve la cooperación con la Cuenca del Caribe.” Available at: <<http://www.cancilleria.gov.co/content/colombia-promueve-la-cooperaci%C3%B3n-con-la-cuenca-del-caribe#sthash.bx7RnQeW.dpuf>>.

48 Foreign Ministry (August 16 2013). “Colombia sigue fortaleciendo sus lazos de amistad y de cooperación con países de Asia.” Available at: <<http://www.cancilleria.gov.co/newsroom/news/colombia-sigue-fortaleciendo-sus-lazos-amistad-y-cooperacion-con-paises-asia#sthash.vd93NDbg.dpuf>>.

49 Foreign Ministry (June 28 2012). Colombia espera que el Primer diálogo de Cooperación Sur – Sur beneficie a todos los países. Available at: <<http://www.cancilleria.gov.co/content/colombia-espera-que-el-primer-di%C3%A1logo-de-cooperaci%C3%B3n-sur-%E2%80%93-sur-beneficie-todos-los-pa%C3%ADses#sthash.VzZ5oyqo.dpuf>>.

CONCLUSIONS

The first argument to be made is that J.M. Santos's administration has shown eagerness to disseminate the idea that Colombia is a country ready to leave the status of "problem country" and to build a new image that allows it to participate of multiple transnational scenarios, thus generating legal and diplomatic confidence. Just as the previous image of "failed State" was hasty, this new image of "model State" has many holes and has given rise in several instances to skepticism from neighbors instead of acceptance. The achievements in the economy, security and social policy cannot be dismissed but are still far from being sustainable, so that the current status of the internal agenda does not seem to coincide with the role of main player that Colombia wants to take (or at least its decisions) in order to contribute as a Medium Income Country (MIC) to the development of less advanced ones. Its capabilities could be too limited in view of its ambitious objectives and in many aspects one can see a certain degree of diplomatic "groping" or improvisation in the name of regional "leadership" that is giving rise to negative external impressions and confusion between the receivers and the observers of its current projection.

The second comment to be made is although Colombia's commercial and external policies have shown noticeable signs of geographic diversification, and present strong objectives of insertion in non-conventional markets (mainly in Asia Pacific) they still have features of structural dependence on the primary sector (hydrocarbons and minerals), on the demand from the United States and on external sources of financing, despite possessing significant international reserves. In general, the history of Colombian foreign policy makes it clear that the internal economic weakness is the "Achilles' heel" of external autonomy and of the institutional consolidation of the diplomatic activism and multilateralism.

A third analytical finding is that Colombia has become increasingly aware of its condition as a secondary power, with varied strategies to push forward its own initiatives in the region, which complement or compete with those carried out by Brazil and other powers with local influence (such as Argentina and Venezuela). This meant, in practice, that although economic, military and cooperative interaction with Brazil has been growing, these issues are still far from being a priority, and that Colombia's options with the AIP, the agreement with NATO and some positions in the Security Council have given rise to several frictions and discrepancies because it is not within its view to arrive at a kind of "Respice Australis" or alignment with the regional power. In the case that CIVETS becomes a reality as a coalition and no longer a mere descriptive acronym, Colombia would bet on its development within its own network of extra-regional interests such as the those of Brazil in BRICS, a platform that would strengthen its vision of relative support to the International System marked out by the United States (that is, a reinforcement of the OAS, the World Bank, the IMF and the WTO) and that becomes more evident in the political calculation that seems to induce Washington to encourage Colombia in its aspiration to join OECD.

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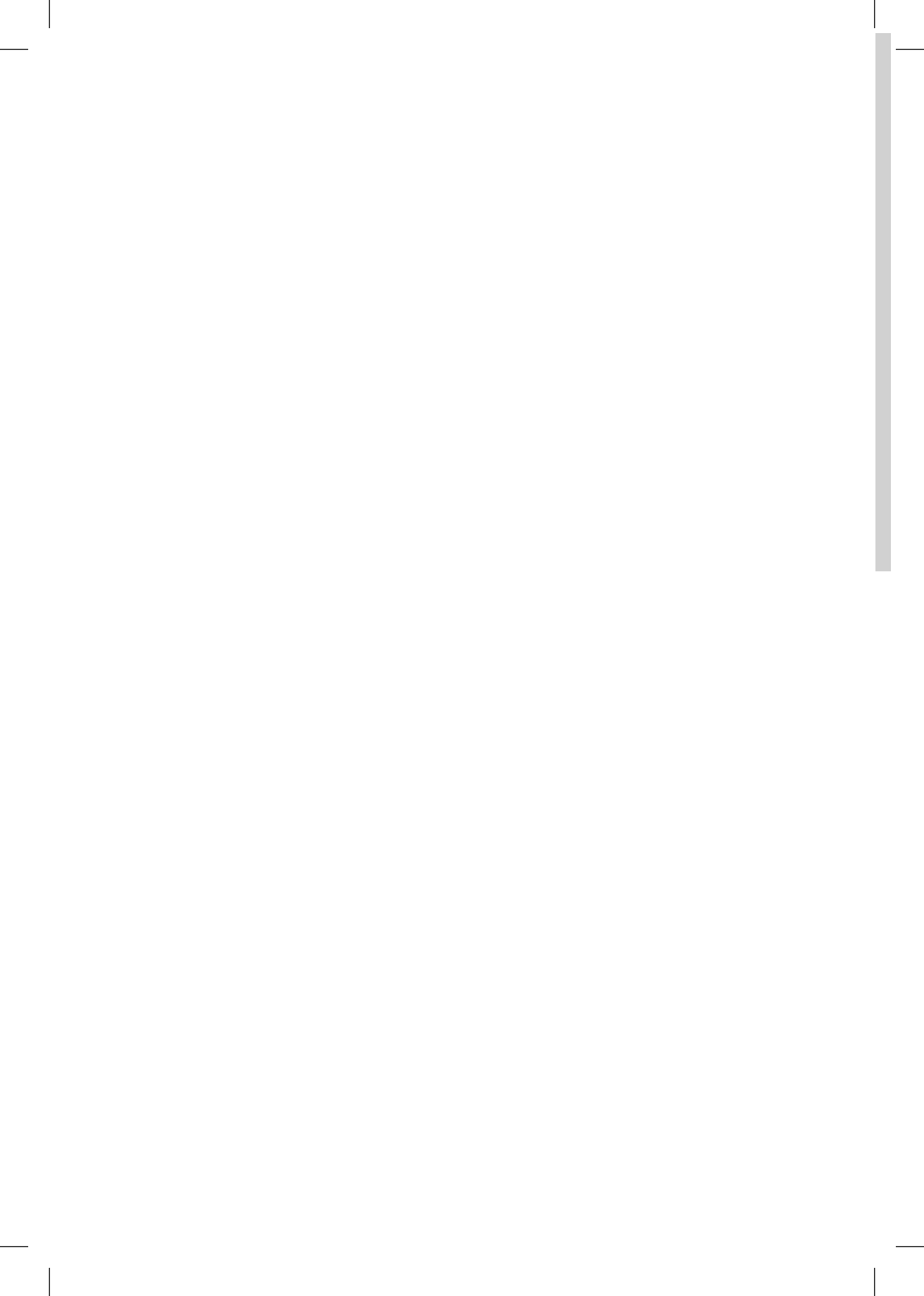
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PART IV

THE ROLE OF THE EMERGENT:

AFRICA AND ASIA



BETWIXT NOW AND THEN: TRAVAILS IN THE INTERREGNUM

*Rasigan Maharajh**

INTRODUCTION

According to research evidence, the Earth is approximately 4.6 billion years old (Dalrymple: 1991). The history of Homo sapiens on this planet is representative of only an infinitesimal period of time spanning no more than two hundred thousand years (Tattersall: 2009). Notwithstanding the pithiness of time within which our species appears in the fossil record,

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human beings have collectively though disparately dispersed themselves across six of the seven continental landmasses. Even the seventh continent, Antarctica is now hosting human bases albeit temporarily. As humanity advances into its 21st century of the Common Era, the planet upon which life itself is premised is experiencing significant impacts emanating from anthropogenic sources (White: 1967). Multiple crises are emergent in domains as wide as Climate Change¹, Energy², Environment³, Finance⁴, and Food-security⁵ amongst others. Underdevelopment and unemployment remain persistent problems whilst inequality and poverty extends beyond national boundaries. The outcomes of many of these features occur simultaneously although their effects that are experienced differentially across all the occupied territories of the planet.

The preceding two thousand years gave rise to the contemporary configuration and stratification of the planet into 193 internationally recognised sovereign states (UN: 2013: Blue Book). The path towards achieving this institutional configuration whilst intrinsically combined has nevertheless remained uneven, continuously contested, and emblematic of power relations. This essay draws upon the literatures of political economy, big history, evolution, transitions and innovation to reflect upon our current conjuncture. In linking together the past and the present, the essay outlines a scenario of change that is expectant with the

1 "Climate change" is defined as a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods. (Article 1(2) UN Framework Convention on Climate Change).

2 IRENA (2013).

3 UNEP (2012).

4 UNDESA (2013).

5 "A total of 842 million people in 2011–13, or around one in eight people in the world, were estimated to be suffering from chronic hunger, regularly not getting enough food to conduct an active life" (FAO: 2013).

real possibilities of achieving alternative progressive potentials. In concluding, some of contemporary challenges towards the realisation of normatively better futures are outlined.

COMMON YET DIFFERENTIATED

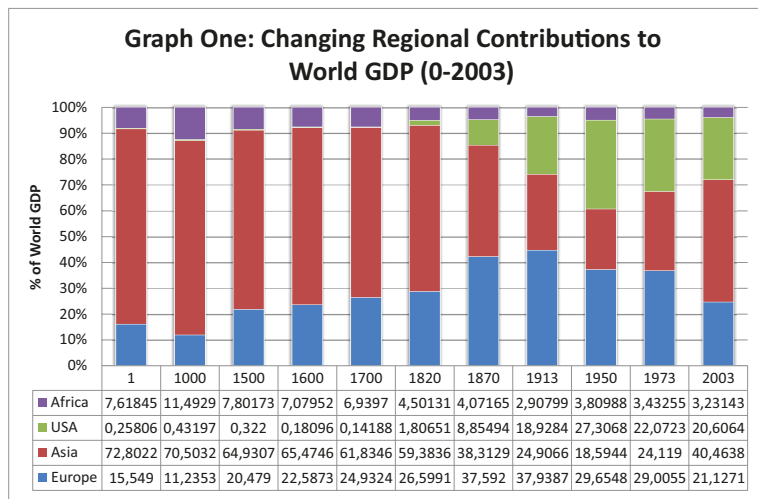
The collective history of the human species remains largely an incomplete and unevenly-told narrative. Recent advances in techniques and tools of measuring the past have however begun to generate a much more complex appreciation of our shared though divergent evolutionary histories. The study of human population dynamics (Relethford and Harpending: 1994), genetic diversity (Ashraf and Galor: 2012) and attempts to trace the evolution of languages (Atkinson: 2011) generally confirm a common origin of the species in Africa. The human species evolved slowly over long periods of time through essentially banding together in groups to achieve reproductive success and survive the harsh environment of natural life. This protracted and unhurried history saw bands of people migrate across the span of the planet.

Friedrich Engels (1876) and Vere Gordon Childe (1951) have, amongst others, argued that human evolution separated from being but a product of natural selection through the exploitation improved learning and communicating capacities of the species. Utilising these evolutionary advantages and combining them socially afforded humanity the opportunity to build capabilities to better study their environments, formulate and test hypotheses, generate innovations and transmit the accumulated knowledge and technologies across generations and geography. The establishment of dominion over the geophysical constraints of nature allowed the species to survive and thrive. In transiting from Palaeolithic through Neolithic periods, agriculture saw crops and animals domesticated.

The emergence of agriculture and its social diffusion delinked human evolution for its earlier ecological relationship with nature.⁶ Progress in terms of the human species has mainly been achieved through learning, the accumulation of knowledge and its deployment through technical, social, political and economic innovations.

In the past millennia, the human species has brought about massive and widespread changes to the biosphere though its application of accumulated knowledge. In such a long time frame, different regions of the world have for different time periods played different roles and contributed differing shares of world outputs. No geographic segment of the human population can therefore claim exclusivity for global development. The following graphic illustrates some aspects of these changes.

Figure 1. Changing regional contributions to world GDP (0-2003)



Source: Angus Maddison (2006)

6 The life of the species, both in man and in animals, consists physically in the fact that man (like the animal) lives on organic nature; and the more universal man (or the animal) is, the more universal is the sphere of inorganic nature on which he lives. [...] That man's physical and spiritual life is linked to nature means simply that nature is linked to itself, for man is a part of nature. (Marx: 1844: 31).

As is shown in Figure One, the recent dominance of Western Europe and the United States of America (USA) are a relatively recent phenomenon. According to Maddison, “advances in population and income over the past millennium have been sustained by three interactive processes: a) Conquest or settlement of relatively empty areas which had fertile land, new biological resources, or a potential to accommodate transfers of population, crops and livestock; b) international trade and capital movements; and c) technological and institutional innovation” (2006). These processes cumulatively constructed the interconnected and interdependent world-systems that comprise contemporary globalisation.

Figure One also shows the dynamic and transitory nature of economic development over the last two thousand years of our common era. With the establishment of industrial capitalism circa 1771, changes in the accumulation of capital established a fundamentally different world order and trajectory (Smith, Ricardo, Marx et al). Imperial and colonial expansion which extended into the 20th century enjoined most of the world’s territories into global systems (Arrighi: 2009). The processes of conquest, exploitation and dominance embedded social, political and economic relationships through infrastructures, institutions and ideologies (ibid). This period also witnesses significantly reduced shares of Africa and Asia in the world economy as a measured by Maddison (op cite).

The 20th century largely entrenched the power and hegemony of Western Europe, the USA and Japan. This powerful ‘troika’ would define the contours of the contemporary capitalism since the end of the second major world war in 1945. Their path to global hegemony was not however uncontested. The struggles for alternatives to the predominant capitalist path of development had many earlier antecedents but are most clearly associated with

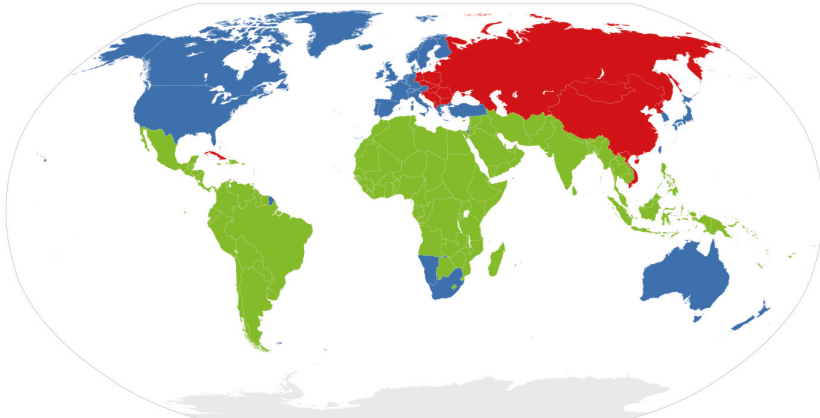
the revolution in Russia in 1917 and the subsequent creation of the Union of Soviet Socialist Republics (USSR) in 1922. This would provide a geopolitical countervailing force against capitalism in its international variations. This was bolstered by subsequent changes in, amongst others, China in 1949 with the establishment of the People's Republic of China (PRC), and in Cuba's liberation in 1959.

Map One shows how the world was segregated along an east-west (socialist – capitalist) axis and a global south-north (developing country - advanced capitalist) divide resulting in a First World (The North Atlantic Treaty Organisation⁷ and its allies); Second World (The USSR, PRC, Cuba and its Allies); and Third World (newly independent, former colonies and usually Non-Aligned Movement⁸ members). There are cross-memberships in the last two mentioned groupings.

7 Belgium (1949), Canada (1949), Denmark (1949), France (1949), Iceland (1949), Italy (1949), Luxembourg (1949), Netherlands (1949), Norway (1949), Portugal (1949), UK (1949), USA (1949), Greece (1952), Turkey (1952), Germany (1955), Spain (1982), Czech Republic (1999), Hungary (1999), Poland (1999), Bulgaria (2004), Estonia (2004), Latvia (2004), Lithuania (2004), Romania (2004), Slovakia (2004), Slovenia (2004), Albania (2009), and Croatia (2009).

8 Afghanistan, Algeria, Angola, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belize, Benin, Bhutan, Bolivia, Botswana, Brunei Darussalam, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, Colombia, Comoros, Congo, Côte D'Ivoire, Cuba, Democratic People's Republic Of Korea, Democratic Republic Of The Congo, Djibouti, Dominican Republic, Ecuador, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Honduras, India, Indonesia, Islamic Republic of Iran, Iraq, Jamaica, Jordan, Kenya, Kuwait, Lao People's Democratic Republic, Lebanon, Lesotho, Liberia, Libyan Arab Jamahiriya, Madagascar, Malawi, Malaysia, Maldives, Mali, Mauritania, Mauritius, Mongolia, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nicaragua, Niger, Nigeria, Oman, Pakistan, Palestine, Panama, Papua New Guinea, Peru, Philippines, Qatar, Rwanda, Saint Lucia, Saint Vincent and the Grenadines, Sao Tome And Principe, Saudi Arabia, Senegal, Seychelles, Sierra Leone, Singapore, Somalia, South Africa, Sri Lanka, Sudan, Suriname, Swaziland, Syrian Arab Republic, Thailand, Timor-Leste, Togo, Trinidad And Tobago, Tunisia, Turkmenistan, Uganda, United Arab Emirates, United Republic Of Tanzania, Uzbekistan, Vanuatu, Venezuela, Viet Nam, Yemen, Zambia, and Zimbabwe.

Map 1. Three worlds, one planet



Blue	First World
Red	Second World
Green	Third World

Source: Wikimedia Commons (2012)

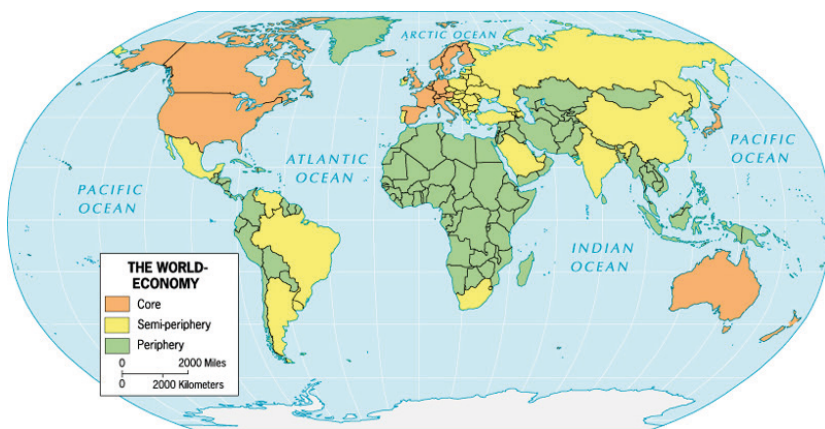
These ‘three’ worlds occupied the same planet whilst viewing the world from fundamentally different ideological perspectives. In invoking this image, we must note that we are using the concept of ‘three worlds’ descriptively and distinctly from Mao Zedong’s Theory on the Division of the Three Worlds (1974).⁹ Map One also clearly shows the anomalous position maintained by the apartheid regime of South Africa and its ‘illegitimate’ occupation of Namibia. The ‘cold war’ across the 20th century ensured that a single dominant ideology did not rule the world systems. With the death of the USSR, global capitalism sought to rewrite history in so far as claiming victory for its world view. This has resulted in a

⁹ According to Mao, “the United States and the Soviet Union belong to the first world. The in-between Japan, Europe and Canada belong to the second world. The third world is very populous. Except Japan, Asia belongs to the third world. So does the whole of Africa and Latin America”.

false dichotomy being established between the victorious ‘market’ system and a defeated system of ‘command’ planning. The reality is however much more complex and interesting.

As a territory only achieving its national liberation at the end of the 20th century, South Africa had the opportunity to draw upon a wider range of lessons derived from experiences across the varieties of capitalism (Anglo-American Liberal Markets, European Coordinated Markets, Hybrid Social Models and Welfare States, etc.), actually existing socialisms (USSR, China, and Cuba amongst others) and a huge diversity of popular nationalisms resulting from successful anti-colonial struggles (global South). In advancing across the 21st century, Map Two better represents the contemporary international division of labour and current distribution of economic power. Map Two is drawn from the literature generated from world-systems analysis.

Map 2. The world economy according to world-systems analysis

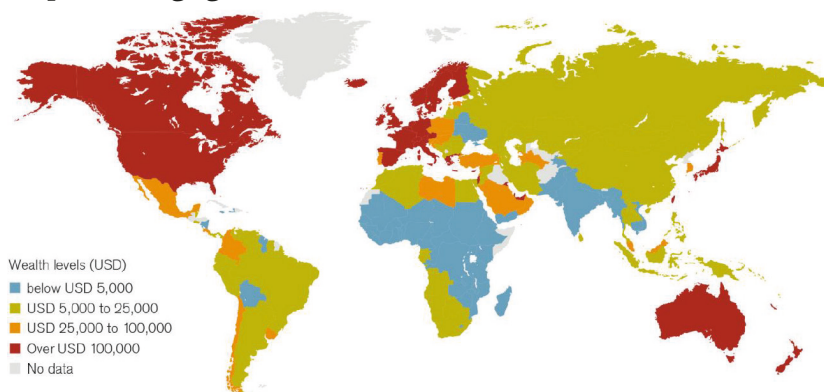


Source: Lewis Historical Society (2010).

In Map Two, we can identify that the 'core' symbolises the mature and advanced capitalist countries which have hitherto maintained global hegemony in production, distribution, consumption and waste-management. These 'core' countries are however not autonomous from the rest of the world. Rather, they retain their predominance through 'market' relations with the general 'periphery' who continue to provide largely raw materials, natural resources and also markets for the import of finished and capital goods. The 'periphery' therefore remains relatively undiversified economically with concentrations in the extractive industries of the primary sector (mining and agriculture). Secondary industrialisation and manufacturing evolves to support the primary sectors, are exogenously driven and hence prone to the vagaries of market conditions in the 'core' countries (including the establishment of energy complexes). It has been argued that the export-led 'market' relations determined by the 'core' forces 'periphery' countries to follow economic policies that maintain and even expand the advantages of 'core' countries. Such approaches have historically tended to damage the long-term economic prospects of 'periphery' countries as their interdependency precludes real endogenous development.

An intermediate category of countries is called the 'semi-periphery.' Immanuel Wallerstein recognised in this category that whilst "they are weaker than core societies, they are trying to overcome this weakness and are not as subject to outside manipulation as peripheral societies" (Wallerstein: 1974 & 1980). Emerging rapidly though still located in the semi-periphery, are the countries of Brazil, Russia, India, China and South Africa (BRICS).

Map 3. Average global adult wealth levels in 2013

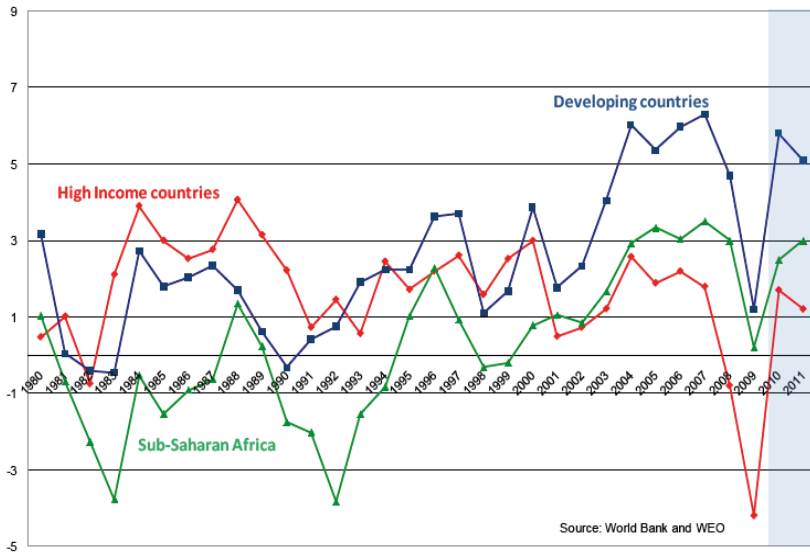


Source: Credit Suisse (2013) *Global Wealth Databook*

Map Three utilises the Global Wealth Databank to show the average adult wealth levels across the countries of the planet. Whilst such a depiction necessarily conflates variations within countries and across regions, it does provide us with a good correlation to the world-systems described in Map Two. Thus, we can see that the ‘rich’ countries remain those earlier described as mainly the core economies. Their collective wealth has largely been maintained through recent crisis. Following this set of wealth holders, is an “intermediate wealth category” covering the range: US\$ 25,000 to US\$ 100,000. According to Credit Suisse, South Africa was part of this group until 2012, when it was relegated to the next lower tier called the “frontier wealth category” (2013). This wealth category ranges from US\$ 5,000 to 25,000 per adult, covers the largest area of the world, and includes the most heavily populated countries on the planet. In 2013, Brazil, Russia, China, and South Africa are all within this group (op. cit.). India and the rest of the world which are heavily concentrated in South Asia and Central Africa occupy the fourth tier in Credit Suisse’s topography of individual wealth with wealth ranges below US\$5,000 (ibid.).

Whereas the ‘core’ economies (also known as ‘high income countries’) have generally determined the pace of international economic growth, the situation changes after the 1980’s. Figure Two shows the changes in the rates of GDP per capita expansion by different territories of the world economy.

Figure 2. Changing international growth rates (1980 – 2011)



Source: World Bank and International Monetary Fund (2011)

Figure Two shows the slowdown in growth rates of the ‘core’ capitalist economies (red line: high income countries), the acceleration of ‘periphery’ countries growth rates (blue line: developing countries) and the rapid advance of countries located in our continent (green line: Sub-Saharan Africa) after 2002. Whilst the positive trend in GDP per capita growth displayed by developing countries is indicative of wider changes in the international economy, the financial crisis of 2008 negatively affects all three categories of countries.

As these territorial changes impact the international political economy, growing divergence in GDP growth rates between the countries of the ‘core’ capitalist countries) and those that were previously designated as the ‘periphery’ or a combination of the ‘second’ and ‘third’ worlds. Even the Organisation for Economic Cooperation and Development (OECD)¹⁰ acknowledges that the “realignment of the world economy is not a transitory phenomenon, but represents a structural change of historical significance” (2012).

EMERGENT PROPERTIES

Whilst countries still collate national accounts to determine their ‘gross domestic production,’ the rise of trans-national corporations (TNCs) has accelerated to the extent that many of them now earn ‘turn-over’ incomes that are larger than the sizes of some country’s GDP figures. Thus, according to the Transnational Institute, 40 of the world’s largest economies are now TNCs. Figure Three shows the rank league of the world’s ‘biggest’ economies in 2012.

¹⁰ Membership (accession year): Australia (1971), Austria (1961), Belgium (1961), Canada (1961), Chile (2010), Czech Republic (1995), Denmark (1961), Estonia (2010), Finland (1969), France (1961), Germany (1961), Greece (1961), Hungary (1996), Iceland (1961), Ireland (1961), Israel (2010), Italy (1962), Japan (1964), Korea (1996), Luxembourg (1961), Mexico (1994), Netherlands (1961), New Zealand (1973), Norway (1961), Poland (1996), Portugal (1961), Slovak Republic (2000), Slovenia (2010), Spain (1961), Sweden (1961), Switzerland (1961), Turkey (1961), United Kingdom (1961), United States of America (1961).

Figure 3. List of the world's biggest economies (2012).

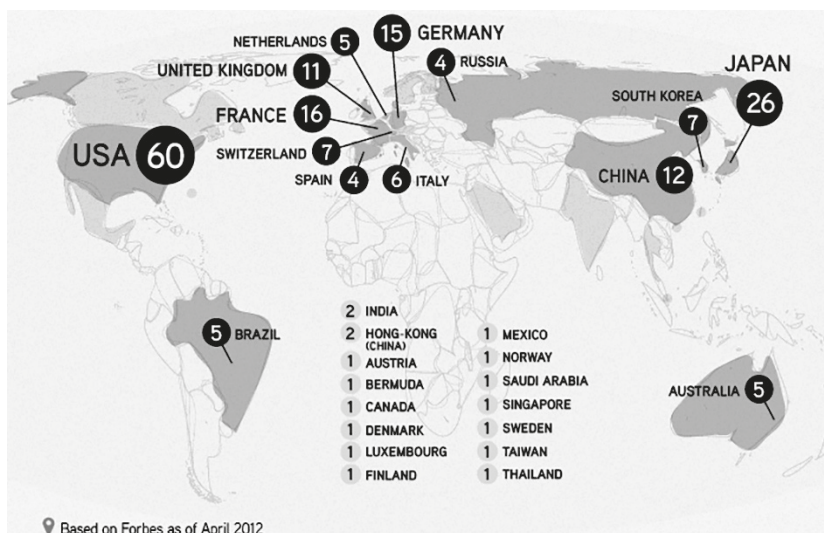


📍 National GDPs are from International Monetary Fund; Corporate revenues are from Forbes.
All references can be found on www.tni.org/stateofpower2013

Source: TNI (2013)

These TNC's are also predominantly, albeit for mainly historical reasons, located in the core capitalist countries. Map Four shows the location of the registered head offices of the world's major TNCs in 2012. Whilst TNCs from BRICS are making their presence felt on the global scene, the majority of them remain based in the 'core' capitalist countries and especially in the members of the OECD.

Map 4. Location of the Forbes top 200 trans-national corporations (2011)



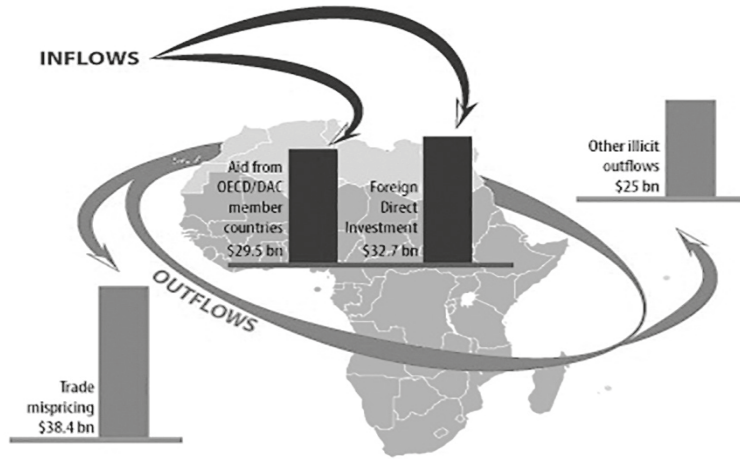
Source: TNI (2013)

According to the Tax Justice Network, approximately US\$ 32 trillion was transferred from home countries into tax havens abroad. The research also showed that the total worth of these assets far exceeded the value of the overseas debts of the countries from which they had originated from. In the three decades between 1980 and 2009, it was estimated that nearly US\$ 1, 5 trillion cumulatively flowed illegally out of Africa (AfDB: 2013). Even the African Progress Panel¹¹ (APP) is now concerned with this situation as it released the following statistical data at its recent appearance at the World Economic Forum in Cape Town (2013).

¹¹ According to its website, the APP consists of 10 distinguished individuals from the private and public sectors who advocate for shared responsibility between African leaders and their international partners to promote equitable and sustainable development for Africa.

Figure 4. Balance of financial flows in Africa (2012)

Africa loses more through illicit outflows than it gets in aid and foreign direct investment



Trade mispricing: Losses associated with misrepresentation of export and import values

Other illicit flows: Funds that are illegally earned, transferred or utilized and include all unrecorded private financial outflows

(All figures are average annual 2006-2010 for Sub-Saharan Africa)

Source: APP (2013)

Figure four shows that while Africa received an average of US\$ 62.2 billion as inflows combining Aid and Foreign Direct Investments, the continent loses approximately US\$ 63.4 billion through trade mispricing and other illegal transfers abroad between 2006 and 2010. Albeit conventional economics, this still represents a net loss of US\$ 1.2 billion. When correlated with the data from the Tax Justice Network and the African Development Bank, these numbers may represent some serious under-estimation.

Scholars such as Rudolf Hilferding described the transformation of competitive and pluralistic liberal capitalism into monopolistic ‘finance capital’ (1910). The unification of industrial, mercantile and banking interests had defused the earlier liberal capitalist demands for the reduction of the economic role of a mercantilist state. Finance capital rather sought a centralised and

privilege-dispensing state. According to Hilferding, this changed the demands of capital and of the bourgeoisie from when its initial constitutional demands affected all citizens alike towards now seeking, under the direction of a strengthening finance sector, state intervention on behalf of the wealth-owning classes: capitalists, rather than the nobility of the Feudal and earlier modes of production (ibid.).

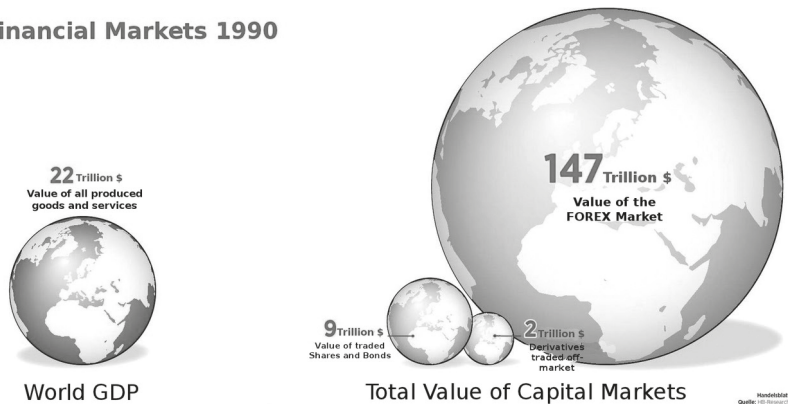
David Harvey (1982) recognised that in the circuit of capital, the owners of the means of production and labour would ultimately also have to be the potential customers for the products and services created. Within a closed system, the same enterprise would need to generate additional value which would need to be greater than merely the sum of the labour and the capital utilised in the process of production. Such 'additional value' becomes realisable through the establishment of future prices. Ultimately, the actual profit remains the value created in a process of surplus extraction, namely, exploitation. It is against this difference between the full cash value of today's product and future commodity value (that are yet to be produced), that the credit system was established and 'fictitious capital' was created. This fictitious capital represents money brought into circulation as capital without any material basis in commodities or actual 'productive' activity. It is upon this basis that the banking system expanded and eventually would come to occupy such a significant role in contemporary society.

Global capitalism has never been stagnant as it continuously adapts to a changing world in so far as it tries forever to recreate the world in its image - that is, to make the world fit to its objectives of accumulation. To achieve growth beyond territorial incorporation requires constant attempts at securing global resources and providing returns to investments. Thus, the world has experienced the booming of a so-called 'fictional capital' as opposed to productive capital. The gap between the two capitals has expanded

exponentially over the last few decades. This rising amount of value is invested through Banks as credit and is then 'lent' to other investment opportunities as debt. This oversimplification should suffice to describe the relationship between capitalist productive and finance speculation. Figures Five and Six show the changes in total values over the last decades. The data utilised in these figures serve an illustrative purpose as the actual numbers remain contested and are held variously by different multilateral and national agencies.

Figure 5. Capital market sizes (1990)

Financial Markets 1990



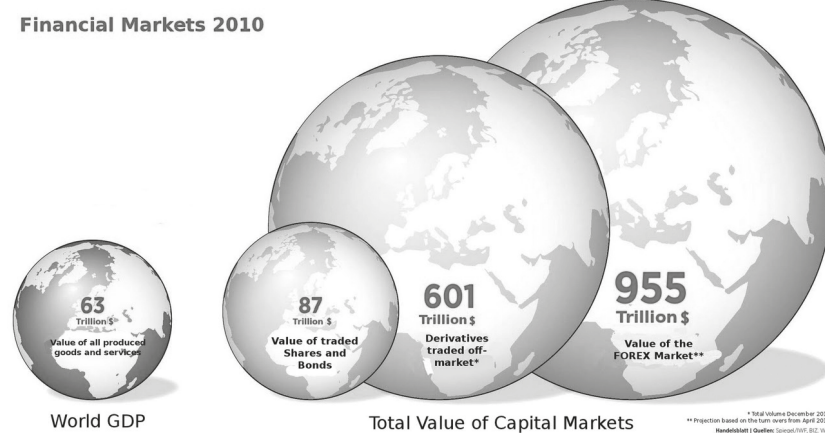
Source: Handelsblatt: HB-Research (2011)

In 1990, the combined monetary value of all the finished goods and services produced within all the countries of the world borders was approximately US\$ 22 trillion.¹² This total of world GDP is inclusive of all of private and public consumption, government outlays, investments and exports less imports. During the same period, the estimated total value of speculative markets was about US\$ 158 trillion and was made up (sic) of US\$ 2 trillion

¹² One trillion is one thousand billion or written as a number as 1, 000, 000, 000, 000.00.

derivatives traded off-market, US\$ 9 trillion of traded shares and bonds and US\$ 147 trillion of foreign exchange or currency trades. Whilst the gap between these two components of the economy are indeed large, their subsequent growth as indicated in Figure Five is of particular interest.

Figure 6. Market sizes (2010)

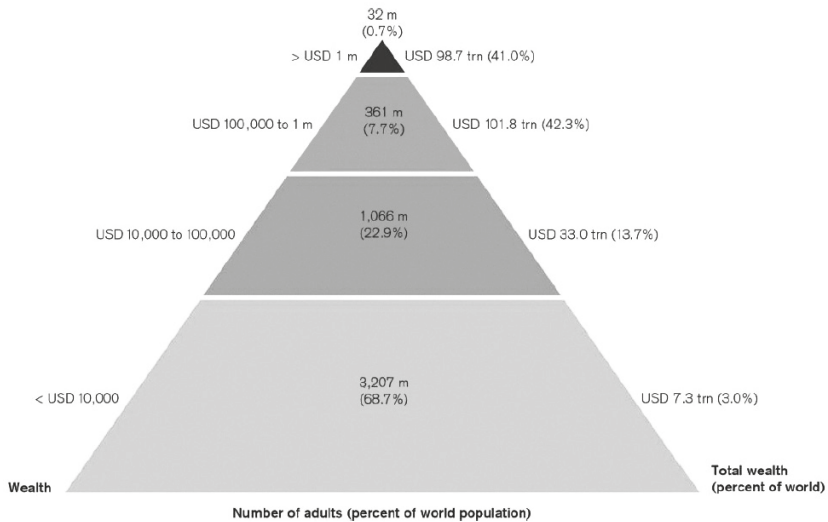


Source: Handelsblatt: Spiegel, LWF, BIZ and WFE.

Within the span of two decades, the total value of all produced goods and services had grown 2.8 times to reach US\$ 63 trillion, the scale of increase in the total value of speculative capital was now marked as US\$ 1,643 trillion. This was indicative of growth approximately 10.4 times the earlier value. This illustrative description accords well with the conceptual analysis of Robert Kurz who suggested that the sheer scale of finance capital’s ‘flight forward’ into purely speculative forms has mortgaged society to a ‘debt’ of future, unrealised - and unrealisable - surplus value that would, as measured in surplus labour, be equal not only to several centuries of ceaseless labour by the world’s total population but to the surplus labour of multiple earths (1995).

All of these recent adaptations in the format of global capitalism have not fundamentally altered the capitalist mode of production. Rather, they have served to modify and adjust capitalism into its current structure and organisation. These processes have collectively facilitated fantastic concentrations of wealth on a global scale. Figure Seven draws from Credit Suisse data and shows the wealth ‘pyramid’ structure of the world in 2012.

Figure 7. Global wealth pyramid (2013)



Source: Credit Suisse (2013)

Figure Seven shows that a minority of the world’s population (0.7%) holds approximately 41% of the wealth of the world, whilst 68.7% of the population share 3.0% of the wealth of the world in 2013. In real terms, 32 million people have a total wealth of US\$ 98.7 trillion; whilst 3.2 billion people share only US\$ 7.3 trillion.

FINITE AND INFINITE: DEVELOPMENTAL CHALLENGES

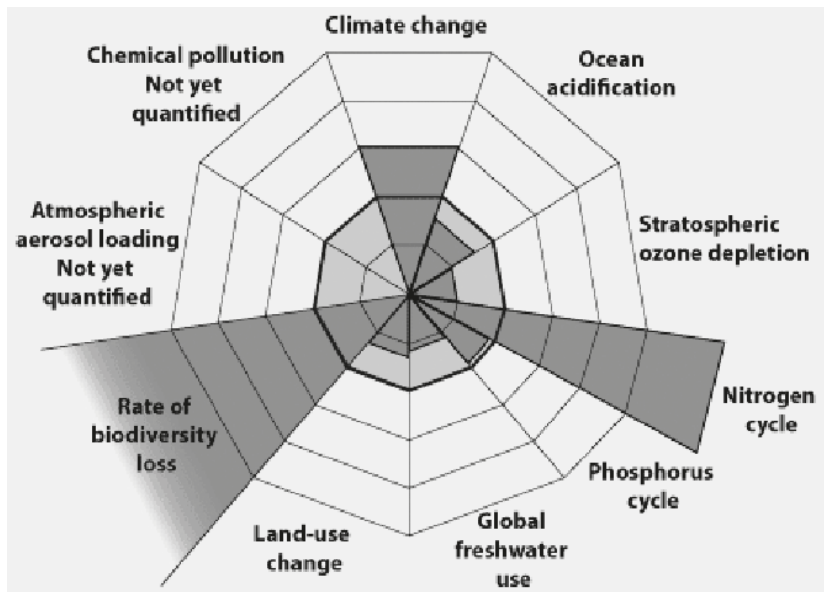
The planet is now undergoing a massive reduction of global biodiversity as warming weather changes the climate and human encroachment expands. Exacerbating uncertainty is the recognition that the world's weather patterns have been radically altered making abrupt climate change unpredictable though inevitable. This situation is compounded by the continued extraction of non-renewable resources and the dominance of unsustainable consumption patterns. Together these factors conspire towards defining our current epoch as the Anthropocene. Whilst the exact dating of this geological era remains unclear, consensus is emerging which locates its origins in the Industrial Revolution of the late 18th century CE (Zalasiewicz et al.: 2008, amongst others). This coincides with the establishment of the current dominant mode of production, consumption, distribution and waste-management.

Current changes to the climate and potentially irreversible climate change implies the loss of productive land, extreme weather conditions, rising sea waters, massive dislocation of people, desertification and serious economic and social upheaval. Other resource shortages like fresh water, forests, agricultural land, and biodiversity are being severely impacted. Depletion of oil and gas reserves impacts directly on the lives of the billions of people of the world and the fragile biosphere.

The current production paradigm remains locked into fossil fuel dependencies that include energy intensive extraction, long distance transportation, and mass-scale production systems. This underlying energy-complex that is linked to a myriad of services and products constitutes an important site of conflict in the face of recognising the planet as a finite eco-system system in itself. The mineral endowments of the planet developed over billions of

years yet its rate of extraction has accelerated with the advance of science and technology. The net effect is that the stocks of planetary resources are being depleted faster than nature can replenish them. This is taking place with a seeming indifference to intergenerational concerns. The following graphic illustrates research conducted by the Stockholm Resilience Centre which sought to identify and quantify a set of nine planetary boundaries within which humanity could continue to develop and thereby thrive for generations to come.

Figure 8. Planetary boundaries



Source: Rockström et al (2009).

Figure eight shows the nine main ‘earth-system processes’ that support life on our planet. The nine include: stratospheric ozone layer; biodiversity; chemicals dispersion; climate change; ocean acidification; freshwater consumption and the global hydrological cycle; land system change; nitrogen and phosphorus inputs to the

biosphere and oceans; and atmospheric aerosol loading. According to them, crossing these boundaries would generate abrupt or irreversible environmental changes.

The planet currently faces multiple tipping points that will ultimately signal the failing of some of the world's ecosystems, with life-threatening consequences for all. The boundaries for these processes recognise the limits within which humankind can safely operate and are indicated by the blue zone in Figure Ten. Seven of these processes have clear boundaries established by science, whilst simultaneously confirming the importance of the principle of uncertainty. Three of those boundaries – for climate change, ocean acidification and stratospheric ozone depletion – represent tipping points, and the other four signify the onset of irreversible degradation. The remaining two processes comprising atmospheric aerosol pollution and global chemical pollution have no determined limits, due to their recent age and lack of long time-series datasets. They therefore argued in favour of respecting the boundaries as a means to reduce the risks to human society of crossing these thresholds.

As Fred Magdoff and John Foster explain: “(s)taying within each of these boundaries is considered essential to maintaining the relatively benign climate and environmental conditions that have existed during the last 12,000 years (the Holocene epoch)” (2011). According to scientific evidence currently available, Magdoff and Foster suggest that we have already exceeded three of these: climate change, biodiversity and the nitrogen cycle. A number of others are in danger of being transgressed in the near future: ocean acidification, global freshwater use, change in land use and the phosphorous cycle (Magdoff and Foster: 2011).

The scientific consensus is that global warming is largely the result of increased atmospheric concentrations of carbon dioxide

and other greenhouse gas emissions. The growth in emissions is caused by human activities, primarily fossil fuel combustion and changes in land use, such as agriculture and deforestation. The most recent report of the Intergovernmental Panel on Climate Change affirms this perspective and states that “It is extremely likely that more than half of the observed increase in global average surface temperature from 1951 to 2010 was caused by the anthropogenic increase in greenhouse gas concentrations and other anthropogenic forcings together” (2013). This warming, along with the associated changes in precipitation, drought, heat waves, and sea-level rise, will have important consequences for the ecosystems of the planet, the global political economy, governance and social relations.

According to an assessment by John Bellamy Foster, Brett Clark, and Richard York (2010), the source of our ecological crisis can be traced to the paradox of wealth in capitalist society, which expands individual riches at the expense of public wealth (including the wealth of nature). Emerging from the process of private accumulation is a huge ecological rift driven between human beings and nature. Foster et al argue that the rift in the metabolic relation between humanity and nature is irreparable within capitalist society. Fundamental changes in social relations must occur if the ecological and social problems currently confronting the planet are to be transcended. Their analysis points importantly towards moving beyond the current regime of capital, which may be characterised as a form of neo-liberalism, and the necessity of advancing towards a society of sustainable human development.

ECONOMICS, THE POLITICAL ECONOMY AND ALTERNATIVE TRAJECTORIES

The global economic crisis of 2009 has opened space for more deliberation in the discourse on economics. Whilst neoliberal ideas overwhelmingly dominate the teaching of economics, this practice has attracted significant dissonance. Thus, contemporary heterodox theories are rising in prominence and includes in its ranks Post-Keynesians who offer a radical interpretation of Keynes now emphasising uncertainty and the role of money; Post-Structuralists who emphasise interactions of popular struggles, aggregate demands and the constraints of market fundamentalism's; and Neo-Institutionalists who stress impacts of culture, tradition, and institutional inertia in shaping the current economy. Another school that is also providing fresh insights into our current dilemmas is the school of Evolutionary Economic that represent a Neo-Schumpeterian tradition. This later grouping emphasises the role of creative destruction, innovation and entrepreneurship

The emerging convergence on the centrality of the neo-Schumpeterian framing of 'creative destruction' bridges literatures from those concerned with the economic growth and development. In its original formulation, Marx had recognised that 'creative destruction' formed a critical dynamic of the capitalist mode of production whereby the economic structure incessantly destroys its older version whilst constantly creating a new variety. Joseph Schumpeter built upon this and further specified 'innovation' as being the result of the: 1) introduction of a new good or a new quality of the good; 2) introduction of a new method of production; 3) opening of a new market; 4) conquest of a new source of supply; and 5) carrying out of the new organisation of an industry (1934).

The neo-Schumpeterian approach also builds on Kondratiev's work on periods of economic expansion and contraction in the development of capitalist economies and Schumpeter's theory on the role of entrepreneurs in stimulating innovation and thus creating the technological breakthroughs that form the basis of a new phase of economic expansion. Innovation in this model is closely related to the concept of 'creative destruction.' Long Waves (so-called Kondratiev waves), are frequently used as an explanatory model of crises, depressions and upswings in the world economy since the beginning of the Industrial revolution in Britain at the end of the 18th century. Inspired by Joseph Schumpeter and his theories of 'creative destruction' as a driving dynamic of capitalist development, Carlota Pérez has together with Chris Freeman developed interesting trajectories of what they term technological revolutions and techno-economic paradigms. Carlota Pérez has in recent publications and presentations sketched how "long waves and great surges" have developed over time.

Table 1. Technological economic paradigms - long waves and great surges

Spreading from Core Country	Starting	Great Surges in Development and Successive Technological Revolutions
Britain	1771	"Industrial revolution", machinery, factories
Britain	1829	Age of steam, coal, iron and railways
Britain, USA and Germany	1875	Age of steel, heavy engineering (electrical, chemical)
USA	1908	Age of the automobile, oil, petrochemicals and mass production
USA	1971	Age of ICT
USA? Europe? Both? Other?	20??	Age of biotechnology, nanotechnology, bioelectronics and new materials

Source: Pérez (2009)

Perez has established that technical change occurs by revolutions in market economies. According to Perez, capitalism has experienced pendulum swings every two or three decades which link from the Installation Period led by finance, with unfettered free markets to force the propagation of the technological revolution through to a Deployment Period led by production aided by government to fully spread the new potential across the economy and its benefits across society. A major financial crash marks the swing of the pendulum.

According to Carlota Pérez the world is now in a crisis period, or a painful transition, from the current techno-economic paradigm to a successor system. According to Perez, “(t)he world is currently going through the turning point. The future is now being defined globally, and in each country” (2011). Perez has argued that the Fifth Kondratiev Wave which carried by the diffusion of ICT technologies is now exhausted with the a Sixth Wave currently in emergence. What is clear is that the Sixth Wave will see the light with a lot of expectations and possibilities but also a lot of challenges. For Jeremy Rifkin, the next wave of economic development represents a ‘third industrial revolution’ (2011).

Rifkin also addresses the metabolic rift by proposing a symbiosis between people, their structures and the biosphere.¹³ According to Rifkin “If every human life, the species as a whole, and all other life-forms are entwined with one another and with the geochemistry of the planet in a rich and complex choreography that sustains life itself, then we are all dependant on and responsible for the health of the whole organism. Carrying out that responsibility means living out our individual lives in our neighbourhoods and communities in ways that promote the

¹³ Defined as the narrow band that extends some forty miles from the ocean floor to outer space where living creatures and the Earth’s geochemical processes interact to sustain each other (Rifkin: 2011: 4).

general well-being of the larger biosphere within which we dwell. The Third Industrial Revolution offers just such an opportunity” (2011: 4).

Comin and Ferrer, in a recent paper using data from the last two hundred years show that there has been convergence in adoption of technology lags between rich and poor countries whilst there has been divergence in penetration rates. They show that these changes in the pattern of technology diffusion account for 80% of the *Great Income Divergence* between rich and poor countries since 1820 (2013). According to the OECD “Developing countries are still accumulating capital and labour but they are also improving their capabilities and increasingly using and producing innovations. However, mastering technology and knowledge in order to move up the value chain is still a goal to be achieved for most of them” (2013: 5).

Bengt-Åke Lundvall and Susana Borrás, amongst other Innovation Scholars and evolutionary economists, have argued that “The increased importance of innovation reflects the fact that it represents a major response to intensifying competition by enhancing the learning abilities of firms and workers. Neither firms nor regions can establish sustainable growth without innovation and learning” (Lundvall and Borrás: 1997: 14). The utilisation of a system of innovation framework may therefore suggest two diametrically opposed though intrinsically contested opportunities. On the one hand, the NSI may assume the role of reproducing the hegemonic relations of production that form the political economy and thereby act to preserve the inequalities inherent in particular accumulation trajectories. On the other hand, and especially because the practices of NSI tend to identify the embedded constraints on development, the discourse holds the possibility of radical systemic and structural transformation. The latter of course is an interpretation premised upon a materialist

critique of the political economy and hence contingent upon the agency of contestation and engagement.

As established by Lundvall, “the innovation process is an interactive process of a social nature (1996). He determined at least three levels of interaction, namely: 1) Interaction between different steps of the innovation process; 2) Interaction between organisations, and 3) Interaction between different departments of the same firm (ibid.). Lazaric and Lorenz have also argued that at each of these levels “agents and individuals communicate and co-operate. They need to develop a common language and modes of interpretation and, above all, trust in order to overcome some of the uncertainties characterising the innovation process (1997). For Lundvall and Borrás this establishes a key reason for “why the learning economy cannot function without a minimum of social cohesion” (1997: 30).

As evidenced especially in the core, advanced and mature economies: “A firm’s capacity to learn and transform in this new context is a crucial competitiveness factor. There is a definite need to constantly rebuild the skills of the individual and the technological and organisational competencies of the firm” (Lundvall and Borrás: 1997: 35). This results in the “main reason why learning has become more important has to do with the dialectics between learning and change. Rapid change implies a need for rapid learning, and those involved in rapid learning impose change on the environment and on other people” (Lundvall and Borrás: 1997: 35). The increased pace of technological change and innovation is in itself embedded in a larger context of the knowledge production process and its relation to economic activity.

Even the OECD acknowledges that the successful development depends on “a good plan, the resources to implement it, and long-term commitment and implementation capabilities. It also requires

the ability to co-ordinate actions in multiple fields and to reorient actions when goals are not achieved, and to create permanent spaces for dialogue with the relevant stakeholders (including firms, universities and civil society)” (2013: 14).

The degree to which the long term future of the country is freed from such fundamentalist orthodoxy and enables the construction of an endogenous path beyond what capitalism dictates will ultimately determine the fate of the country. Blind faith in neo-classical economic axioms including the ‘trickle-down effect’ and markets as the exclusive mechanisms to determine choices will indeed ensure the persistence of inequality, underdevelopment and unemployment. As Foster and Clark have argued “the common solution is to be sought in a ‘revolutionary reconstitution of society at large,’ going beyond the regime of capital” (2012).

New productive systems orientated towards a more sustainable paradigm are actually being built and the BRICS provide an excellent terrain upon which these are being actualised. Thus, China has recently emerged as the country with the highest public market financing in the clean energy sector. While the USA was ranked first in terms of its total clean energy investment in 2008, by 2010 it had been overtaken by both China and Germany. China has also been able to secure more than twice the asset financing (US\$ 47.3 Billion versus US\$ 21 Billion) for clean energy projects in 2010 than the USA (Third Way: 2011).

With such massive changes in resource mobilisation, it is not surprising that Chinese companies represented nearly 60% of all clean energy technology initial public offering (IPOs) in the world in 2010 (ibid.). According to Ernst and Young,¹⁴ China has replaced the USA in terms of its attractiveness for renewable energy investments and received nearly 20% of total global clean

14 Ernst & Young (2011) Renewable Energy Country Attractiveness Indices, Issue 31 [November].

energy investment in 2010. The ability of China to attract US\$ 54.4 Billion in clean energy financing in 2010 represented a 39% increase over 2009 and was equal to the entire amount of clean energy investment worldwide in 2004 (Third Way: 2011).

CONCLUSIONS

The contemporary system of global capitalism enveloping the planet remains marked by distinct patterns of combined and uneven development. The resulting inequalities, marginalisation and exclusion require a fundamental reassessment of the current productive paradigm as its trajectory seems irrevocably headed towards an impending ecological catastrophe. Converging global living standards between the more developed with the rapidly developing parts of the world, as exemplified by the rapid catching up of BRICS with the OECD exerts further stresses on the planetary boundaries (op. cit.).

Whilst the human species has indeed expanded and extended its dominance over the planet, the means which have initiated this hegemony remain relatively simple though crucial innovations that established a divergent trajectory from other competing species. According to Tudge, “two crucial innovations in particular have enabled us to alter the planet to suit ourselves and thus permit unparalleled expansion: speech (which implies instant transmission of an open-ended range of conscious thoughts) and agriculture (which causes the world to produce more human food than unaided nature would do)” (1989). Tudge argues further that “(s)urvival beyond the next century in a tolerable state seems most unlikely unless all religions and economies begin to take account of the facts of biology. This, if it occurred, would be a step in cultural evolution that would compare in import with the birth of agriculture” (ibid.).

The spectacular performance of China is sufficient evidence that changing pathways and breaking with dependencies are indeed possible. Tools of innovation systems and evolutionary economics hold the potential for enabling a just and socially inclusive technological trajectory. Such an approach however requires increased levels of trust to be re-established across households and enterprises. Such an effort will also require global cooperation in facilitating equality and sustainable development outcomes whilst supporting and consolidating the capabilities to generate public goods in science and technology.

Notwithstanding this remarkable transformation of the global division of labour, the vast majority of citizens within the BRICS countries have not experienced the widespread availability of material benefits through improved living standards. Other developing countries, especially in the surrounding neighbourhoods of the BRICS would need to also be incorporated into virtuous forms of development and thus be poised to rise as a communal entity. The anachronistic institutions wherein which human and social stratification is maintained will prove to be the collective barrier to progressive transformation. Epochal challenges demand massive changes on a planetary scale. Agitating for an equitable, shared and sustainable world may still seem like demanding the impossible. Unfortunately, or fortunately, it is the only realistic recourse for the human species.

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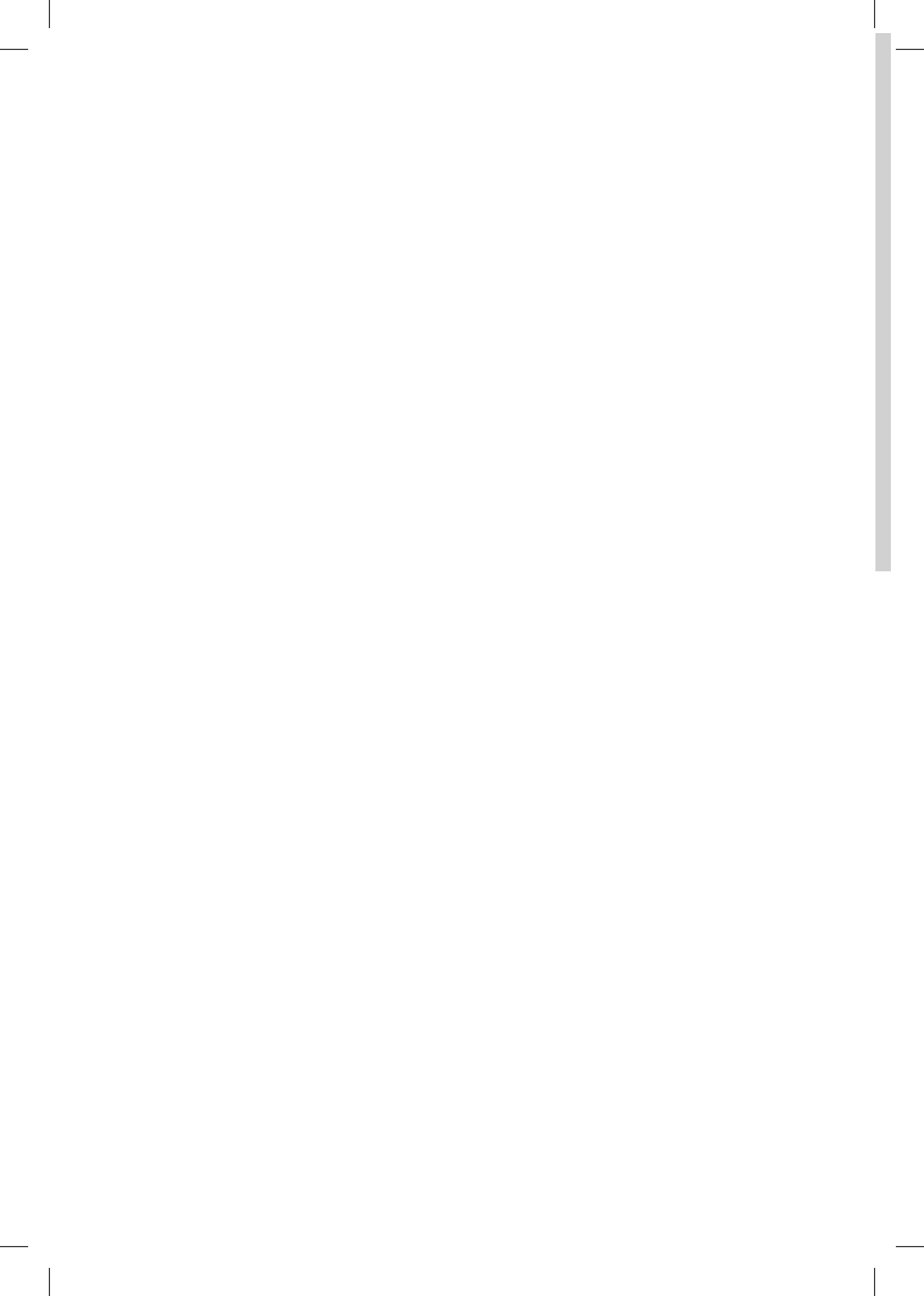
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THE WORLD TODAY: CHINA, INDIA AND THE UNITED STATES AS SEEN FROM SRI LANKA

*Rajiva Wijesinha**

Let me begin with one of the formative myths of the Sri Lankan state. It deals with the introduction of Buddhism to the country, in the 2nd century BC. The king at the time, Devanampiyatissa, was out hunting when he came across a strange man in the forests of Mihintale. This was Mahinda, the son, or some say the brother, of the Mauryan Emperor Asoka, who had

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converted to Buddhism after a terrible war in which, to complete his conquest of India, he had slaughtered thousands.

When the monk saw Tissa, he asked him whether he saw the mango tree before them. Tissa said yes, and then the monk asked whether there were other mango trees. Tissa said yes, and then the monk asked if there were trees other than mango trees. Tissa said yes again, whereupon the monk asked whether, apart from all the other mango trees, and all the other trees that were not mango trees in the world, there were any other trees.

Tissa thought hard, and then replied that there was indeed the original mango tree the monk had pointed out. This was when Mahinda decided that Tissa was a fit person to understand the doctrines of Buddhism, so he preached to him and converted him and through him his people. Buddhism has since been the dominant religion in Sri Lanka, though, I think uniquely, we also have substantial proportions of our population belonging to the other principal faiths of the world, Hinduism and Islam and Christianity.

When I was young I used to think the story a silly one, but I have since understood its implications for the way we should look at the world. It seems to me now the epitome of what I would describe as the Eastern vision of the individual, society and the world, as opposed to the dichotomies the West believes in, and therefore often creates. In what I would posit as an ideal concept of our relations with the world, we should see ourselves as existing at the centre of several concentric circles, to all of which we belong. While we share aspects of identity with others belonging to those circles, ultimately we need also to be aware of the unique nature of our own individuality.

The negative aspects of a different view of the world were brought out by the Indian critic Nirmal Verma when he wrote that, for Indians, “The self was always accepted as self-referential; the ‘other’ was neither a threat to their identity, nor a source of

confirmation of their uniqueness. This was very different from the European notion of the 'other', an inalienable entity external to oneself, which was both a source of terror and an object of desire."¹

For Sri Lanka, the myth is also an object lesson as to how we should conduct our Foreign Policy. Given our location, and the cultural links we share, we need to see India as our primary source of reference in our relations with the world. We need then to be aware of our links with Asia, and the common problems we face in developing commercially and industrially when the West is so far ahead of us and has competitive advantages.

We need also to strengthen links with other countries in what used to be called, and perhaps still should be, the Non-Aligned World. I am glad therefore that our Ministry of External Affairs has recently expressed its determination to set up more missions in Africa and in Latin America, countries we tended to neglect in the past. At the same time I should note that some of our senior diplomats are not supportive of that view, and they seem rather to believe that we should still accept the primacy of the West in our international relations.²

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- 1 The passage is worth quoting at length - "The self was always accepted as self-referential; the 'other' was neither a threat to their identity, nor a source of confirmation of their uniqueness. This was very different from the European notion of the 'other', an inalienable entity external to oneself, which was both a source of terror and an object of desire. Sartre's famous statement, 'hell is the other', carries a strong echo of Hegel, who always defined one's identity as 'identity against the other', either to be appropriated or to be destroyed. By defining the identity of the self in this manner, however, a European finds himself entrapped in his own contradiction; if he succeeds in completely subjugating the other, the identity of his own self becomes dubious. He wants to become whole by destroying the other, but without the other, he becomes nothing." *India and Europe: Some Reflections on the Self and the Other*, Nirmal Verma, 1993.
- 2 As is noted below, a distinguished Indian journalist told me that some of our diplomats seemed to suffer from what he termed the China syndrome that had affected Indian bureaucrats after 1962. Following the Sino-Indian War, several Indian bureaucrats saw China as intrinsically an enemy, never to be trusted. His view was that, following the hostilities that led to the Indo-Lankan Accord of 1987 being imposed on Sri Lanka, some Sri Lankans were incurably wary of India. His argument of course was that those stuck in mindsets connected with past hostilities need to awaken to current realities.

That proved a recipe for disaster for us in the eighties. Whereas what I would call traditional Sri Lankan Foreign Policy, as practiced most successfully by both Mr. and Mrs. Bandaranaike when they were Prime Ministers, was that of Non-Alignment, the government elected in 1977, led by J R Jayewardene, who had also been known as Yankee Dicky, decided to become a fully fledged Cold War Warrior. This was perhaps understandable, because he wanted to change our economic outlook, which had been stuck previously in statist socialism. But in his eagerness to encourage private sector activity, which in itself I believe was a very good thing, he swallowed wholesale the idea that we needed total integration with all Western systems.

Sadly this led to conflict with India, which, though I believe she was essentially Non-Aligned (and certainly never embarked on the economic excesses that we engaged in) was seen, in the dichotomizing view of the West, as a Soviet ally. We tried to persuade the Americans to use the port of Trincomalee,³ and gratuitously stopped an Indian firm from using the old oil tanks that had lain unused there since the Second World War. Even more upsettingly perhaps, and ironically, given how outdated the technology soon became, we agreed to allow the United States to set up a Voice of America station opposite the Indian Coast, which of course rang alarm bells.

How seriously the Indians took all this became apparent when they intervened in our efforts to eradicate the terrorist forces that they had in fact helped nurture. This is still held against them by some Sri Lankan commentators, but I think we should also remember our own adventurism. Certainly, once an Accord

3 I am not sure the Americans even wanted this, since at that time they had got Diego Garcia from the British, with its inhabitants obligingly thrown out, in one of the worst violations of Human Rights that sadly the international community has failed to address.

was signed which removed the threats noted above, India proved a solid ally, and stood by us when we finally decided, after decades of efforts at negotiation, to take on the terrorists militarily. There is no doubt that it was the support of India, together with the refusal of most third world countries, such as Brazil and South Africa, to succumb to Western pressures, and also the assistance of former Communist states such as China and Russia, that enabled us to conclude the operation successfully – though I should also note that the United States was less aggressively opposed to us initially, given the commitment of its then President and its Defence establishment to consistency in dealing with terrorism.

I had believed then that we had learned our lesson, and that we were back in the cocoon of friendship towards all, with stress on our geographical neighbors, that had given us a leverage in international affairs in the seventies. But recent events have suggested that the old dichotomies are raising their heads again, propelled by the Western view of how international relations should be conducted, with its propensity to relentless othering, and fuelled by a strange combination of resentment and ignorance on the Sri Lankan side.

Sri Lanka has had very good relations with China over the last 60 years and more. Indeed, we first established a trade link the Chinese are still grateful for in the time of the United National Party, the more right wing of our two major parties (the other being the Sri Lanka Freedom Party that was founded by Mr. Bandaranaike, and to which the present President belongs). This was through a Rubber Rice Pact, at a time when the United States had spun a web of trade restrictions around China, after the

Communist takeover. Our Commerce Minister at the time, a scion of the Senanayake family that had founded the UNP and provided our first two Prime Ministers, was a radical who soon afterwards joined the SLFP, and he arranged a deal whereby the Chinese received our rubber in exchange for the rice they were finding it difficult to sell on the world market. I need hardly add that this was soon after the Korean War, when the Chinese were in desperate need of rubber.

The friendship that developed then has been perhaps our most longstanding international alliance. It was not broken during the Sino-Indian War of 1962, when our close relationship with India continued, and Mrs. Bandaranaike indeed offered to broker negotiations, an offer that both sides seemed to appreciate though it was not taken up. I should note that Mrs. Bandaranaike in fact brought relations with India to a new height, and this allowed us to continue a trusting friendship even though we maintained our friendship with Pakistan during the Indo-Pakistan Wars of 1965 and 1971. Indeed we even allowed Pakistani planes, which could not fly over India, to refuel in Sri Lanka during the latter war, but Mrs. Gandhi did not hold this against us and soon afterwards conceded to Sri Lanka ownership of a disputed island between the two countries, much to the chagrin of politicians in the southern state of Tamil Nadu which had wanted the island for itself.

This then was an example of the inclusive foreign policy that we followed, maintaining good relations with all countries with particular stress on close understanding with our neighbors. But all this changed with the election of 1977, which brought Jayewardene to power. Unfortunately, to add to his predilection for the oppositional mindset of the West, he also had appalling relations with Mrs. Gandhi. Thinking that she had been conclusively defeated, as Mrs. Bandaranaike had been, he was quite rude about her. Unfortunately for him, the strong arm tactics he used in Sri

Lanka both to stop Mrs. Bandaranaike standing against him for the Presidency, and to postpone Parliamentary elections for 6 years (cheered on, I should note, by the West, in those Reaganite days when democracy counted for nothing), could not be tried in the much more entrenched democracy of India, and Mrs. Gandhi was soon afterwards back in power.

Ironically, in those days, our continuing friendship with China was in accordance with the Western strategy of all out persecution of those it perceived to be its greatest enemies. For this purpose it was happy to use unlikely allies, the Taliban against the Russians in Afghanistan, Saddam Hussein against the Ayatollah, the Chinese, along with the Pakistanis, against the Indians. In such a context India was quite right to be wary, and of us too. We should not forget that, even if the United States was not engaged in active subversion in India, it had no qualms about funding General Zia ul Haq to support terrorists against their joint enemies. For him these included India. After all, when President Clinton reacted to the Al Qaeda attack on the USS Cole, and bombed a Taliban training camp, the casualties were Kashmiri terrorists.

Our friendship with China at that time though, while fitting into our efforts to position ourselves on the American side in those dying days of the Cold War, does not seem to have caused India any concern. Though obviously wary of possible incursions into disputed border areas, India had no reason to see China then as a threat in any other respect. Economically it was still struggling to adjust itself to new policies and programs – as indeed India was doing, more slowly, though with fewer humps to overcome – and there was no question then of competing for influence in the region or in potential markets. The alliance with Pakistan was of course a constant worry, but this had existed for years, and it was not seen as part of a general strategy for the sub-continent. Conversely, though India had extremely cordial relations with Vietnam, and

with Cambodia following the ousting of the Khmer Rouge, China did not see this as threatening, despite its own war with Vietnam, which it saw as a Soviet ally without necessarily assuming that its friendship with India meant that India was also an enemy.

In short, China too based its foreign policies on the inclusive perspective I sketched out above. Unlike the Western policy of confrontation – unless you are wholly on my side, I must treat you as an enemy – the Chinese view was that, except when hostilities did occur, everyone could be treated as a potential ally. Thus, as far as Sri Lanka is concerned, we have never had expressions of hostility towards India or efforts to drive a wedge between Sri Lanka and India. On the contrary, right through our conflict with the Tigers, China made it clear that we needed to ensure that India was supportive.

This was advice that we well understood. On the positive side, we had found India solidly supportive when the Tiger terrorists seemed to have convinced the Western world that they were on a par with the Sri Lankan government. On the negative side, we had seen in 1987 that, contrary to Jayewardene's expectations,⁴ the West had no intention of stepping in when India intervened to prevent us defeating the Tigers militarily. It was therefore crystal clear to us that mutual confidence between India and Sri Lanka was crucial to our victory over terrorism, and this was maintained.

In 2009 we scored a remarkable victory at the Human Rights Council in Geneva when the West tried to pass a resolution against

⁴ On an earlier occasion he had indeed sent his Foreign Minister to ask the British whether he could invoke the Mutual Defence Treaty we had signed with Britain in 1947 when we got our independence, to be met with a polite if definite refusal. I was told that Mrs. Thatcher had been inclined to agree, given the support Sri Lanka had given Britain during the Falklands War – which had precipitated a resolution against us by Argentina at the Human Rights Committee in Geneva which paved the way for what the Indians termed humanitarian assistance in 1987. But the British Foreign Office had explained to her that this was impossible.

us after our victory against the Tigers. Our ambassador then, Dayan Jayatilleka, who is perhaps the best exponent of the old Foreign Policy doctrines that had stood us in good stead in the past, took with him into negotiations with the West the ambassadors of India and Pakistan⁵ The Chinese and Russian and Egyptian and Cuban ambassadors, the latter two as heads of the grouping of Islamic Nations and the Non-Aligned, had been principal advisers. The Brazilian ambassador helped to sway some of the South American countries that had initially signed the Western initiative for a special session, while the South Africans and other Africans also gave solid support.

The event exemplified the manner in which a small nation should conduct its foreign policy. But less than three years later we were in the dock again, and this time a resolution critical of us was carried. And in 2013 indeed Brazil voted against us.⁶ The reasons for this lie largely in the dichotomizing approach we adopted towards our foreign policy, dragged in the train of the Cold War hostility between the United States and China.

Sri Lanka found itself in a strange position indeed in 2009. We had overcome a terrorist movement, the Liberation Tigers of Tamil Eelam (LTTE) that had held the country hostage for a quarter of a century, Massive explosions all over the country had cost hundreds

5 Who would discuss matters in a language no one else there understood, and then convey their advice to Dayan. This was Urdu, the language of both Hindu and Muslim elites in the old British India, before partition, now the official language of Pakistan.

6 Though I am told this was contrary to the advice given by your Mission in Colombo, and was precipitated by the absence at the time from Brasilia of officials who had been previously briefed about the situation. That having been said, we know the pressures that were applied by the United States, which had originated the resolution were strong.

of lives, and a process of ethnic cleansing in the areas of the North which the Tigers controlled had led to thousands of Muslims being rendered homeless. We also had in the refugee camps a number of what were termed Indian Tamils, those the British had brought over in the 19th century as indentured labour,⁷ who had settled in the North in the preceding period but who, many of them, preferred to come back to government controlled areas when the conflict grew intense, since the Tigers conscripted ruthlessly.

The Tigers had also been heavily involved in narco-terrorism, and in the early stages of the war the Americans had been supportive of the Sri Lankan decision to take on the Tigers militarily after they withdrew from peace talks and launched a series of attacks during what was supposed to be a ceasefire. We therefore assumed that the West, led by America, would welcome what was one of the few successful operations against terrorism.

However, immediately after the war concluded, we faced a Special Session of the Human Rights Council in Geneva. This was initiated by the Europeans, and initially we thought the Americans were neutral, though later Wikileaks revealed that they had been pushing from behind.⁸ An explanation for this was provided by the then Ambassador to a Sri Lankan who had worked for the

7 As opposed to what were termed Sri Lankan Tamils, who had lived in Sri Lanka for generations.

8 It is one of the sadder aspects of American Foreign Policy in recent years that it has grown more duplicitous, as the manner in which Iraq was attacked and Syria has been threatened has demonstrated. Encouraging one's allies to commit War Crimes is perhaps the most despicable of stratagems but this now seems to be common practice. The gloating with which barbarous acts against the Soviet forces in Afghanistan were celebrated in the Western press was perhaps a precursor of things to come, leading inexorably to the psychopathic finger cutting that occurred recently. Sri Lanka incidentally suffered from this, when Human Rights Watch claimed our forces had engaged in indiscriminate attacks on civilians, when we defeated the Tigers in the East of the country. This was the claim of a press release to launch a report on the conflict there, but the only instance cited in the entire report was when mortar locating radar had led to firing on a refugee centre. HRW admitted that the Tigers had had weapons there, but said disingenuously that these were not heavy weapons. Assuming that they were gullible rather than complicit, they must still bear responsibility for the Tiger decision to replicate this tactic in using nearly 300,000 Tamils as human shields during the later hostilities in the North.

American government, but who served after retirement in the Sri Lankan Peace Secretariat which I headed. He was told quite simply that the Ambassador had now to serve a different administration.

Initially we believed, welcome as many of us had found the election of President Obama, that he had simply succumbed to what a Republican official in the Department of Defence, who had by then retired, described as the bleeding hearts syndrome. His line was that many of those who had criticized Bush practices now found they had no alternatives, and while actively promoting excesses against those they saw as Islamic terrorists opposed to them (as contrasted with those extremists who served their purposes, as in Libya) salved their consciences by criticizing Sri Lanka.⁹

The British initially claimed that the Special Session was to make sure that we treated the Tamils who had been rescued by the Tigers well, and resettled them quickly. But, while the High Commission in Colombo put forward this worthy excuse, the Foreign Secretary was claiming in the House of Commons that they wanted us tried for war crimes. This, it should be noted, was the government that had connived in the deceptions over weapons of mass destruction that had been used to attack Iraq, and which presided over the horrors of Abu Ghraib.

Wikileaks revealed that the Foreign Secretary confessed to the Americans that he was also concerned about votes, given that the Tigers had set up effective lobbying networks. Thus, while we would certainly have welcomed genuine concern for the Tamils in Sri Lanka, who had suffered brutally from the Tigers using them as human shields in the last stages of the war, we found that, instead of concern for them, we were advised to have discussions with

⁹ His not entirely cynical advice was that we should do a few things to satisfy our critics in the administration, and then President Obama could tell them to concentrate on Djibouti instead.

those who had been raising funds in Britain to promote terrorist activity.

It was not a surprise then that, though we have resettled the near 300,000 displaced, more swiftly than anywhere else in the world that suffered in the same way, the West is still not satisfied. The simple fact is, while we must recognize that Human Rights is important, and we must do much more to ensure that all our citizens, in particular the minorities, enjoy all rights with no discrimination, Western governments are more concerned with their own interests, and it is the determination to advance those that motivates their actions.

The problem, as I noted previously, is compounded by the oppositionalities they posit, As a paper at the recent conference to mark Rabindranath Tagore's sesquicentennial birth anniversary put it, in discussing Tagore's essay on Japan in which he worried that it was following a Western model, that model "discards inclusiveness, that is the cultural, creative, spiritual bond among peoples, in favour of the narrowly political materialistic, scientific, selfish separation of exclusiveness...in the name of false patriotism, it engenders hatred against other countries at times leading to conquest by war... it forges an inseparable link between partisan politics and aggressive economics leading to imperialism".¹⁰

With regard to Sri Lanka, the caricature in the Western media of what happened in 2009, when the Human Rights Council passed a resolution in our favour, was that we had been protected by countries like China and Cuba and Iran. Iran, I should note, was

10 Subhoranjan Dasgupta, "Tagore's Critique of Nationalism", in *Tagore at Home in the World*, edited Dasgupta and Guha, SAGE Publications, India, 2013. While a few years back I would have thought this sort of neo-Marxist perspective exaggerated, recent events in the Middle East have led me to worry more about the takeover of Western decision making by a Dr Strangelove mentality. Unfortunately the majority perspective, which is why we used to set such store by Western democracy, has lost out to a culture of sound-bites, the telegrams and anger that E M Forster identified so long ago.

not a member of the Council, and though China and Cuba had been warmly supportive, the same went for India and Egypt and Pakistan – while as noted before, Brazil and South Africa and most Third World countries also supported us.

Subsequently the Western media has continued to focus on our relations with China, insinuating that we are part of what is described as its String of Pearls, a set of ports in the Indian Ocean which will facilitate what is presented as its expansionist agenda. What is ignored is that, while China certainly helped us to build the new port at Hambantota in the south of Sri Lanka, we had first asked India for support for this. But, as one Indian official put it, India is a democracy and cannot take such decisions swiftly without consideration of the financial and other implications, whereas China is able to step in and move swiftly.

As a footnote to this, I should add that the Chinese intervention led to swifter Indian action with regard to a port in the north, which they had agreed to refurbish, but on which action had been very slow. We had in fact been worried about the delay, so we welcomed the new sense of urgency. I should add that India has also been extraordinary helpful with support for the resettlement process and that, while some infrastructural development is through loans, we have also had vast amounts of grant aid, including for housing at a level which no other country has provided. Unfortunately India - like Japan, which also still provides us with much financial and other support - is still not very good at publicizing its support, whereas the bigger Chinese projects, which are primarily through loans, are showpieces that government inaugurates with much fanfare.

The Western media does not focus on the invaluable assistance that countries like India and Japan offer us. Rather, the image that is projected is one of a Chinese ally. Anything is grist to this mill,

as I found when the BBC interviewed me on Chinese support for infrastructure, and cut out completely what I had said about Indian and Japanese support – which I knew a lot about, since they have done much in the areas in which I concentrate for my Reconciliation work.

It would be naïve to think, as I once did, that all this was simply the melodramatic approach of newshounds. Rather, we must recognize that governing this presentation is the determination to present China as a predatory threat. Whilst individual journalists are doubtless convinced of the relevance of their approach, the single mindedness with which the agenda is pursued is indicative of a brilliantly orchestrated policy framework.¹¹

I first became aware of this at a meeting of a delightful institution the Dutch had set up, called the Third Chamber, which is a consultative mechanism with regard to development assistance – about which, I should note in passing, the Paris Principles that were negotiated with such care some time back are now almost forgotten. At this meeting, in Amsterdam, a journalist who was the keynote speaker talked about what he saw as a threat to Africa, in noting that the most worrying thing he saw on a recent visit was be-suited Chinese businessmen on the planes he used.

The best answer to that was provided by an African delegate who said that Africans welcome Chinese interest in Africa, since now at least there is competition. He pointed out, rather

11 I saw something similar in the seventies, soon after the then government had taken over the plantations owned by the British. The Indian Tamils the British had brought over had been treated virtually as slaves, and the efforts of Sri Lankan managers to improve facilities for them were met by sanctimonious pronouncements about how this would not go down well with shareholders, and the primary responsibility of the Directors was to maintain high profitability. Soon after nationalization, there were several articles in the British press about how badly we treated the Indian Tamils – even though we had begun to improve conditions, with incorporation in the free education and health systems Sri Lanka had established, systems we continued to operate and fund even in areas controlled by the Tamil Tigers during the recent conflict.

indignantly, that Africans were not stupid, and did not think the Chinese were there for the good of the Africans. But they certainly did not believe that Western exploitation of Africa, which had been unchallenged for so long, had been in African interests, whereas now they had a choice of whom to deal with, and in the process perhaps the Africans would actually benefit more than had happened in the past from business deals. Remembering the horrors of Mobutu and Bokassa and Idi Amin, and others put into power by the West to facilitate their activities, I can only hope that things will indeed improve.

I have to hope too that the vision of competition that my fellow delegate enunciated, and competition on a level playing field, will govern the open market policies that we are now wedded to in Sri Lanka. Certainly these are a great leap forward from the state socialism we practiced for so long, and which led to economic stagnation. But the problems of the East Asian crisis of the nineties, and indeed the recent currency difficulties India has faced, make it clear that we need to be careful about blanket deregulation, in a context where obviously the playing fields are not level. We need therefore to ensure that we continue to develop links with new partners too, and overcome the current situation in which few people in this part of the world know about us, and we have done nothing to develop contacts and better communication.

What would be indescribably foolish is the approach adopted by some decision makers in Sri Lanka depressed by what they see as continuing persecution by the West. It is claimed that this does not matter, since we can rely on Chinese support, but that is to misunderstand completely both Chinese interests in Sri Lanka, and the limits of Chinese power.

Whilst China values its friendship with Sri Lanka, it certainly does not want nor need an exclusive relationship. We are far

from China and obviously within the Indian sphere of influence both geographically and culturally. Also, we have nothing to offer that requires the exclusion of others, since it is not our natural resources that China needs but rather services. In turn, from our point of view, these will be profitable only if they are widely used, so obviously we need to make sure that everyone has access to them. In short, the games we played in the eighties, when we tried to keep India out of Trincomalee, in the vain hope that the Americans would appreciate exclusive use of the place, have no place in the modern world.

Part of our problem is that the legacy of those games of the eighties is still with us. I am bemused by what seems a concerted effort by individuals in our Ministry of External Affairs recently to damage our relations with India, which, as noted previously, should be the foundation of our relations with the world at large. But perhaps I should not be surprised. As a distinguished Indian journalist put it, just as for many years after 1962 the Indian Foreign Office was full of those traumatized by the Chinese attack on India, who could not conceive of rebuilding good relations with China, so too we have diplomats obsessed by the hostilities of the eighties. They see the world through the lens of the Indian intervention that stopped our effort then to destroy the Tigers militarily, and they ignore the subsequent support India gave us, after the Indo-Lankan Accord of 1987 both assuaged Indian concerns and provided basic measures of Provincial self-government for Tamils in Sri Lanka.

That is the charitable explanation. More revealingly, this approach fits in with the negative view of the Second and Third

World of those who came to maturity in the eighties, who believe that the West is the repository of the hopes of Sri Lanka as well as the world at large. So, soon after the first resolution against us in Geneva, in March 2012, there were assertions that we would now go back to our “traditional” allies in the West. Ironically this was accompanied by criticism of India for having supported the American resolution in Geneva.

That all this was deliberate was borne out when the Secretary to the President confirmed that the President had been told that the Indian delegation which came to Sri Lanka shortly after the vote in Geneva had criticized him harshly. The culprit, as attested by a leading NGO activist who was with the President at the time the allegation was leveled, was the second most senior official at the Ministry of External Affairs, who as the successor of Dayan Jayatilleka in Geneva had begun the process of dismantling the relationships with India and other sympathetic countries that he had so painstakingly built up. More recently, she has made allegations about the current Indian High Commissioner seeking a private meeting with the UN Commissioner for Human Rights.¹²

This is of a piece with the American approach, which requires Indian involvement in the attack on Sri Lanka. This is obviously because of the very practical reason that Indian support is necessary to obtain the majorities required in votes in the Human Rights Council – a factor that became crystal clear back in 2012

12 All this relates to what happened in Geneva in 2012, when an initial Indian commitment to support us changed. While there was much pressure on India, by politicians from Tamil Nadu and also by the Americans, who had established close relations with Tamil Nadu politicians too, the problem was exacerbated by two indiscreet pronouncements by Sri Lankans. The Minister heading the delegation in Geneva was reported as having announced Indian support for Sri Lanka, which he had been asked not to do, since this would inevitably lead to strong reactions from Tamil Nadu, as then in fact occurred. Subsequent to this our High Commissioner in Delhi was reported to have commented denigratorily on the Tamil Nadu politicians, which provided them with greater justification to pressurize Delhi.

when it was the assertion that India would vote against us that swung several votes. This perception was confirmed in 2013 when, with Indian support assured, it was a foregone conclusion that the resolution against us would be carried. Indeed on this occasion the pressure from Tamil Nadu was to get India to make the resolution harsher, whereas in actual fact, given that India stuck by her principles, the United States had to be satisfied with a relatively moderate resolution.

But there is another reason for the effort to involve India, which has led to relentless courting of Indians in decision-making positions by the United States. The reason for Sri Lanka being of such interest to the United States is obviously not our internal problems, but rather the desire to incorporate Sri Lanka once again within the global alliance that America thinks it needs, and has set up so effectively in other areas. Unfortunately, in the American confrontationalist view of the world, without resting content with the positives it has to offer, it propounds negativities that need to be combated. This explains the relentless highlighting of Chinese influence in Sri Lanka, and the effort to persuade India that the best way to limit or get rid of this is through weakening of the current Sri Lankan government.

There are two reasons why India needs to resist such pressures. Firstly, any substitute for the present government would swing wildly towards the West, as happened in the eighties. Secondly, India knows perfectly well that alliances with non-Western countries are only a matter of convenience for the United States, as indeed Saddam Hussein found out to his cost. Such alliances are obviously based on self-interest, and it would be foolish for any country to base its foreign policy on the assumption that support from the United States to attack another country means perpetual friendship. Indeed I suspect this would apply to any country, even though India and some other countries which are

sentimental about Gandhian principles of decency might like to think otherwise about themselves.

The problem for India is compounded by the fact that, within Sri Lanka, it has comparatively few supporters, as had been exemplified by the discourse in recent months. Even the Secretary to the President, who had been in the forefront of maintaining good relations with India during the conflict period, was reported (albeit by one of the most prominent journalistic supporters of the Western perspective, who happens to be married to an influential official in the Ministry of External Affairs) to have taken “huge swipes at India, blaming New Delhi for having a big hand in planning and executing terrorist attacks in Sri Lanka in the 1980s”. This happened at the launch of a book about the role in the war against the Tigers of the Secretary of Defence, who is the most senior government official to have asserted that, if we have problems with other countries, we can rely on our friendship with China. Given the very unfair attacks on the Secretary (one of which is highlighted in the book, namely an attempt by the American Political Affairs Officer to subvert a serving general into giving evidence against us about War Crimes, by offering him refuge in the United States), it is understandable that other officials rally to side when he responds to what he sees as attacks against us.

But, though this is understandable, it is also foolish. Developing a foreign policy requires professionalism and analysis, and should not be a matter of reacting to threats and perceived enmities, and obsessions with the past. Besides, as noted previously, China has made it crystal clear that it does not see the world in terms of polar opposites, and it is not prepared to engage in hostilities with India on our behalf. Of course, as is common, everywhere in the world I suppose, but in particular in this part of the world, there will be satisfaction of belittling of rival interests, and perhaps assertions of undying friendship when others might prove fickle. But to base foreign policy on such pronouncements would not be sensible.

What we should rather be doing is cementing our relations with India, while also using them to develop better links with other Asian countries. In this context, our Ministry of External Affairs has completely ignored the suggestion of the President that we need to strengthen our formal links with the Association of South East Asian Nations. India has paved the way for developing such connections without formal membership of ASEAN, and while we should perhaps renew the attempt we made a couple of decades back, to join ASEAN, we should do this in the context of our continuing membership of the South Asian Association for Regional Cooperation, not as an alternative to that, which was our perspective in the days of UNP governments.

I should note, similarly, that the President's initiative to use our former ambassador to Brazil, who has very good connections with many South American nations, to build up links with this region, has also been subverted by the Ministry of External Affairs. But this is only to be expected from an institution that advised the President not to accept the position of Chair of the Group of 17, on the grounds that its members were of no importance. In fairness to the then Minister of Foreign Affairs though, when I told him that the members included Indian and Brazil, he was converted to the cause, and the President did accept the Chair.

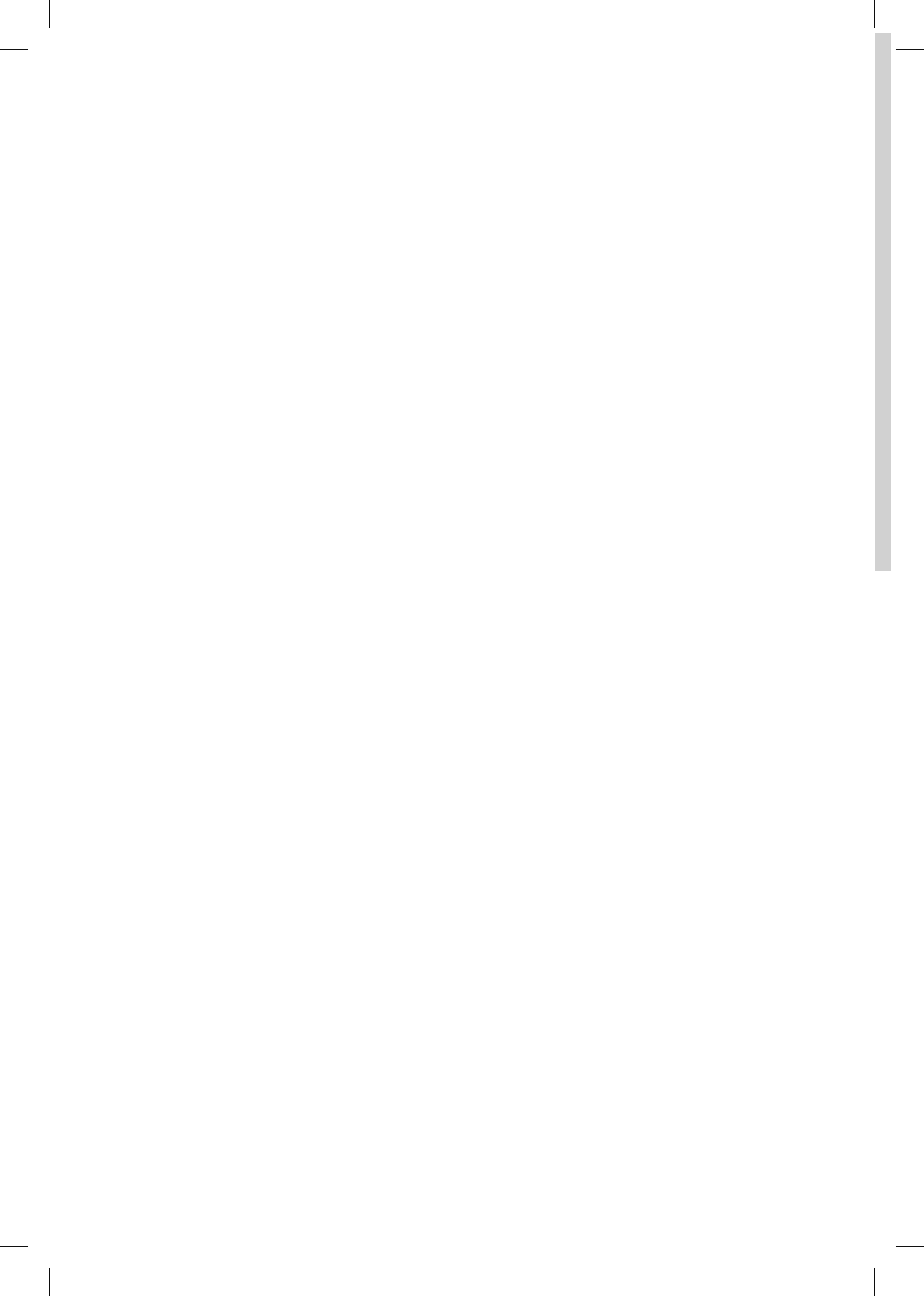
But the Minister did not follow up on why he had been misled, and subsequently, with our ambassador in Geneva not interested in the Group, nothing was done to advance cooperation. Thus Sri Lanka, in the period when we had a certain prestige, having won our war against terror and defeated the Western attack on us in the Human Rights Council, sank into moribundity, and is now the prey of competing interests.

This is sad because, given our location, as well as the pluralism of our society, we are in a unique position to act as a

catalyst in bringing other countries together. Unfortunately we have extremists in Sri Lanka who think of the country as being a Buddhist state and believe that this will justify a special relationship with China,¹³ as opposed to India, which is denigrated as Hindu. There is similar disregard for the Islamic countries which supported us so strongly in our struggle against terrorism, as did the Muslims in Sri Lanka; and attacks on Christians, who are seen as surrogates for the West which is persecuting us, with no regard for the solid support of the Catholic community in general in our struggle against terrorism, and the brave stand against the Tigers of the priests who first led people out when they were being kept as hostages.

I return then to the theme with which I began, the need for an inclusive view of the world, as suggested by Mahinda Thera over two thousand years ago. I think that, in assessing the position of China now, we would all benefit from such a perspective. Given that it was the West that first popularized the concept of Win-Win situations, following the Industrial Revolution, as opposed to the Zero-Sum concept that traditional agrarian societies had adopted, I hope that they too will acknowledge that a change in attitude will promote not only peace, but also prosperity for all.

13 Where of course the Buddhism is Mahayana, though thankfully there is no intrinsic rivalry between that and Hinayana. The same is true of the different branches of Hinduism, whereas in both Christianity and Islam the two main branches have seen their differences as leading necessarily to rivalry if not overt enmity. This suggests that the two different world-views I noted to begin with do have a geographical provenance, though the origins of both are in Asia, South and South West respectively. The synthesis we see of Hinduism and Buddhism in South East Asia, as well as in Sri Lanka, supports this theory.



AZERBAIJAN-LED SOUTH CAUCASUS: REGIONAL AND GLOBAL PERSPECTIVES

*Vusal Gasimli**

INTRODUCTION

The South Caucasus countries – Armenia, Azerbaijan, and Georgia – regained their independence after the collapse of the Soviet Union. Today this region is a place for great powers to impact upon the balance in the Eurasian region. In the first stage of independence all three countries were involved in

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the process of Euro-Atlantic integration until the rise of Russian ambitions took place in the third millennium. Today the U.S. focus has shifted away from the Caucasus and the EU's concern with its internal issues has been creating a breeding ground for Russian influence in the region. Conflicts are the main stumbling block for regional integration. Despite conflicts and limited regional cooperation, the South Caucasus countries have been developing on a range of fronts, moving from being pawns in larger power games to being independent actors.¹ Azerbaijan's large-scale hydrocarbon resources and the region's strategic location upsurge it to the "major league" in international politics.

GEO-ECONOMIC PERSPECTIVES FROM THE SOUTH CAUCASUS

The South Caucasus states are using different strategies trying to develop their statehood and protect sovereignty. The western-oriented energy export strategy and balanced foreign policy has made Azerbaijan the most stable and leading state in the region. Also, Azerbaijan has managed to attain a key role as the leading energy force in Europe due not only to hydrocarbon resources, which are much less than that of main rivals, but also to a combination of shrewd strategic outlook and solid diplomacy.

The strategic partnership between Azerbaijan and Georgia remembers the Chimerica (China plus America) model, based on mutual interests. Like China-U.S. lend-and-spend cycle, Azerbaijan is an important country for Georgia from the economic sovereignty and statehood viewpoint, while the latter's importance is defined by its geographic location as a bridge between the Caspian basin and Europe. Azerbaijan's FDI inflow to Georgia is important to

1 Goksel N., Shiriyev Z., *The Geopolitical Scene of the Caucasus, A Decade of Perspectives*, Turkey, 2013, p. XXV.

overcome consequences of the Russia-Georgia conflict in 2008, international financial crisis, high unemployment and chronic deficit of the payment balance.

Western-oriented Georgia has found Azerbaijan as a fulcrum, while the same function for Armenia is provided by Russia. Comparisons of the socio-economic results of Armenia and Georgia disclose the extent of the correctness of choices of Armenia and Georgia. Georgia outperforms Armenia in all main international rankings: Global Competitiveness Index, Human Development Index, Doing Business, Index of Economic Freedom etc. Moreover due to the partnership with Azerbaijan, Georgia ensured its energy security, a substantial amount of transit tariffs from the transportation of Azerbaijani-origin oil and gas and \$3bln FDI influx from Azerbaijan. The State Oil Company of Azerbaijan Republic (SOCAR) is the biggest taxpayer for Georgia's state budget. Azerbaijan has fixed downright gift price for the natural gas supplied to Georgia, even less than that of Russian gas for Armenia. SOCAR sells gas to Georgia for almost the same price at which it distributes gas within Azerbaijan. The Georgian leadership, no matter which power leads it, would not decline the partnership with Azerbaijan. Azerbaijan-Georgia partnership makes the two countries' statehood stronger and economies more competitive. The Georgian economy benefits mainly from the transit fees, service sector and export of food and beverages. Moreover, the discounted energy supply by Azerbaijan subsidizes the Georgian economy.

But the cost of Armenia's partnership with Russia is the shrinking of the independence of the first. Recently, Armenia has stated willingness to enter the Russia-led Customs Union (even in the absence of a common border between Armenia and a member of the Customs Union). Although Armenia's accession will have a little impact on Customs Union, this organization will

accelerate restoration of the vertical relations with Moscow that once existed in the Soviet period. At the same time, Armenia's membership in the Customs Union would block perspectives of the country's entry into the EU's Association Agreement (which includes the creation of the Deep and Comprehensive Free Trade Agreement – DCFTA). Armenia uses the Customs Union to try to counter-balance powerful Azerbaijan, whilst still keeping under its occupation 20% of Azerbaijan territory. Had it not been for the Nagorno-Karabakh conflict, Armenia would have been more developed, independent and more western-oriented like Georgia. But in reality, Armenia has been obliged to choose the Customs Union, which represents 170 million consumers with outdated technology, whereas the EU has more than 500 million consumers and a more developed economy. Armenia is highly dependent on Russian energy supply and military support. Armenia's choice toward the Moscow-led Union will also complicate the opening of Turkish-Armenian borders. On the other hand, in order to reach the Armenian border, the Customs Union needs to cross Georgia. It will be another headache for Georgia, which is a natural ally of Azerbaijan and Turkey in the region. Georgia is on the verge of signing the DCFTA agreements with the EU, with the aim of reaching an Association Agreement. The EU is negotiating with Azerbaijan a non-preferential trade and investment agreement, as Azerbaijan is not yet a member of the WTO. Joining the WTO and signing the DCFTA would represent major improvements in the process of the opening of the Azerbaijani economy to world trade, beyond its energy exports. In light of the rapprochement with the EU, Azerbaijan had to compromise Russian initiatives such as the Customs Union, which had been closer after Armenia's entry. According to the Eurasian Development Bank, only 37% of citizens of Azerbaijan would like to see their country join the Customs Union – the lowest level of support in the Commonwealth of Independent States (CIS). Ukraine and Armenia were the

battlefield between Russia-led Customs Union and EU-led Free Trade Area. As a result the EU gained the second largest post-Soviet state, Ukraine, while Russia has been obliged to be satisfied with the smallest one – Armenia. It is expected that by 1st January 2015 – scheduled date for the start of the Eurasian Economic Union – Russia will be looking for leverage to discourage Azerbaijan from following a Free Trade Area with the EU and to join the Customs Union instead. As Azerbaijan continues in the WTO accession process, there is concern about the interaction between the Customs Union and the WTO regimes. On the other hand, Russian support to invader Armenia complicates Azerbaijan's attitude toward the Customs Union. Russia counts on internal upheaval and division within the EU, resulting in insufficient support for its neighbors, which could lead to the erosion of political forces supporting European integration in the Eastern Partnership states.²

The GDP of Armenia grew by 4.78 times in nominal terms, from \$2.07bln in 1991 to \$9.91bln in 2012; in the Caucasian context, Armenia experienced mediocre performance. For example, between 1991 and 2012, Georgia's and Azerbaijan's GDP grew by 2.5 times and 7.64 times respectively. The recent global crisis had the largest impact on Armenia's economy, which fell 14% in 2008, followed by Georgia. But Azerbaijan continued its economic development in 2009 reaching 9.3% growth. Armenia experienced full recovery after the crises only in 2013, thanks to the economic revival of the Russian economy and the resulting growth of remittances from that country and foreign credits.

Between 2000 and 2010 net remittances to Georgia were the biggest – \$4639mln – among the Southern Caucasus countries.

2 Paul A., Beyond Vilnius: keeping the Eastern Partnership on track, European Policy Center, 7 October 2013. Available at: <http://www.epc.eu/pub_details.php?cat_id=4&pub_id=3791>.

Net remittances were \$4561.7mln in Armenia and \$3737.4mln in Azerbaijan. So, during 2000-2010 years Armenia received, per capita, \$1469 net remittances, while Georgia and Azerbaijan benefited \$973 and \$469 respectively. Remittances play an important role in Armenian economy fueling construction and service sectors. For Armenia, regression analysis shows that, over the short run, 10% remittance growth positively affects GDP growth by 0.3% points through its multiplying effect on domestic demand. It is also an undeniable fact that remittances have a poverty-reducing effect and that 10% point growth in remittances should lead to a 1.7% point decrease in the poverty rate.³ Remittances are effective to postpone social tensions, but not able to ensure long-term sustainable development.

Non-resource based economy of the Southern Caucasus is still weak. In order to fill the gap, Armenia and Georgia mainly prefer the attraction of foreign debt, remittances and FDI inflow, while Azerbaijan prefers to use oil windfall. External borrowing from the IMF, Russia and the EU helped mitigate the fall in revenues during the crisis. In the future, it seems in particular that Armenia and Georgia will be challenged by fiscal consolidation; the tight budgetary situation of the governments might impact on the further development of state social protection policies and limit the scope of expenditure on social protection.⁴ According to the National Bank of Georgia, as of March 31, 2013, Georgia's foreign debt amounted to \$13.4bln, or 83.9% of the GDP. The ratio of foreign debt to GDP in Georgia is the biggest in the Southern Caucasus. Armenia's external debt – the total public and private

3 Karapetyan L., Harutyunyan L., The Development and the Side Effects of Remittances in CIS Countries: the Case of Armenia, CARIM-East Research Report 2013/24, European University Institute BadiaFiesolana, Italy, 2013.

4 Garbe-Emden B., Horstmann S., Zarneh Y.S., Social Protection and Social Inclusion in Armenia, Azerbaijan and Georgia, *European Commission*, Gesellschaft für Versicherungswissenschaft und –gestaltung e.V., Köln, 2011, p. 10.

debt owed to nonresidents – was \$7.34bln in 2012,⁵ in other words, 74.1% of the GDP. The smallest ratio of foreign debt to GDP is in Azerbaijan – 6%.

Although Azerbaijan has a larger-scale GDP than other Southern Caucasus countries, its foreign debt is at a secure level. As the majority of external debt is denominated in foreign currency in the Southern Caucasus, it has potential to put pressure on the rate of national currencies and prices, especially in Armenia and Georgia.

In this context, Azerbaijan is differing in terms of the thickness of “security pillow”. The international reserves – the dollar value for the stock of all financial assets that are available to the central monetary authority, government and the State Oil Fund – of Azerbaijan reaches \$50bln, twice as large as the total GDP for the other two Caucasian republics. The international reserves of Azerbaijan constitute more than 70% of GDP. The same figure is 18% in Armenia and 20% in Georgia. So, with the lowest level of foreign debt and the biggest figure of international reserves, Azerbaijan has ensured its macroeconomic sustainability in the long term. According to “The Global Competitiveness Report 2013-2014”, Azerbaijan occupies the 10th place in the world out of 148 countries on the level of gross national savings as a percentage of GDP and 13th place on the general government debt as a percentage of GDP.

Azerbaijan comprises 55% of population, 47% of territory, 91% of international reserves, 73% of GDP and 86% of exports in Southern Caucasus. The total GDP of Armenia and Georgia comprises only 70% of Azerbaijan’s non-oil sector. Despite a difficult security context, occupation of territories by Armenia,

5 <<http://www.indexmundi.com/g/g.aspx?c=am&v=94>>.

refugees and IDPs amounting for one-ninth of the population and a compulsory defined budget because of security considerations, Azerbaijan experienced a decade of widespread economic growth. In spite of huge public spending and numerous state programs for improving living conditions of refugees and IDPs, the situation represented an important social problem.⁶ The huge amount of hydrocarbon windfall catapulted Azerbaijan to the front line of the South Caucasus as a leading power. Even foreign powers' efforts to tilt the balance failed. Azerbaijan has been the engine of the development, while Georgia's role associates as an ice-breaker with risky experiments and Armenia has the outpost function for great power in the region.

Azerbaijan is the most export-oriented economy in Southern Caucasus: Exports as a percentage of GDP constitutes 52.3%. In Armenia, exports constitute 22.1% of GDP, while in Georgia the same indicator is 30.2%. Italy, with its 20.2% share, is the biggest export partner of the Southern Caucasus in 2012, followed by the U.S. with 6.9%, France 6.5%, Israel 6.2%, Russia 4.6% and Turkey 2.7%. Turkey is the largest import partner of South Caucasus with its share at more than 13%.

Geographically, the Southern Caucasus is situated amidst Central Asia, Middle East, Russia and Europe. During the independence period the South Caucasus managed to be the best solution for exporting energy resources from the Caspian basin through seven (two of the most important of them are Baku-Tbilisi-Ceyhan oil pipeline and Baku-Tbilisi-Erzurum natural gas pipeline) routes. Current positions on energy export infrastructure will be strengthened by completing the smooth transition towards a transport and logistics hub.

⁶ Verda M., *A Decade in Motion. Southern Caucasus in 2003-2013*, Working Paper No. 50, ISPI, Italy, 2013, p.13.

AZERBAIJAN: MIDDLE-POWER OF THE SOUTHERN CAUCASUS AND CENTRAL ASIA

To this end, we put forward a new paradigm: 3M Powerism. State-powers could be broken down into three Ms: Macro, Middle and Micro powers possessing control and command over others. Coercion is attributable to macro powers to change other's behavior, while middle and micro powers prefer inducement, persuasion and exhortation to achieve the same result. Generally, all powers (macro, middle and micro) use all methods such as coercion, inducement, persuasion and exhortation. But the size of power determines the extent and effectiveness in influencing others behaviour. More power corresponds to increased effectiveness.

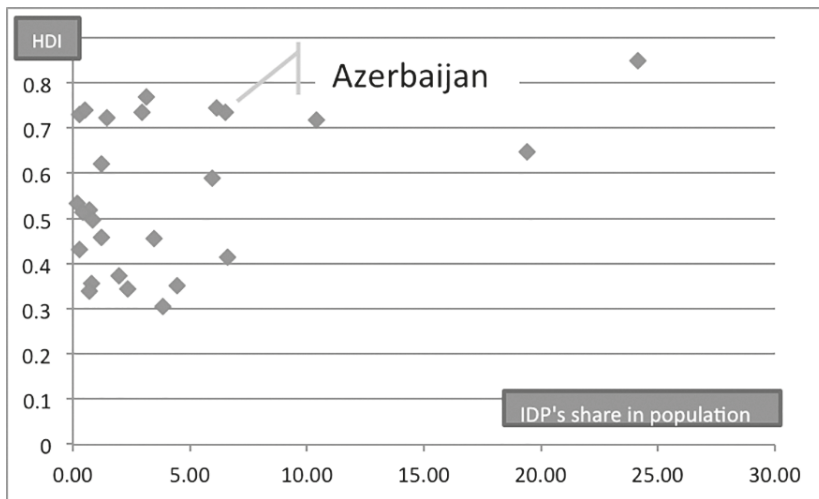
State-powers use the method of "the carrot and stick". However, middle and micro powers possess more carrots in their bag, while macro powers are more able in dealing with sticks. Of course, there is no strict, transparent border defining the fence between arsenals of power. As in the Stick Game, players try to hide their "bones" from the "guesses" of the other players, because causing the player to lose a "stick" with each wrong guess, eventually resulting in rendering a player harmless. Middle and micro powers do not favour hard power; in contrast they exploit soft power, which comes from economy, diplomacy, culture and history. Azerbaijan is the middle-power of the Southern Caucasus and the Central Asia.

- Human Development versus IDP's share

Azerbaijan combines two diametrically opposed approaches such as radical reforms and gradualism based on pragmatism – optimal sequencing of reform measures. Radical reform programs could lead to the Economic Big Bang, while gradualism might slow down the transition process.

Azerbaijan has come to the top by three indicators which are mutually exclusive, as they cannot occur at the same time in other countries: 1. Unprecedented economic rise; 2. Very high level of improvement of human development index; 3. High level of IDP and refugee’s share in population. We plot the data in a scatter-gram, assigning “IDP’s share in population” to the horizontal axis, and “Human Development Index” to the vertical axis. Cartesian coordinates enable us to obtain a visual comparison of the two variables in the data set, and help to determine what kind of relationship there might be between the two variables. In Azerbaijan’s case, a higher IDP share corresponds to higher human development, which is a rare event over the world. Having around 1mln IDP’s and refugees, Azerbaijan has managed to attain unbelievable economic growth and human development.

Figure 1. Human development versus IDP share

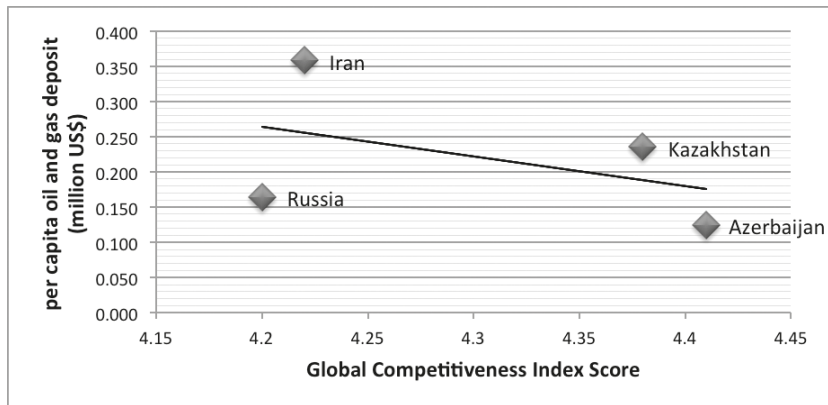


Source: UNDP and Internal Displacement Monitoring Center

- Competitiveness versus Hydrocarbon Reserves

We see that the hydrocarbon natural resource potential of Azerbaijan per capita is much lower than that of all neighboring resource-rich countries. Of course, taking into account per capita oil and gas reserves, Azerbaijan cannot pretend to be the “cold” equivalent of Qatar, as it lags behind about 50 times in this term. Although Azerbaijan has less per capita oil and gas deposits, it outperforms neighboring resource-rich Iran, Kazakhstan and Russia in terms of the competitiveness index. According to the World Economic Forum’s “Global Competitiveness Report 2013-2014”, with 4.41 points, Azerbaijan was ranked 39th, rising 7 positions over the last year and 16 positions compared to 2011. Azerbaijan is followed by Kazakhstan (50th place), Russia (64th place) and Iran (82nd place). Currently, Azerbaijan is far from rent pathology compared to neighboring resource-rich countries. Azerbaijan is more successful than its competitors in converting its oil and gas windfall.

Figure 2. Competitiveness versus hydrocarbon reserves



Source: *The Global Competitiveness Report 2012–2013* and <http://peakoil.com>

On the other hand, Azerbaijan progressed in savings of hydrocarbon windfall as ratio of GDP. For example, in 2012 the assets of the Oil Fund of Azerbaijan comprised 43.9% of the GDP, while Oil Stabilization Fund of Iran consisted of 1.1 percent, National Wealth Fund of Russia consisted of 27.3% and Kazakhstan National Fund gave 29.6% of GDP.

Comparisons in the local level disclose the differences in a holistic manner. The Azerbaijani-dominated city of Bilasuvar was divided in half between Azerbaijan and Iran. Let us compare two Bilasuvars. The average annual income for a family living in rural areas was \$7,500 in Iran and \$10,400 in Azerbaijan in 2011. So the income of the average household in Iranian Bilasuvar is less than three-fourths that in Azerbaijani Bilasuvar. In contrast to Iranian Bilasuvar, Azerbaijani Bilasuvar has more developed urban infrastructure and modern life. To this end it is plausible to ask Acemoglu and Robinson's rhetorical question (in "Why Nations Fail"): How could the halves of what is essentially the same city be so different? There is no difference in geography, climate and nationality. The obvious explanation is that institutions of Azerbaijan are much more conducive to economic and social development than those of Iran.

- Macroeconomic Perspectives

In the long term, the Government of Azerbaijan plans to shift gradually to a more flexible exchange rate that would enable a more independent monetary policy and an additional tool to absorb shocks. As Azerbaijan diversifies its exports and integrates with global financial markets, it needs to develop a more independent monetary policy. IMF states that the continuing capitalization process and ensuing consolidation are an opportunity to create a more viable and competitive banking sector in Azerbaijan.

The Government of Azerbaijan is gradually moving from a procyclical to a countercyclical fiscal policy. After the global economic crisis in 2008, the average growth rate of non-oil GDP was 17.2%, while current expenditures of state budget increased annually by 14.4%. Outperforming of the average growth rate of non-oil GDP over current expenditures from state budget fuels fiscal space. A large empirical literature has found that fiscal policy in developing countries is pro-cyclical. Researchers from the National Bureau of Economic Research have identified a significant expansionary effect of government consumption on output in developing countries. This provides empirical support for the when-it-rains-it-pours hypothesis: pro-cyclical government consumption in developing countries implies that fiscal policy exacerbates the business cycle.

To this end, rationalizing public investment might be the main way to consolidate the non-oil fiscal position in Azerbaijan. The country might learn a useful lesson from the South Korean experience between the 1950s and 1980s. Like its neighboring northeast Asian countries, the South Korean government did not hesitate to use public enterprises, the most direct and interventionist tool, as a way to direct the nation's resources toward investment. In Azerbaijan, from the perspective of *capital budgeting*, public expenditure increases public assets. In the future, the government will be able to privatize some of these assets; in other words, the government builds assets, then operates and transfers them to the private sector.

As per the concept of the Smiling Curve, in the product life cycle, both ends of the value chain command higher values added to the product than the middle part of the value chain. If this phenomenon is presented in a graph with a Y-axis for value-added and an X-axis for value chain (stage of production), the resulting curve appears like a "smile". As Azerbaijan wants a

higher economic growth, it tries to be on the higher side of the Smiling curve (according to the concept of the Smiling Curve, both ends of the value chain command higher values added to the product than the middle part of the value chain). Launching an Azerbaijani-owned communications satellite is an example of Smiling Curve Economics. Azerbaijan's income from this satellite – which will provide communications services to Azerbaijan, Central Asia, Europe and Africa – will be about \$450mln. It means that Azerbaijan will make a gross profit margin of nearly 40 percent, while manufactures, launchers and insurers have margins of a few percent on their products or services. The value goes to where ideas and money are. The Smiling Curve approach is applicable to production-sharing agreements in the field of energy. For example: currently, about 85% of the revenue from the Contract of Century goes to Azerbaijan, while multinational oil companies get only 15 percent.

- Inclusive Growth and Rising Middle Class

Azerbaijan's sharply increasing oil revenues made it possible to pay higher social transfers and to raise real wages. According to the World Bank (2010), the poverty rate would have been around 25% in the absence of social transfers. The poverty rate was 9.1% in 2010. But in the absence of the compulsory defense expenditures the government of Azerbaijan would hypothetically eradicate poverty not only in Azerbaijan, but in Armenia too.

So Azerbaijan provides inclusive growth (IG) focused on the kind of *economic growth*; that is a necessary and crucial condition for poverty reduction.

Azerbaijan, one of the ancient civilized nations of the world, has followed an urbanization policy that corresponds to local and global challenges. The government of the Azerbaijan Republic takes

steps to expand cities' geographical areas, improve infrastructure as well as levels of urbanization and to develop civilization in cities. The experience of a resource-rich Muslim country – Malaysia – shows us that a high level of social economic development speeds up the urbanization process.

Cores of regional development – regional cities' dimensions have been expanded because of rural areas, populations and other resources. The socio-economic policy of the President of Azerbaijan Republic, Mr. Ilham Aliyev, responds and reveals a new era of urbanization. If in, the first stage of independence and urbanization in Azerbaijan, internal migration was from outer regions to the capital city – Baku –, now vectors of migration have directed to outer regions. In the New Era, urbanization has not served to expand and urbanize Baku anymore. Rapid growth of regional cities which will be engines of regional development will affect urbanization positively and turn of litmus of urbanization.

Besides expanding geographical areas of cities in recent years in Azerbaijan, the ratio of city population has also increased. During the first years of independence, the ratio of city population decreased, being 51.1% in 1999. Since 2002, city population has begun to boost. In 2012, the population of Azerbaijan was 9,235,000 people, and 52.9% had lived in cities. In the last 10 years, the population of Baku has increased by 276,000 people and in all, around the country, city population has increased by approximately 700 thousand people. So, population growth in outer regions is faster than compared to Baku. According to the State Statistical Committee, in 2002-2012, while the population growth in Baku was 14.9%, the population growth in regions was 17.9%. So, this is a fact that rapid growth of population takes place neither in the capital nor in villages; it takes place only in regional cities.

Malaysia's urbanization experience shows that development of small and medium-sized cities must take place with the support of the government and progress of private sectors. Improvements in infrastructure, especially road maintenance, electricity, natural gas and utilities, renovations and creating new job places in the country in recent years, this all makes small and medium-sized cities comfortable and effective for people and businesses. State budget has also been increased by regional developments: thus in 2012, income from cities and towns in the Azerbaijan Republic increased 499.4mln AZN and, compared to 2011, it increased 11.7%. Consequently, urbanization also helps to decrease expenditure from the state budget used to stimulate local incomes and expenditure. The government has taken another step to optimize the cities' tax potential; from this year onwards, taxpayers in the outer regions will pay taxes as well as income taxes to the local budget. The government supports small and medium sized cities to reach their financial independence.

Most projects of the National Fund for Entrepreneurial Assistance have been directed to increase the industrial potential of the outer regions and modernize agricultural infrastructure, such as building, projecting and financing of dairy and meat plants, poultry farms, baking companies, grape plants and winery companies, fruit-vegetable processing plants and other industrial companies.

The urbanization process in Azerbaijan does not mean that all the villages will be abolished. Modernization of agriculture and the increase in productivity will also increase competitiveness within the country as well as saving human capital within agriculture, which will be transferred to the cities. "The Digital Generation" also grows in Azerbaijan and the development of this new generation makes human capital more productive. So, the government of Azerbaijan Republic implements an urbanization process for the

long term. Urbanization increases competitiveness, promote social welfare, and coordinates between people's lifestyle and outlook and global challenges.

- Azerbaijan's Investment Outflow

Azerbaijan successfully transformed itself from an aid recipient in the first stage of independence to being a donor today. For example, in 2010 SOFAZ, Azerbaijan's sovereign wealth fund joined the International Finance Corporation, PGGM – a Dutch pension fund manager –, the Korea Investment Corporation and a fund from Saudi Arabia in investing in the newly created IFC African, Latin American and Caribbean Fund.⁷ During the first closing the IFC African, Latin American and Caribbean Fund has managed to raise \$600mln of which \$100mln is committed by SOFAZ. Following this amount, SOFAZ supported \$50mln to the IFC Catalyst Fund to encourage the development of funds and projects focused on renewable energy and climate-friendly solutions. Azerbaijan continues to believe in the value of its partnership with the international funds to stream one-way humanitarian aid where it is needed.

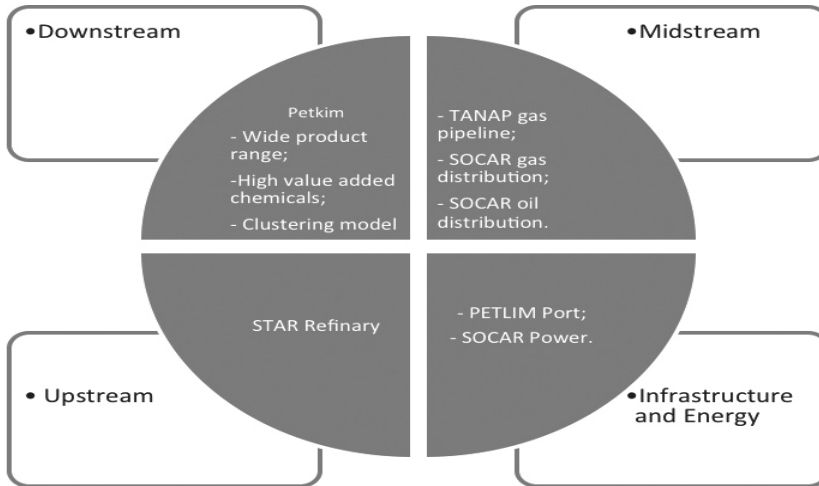
Azerbaijan successfully increases its investment activity in Turkey, Georgia, Romania, Switzerland, Ukraine, Afghanistan etc. It will be the top investor in Turkey in the coming years, edging the current leaders from the EU.⁸ Azerbaijan has invested about \$5bln in Turkey and plans to increase investment by \$17bln throughout the next 7 years. So by 2020 the amount of Azerbaijani-origin investment in the Turkish economy will be equal to the total

7 SOFAZ invests in IFC African, Latin American and Caribbean Fund. Available at: <http://www.oilfund.az/en_US/news/594/100/SOFAZ-invests-in-IFC-African-Latin-American-and-Caribbean-Fund.asp#sthash.f9p2lHeJ.dpuf>.

8 Gasimli V. Azerbaijan Eyes to Become Top Investor in Turkey, Turkish Weekly, 2012.

annual GDP of Georgia and Armenia put together. SOCAR’s strategic goal is to maintain its position as the leading oil and gas company in Azerbaijan and become a major global player, with vertically integrated upstream, mid-stream and downstream operations. SOCAR has plans to transform Aliaga Peninsula in Turkey into an integrated industrial hub of oil refining, production of petrochemicals and power generation with unique logistics facilities.

Figure 3. SOCAR’s plans in Turkey



Within the Southern Gas Corridor’s backbone project, the Trans-Anatolian Natural Gas Pipeline (TANAP), SOCAR currently holds a 51% share (overall project investment of about \$10bln), as well as a 20% share in the Trans Adriatic Pipeline (TAP), with a total investment of about \$2bln. On its way to European gas markets, SOCAR privatized 66% of shares of DESFA – Greek operator of gas transportation system –, amounting to \$400mln. Therefore, Azerbaijan will invest more than \$5bln for the development of the Southern Gas Corridor. In general, Shah Deniz Phase 2 project

development, with its associated pipelines, will cost over 40 billion U.S. dollars and will bring over 16bcm/a of Azerbaijani gas towards European markets.

The scalability of associated pipelines within the Southern Gas Corridor and probability of additional gas production from other offshore gas fields of Azerbaijan allow us to forecast an extra volume of gas to European markets. As Azerbaijan-exported gas reaches the Italian market, it will be able to flow further into the European network towards France, Austria, Germany, Belgium, etc.

- Transport and Logistics Hub

Geo-economic reshaping of transit geography will allow the Southern Caucasus to become a transit and logistical hub for Central Asia, the Middle East, Russia and Europe. The Southern Caucasus is situated on the TRACECA route with a length of 4,577km, which is the shortest among other Eurasian land-based corridors, such as the North-South (6,978km through Russia), Transsib (9,200km through Russia) and South hallway (11,700km). In this context, the ongoing construction of the Baku-Tbilisi-Kars railway is considered a game-changer within the region. The BTK railway, which will have direct access to the European rail network, will annually transport 30mln tons of cargo.

Following the Soviet collapse in 1991, the Kars-Gyumri-Tbilisi railway fell into disuse marking the failure of the Kremlin's Armenia-centric transport policy in the South Caucasus. In order to revitalize the Great Silk Road, Azerbaijan, Georgia and Turkey launched the Baku-Tbilisi-Kars railway, which will be operational from 2014.

The common denominator among Turkey, Georgia and Azerbaijan was the bypassing of landlocked Armenia while

launching the new railroad. In this way, the Armenian occupation of 20% of Azerbaijani territory was the cause for losing yet another opportunity to be the subject of regional integration.

The synchronization of the construction of the BTK with the Marmaray undersea rail tunnel under the Bosphorus strait amplifies the capacity of the transit and logistics hub. The Marmaray project will interact with the Turkish and European railroad networks, which is important for the second breath of the BTK. In this way, the BTK will be moving forward through Turkish railroads to Kayseri, where the railway is ramified in two directions: the Pan-European Transportation Corridor and the Mersin seaport in the coast of the Mediterranean Sea. The trains which will come from China and Kazakhstan through Central Asia, the Caspian region, Baku and Tbilisi will be able to reach Istanbul and then continue through the tunnel under the Bosphorus to proceed to Europe. Thus, for the first time the region of Central Asia will be directly connected to Europe, without an entrepôt through Azerbaijan, Georgia and Turkey.

In 2015, the construction of the Azerbaijan's Alat international cargo terminal on the coast of the Caspian Sea will be finished. From 2015, the port will serve up to 20mln tons of cargo a year. Alat international cargo terminal is another complementary project to reinforce the BTK transportation turnover.

Baku's Heydar Aliyev international airport has been renovated to be more efficient and increase capacity. During the last 10 years, five international airports have been built and commissioned in Azerbaijan. Moreover, 14 passenger and freight vessels and 27 passenger aircraft have been purchased and commissioned.

The Baku Shipyard has been jointly developed by Singapore's Keppel Offshore & Marine Ltd (Keppel O&M), SOCAR and the Azerbaijan Investment Company (AIC), which opened in 2013.

Baku Shipyard will support Azerbaijan's transformation into a transport and logistics hub.

Modernized transport and logistics infrastructure of the Southern Caucasus will attract some part of the trade between the EU and China. This trade – exceeding €1bln daily – has mainly been maritime and via the Suez canal.

The government of Azerbaijan initiated the Trans-Eurasian Information Super Highway (TASIM) Project, which intends to lay a transnational fiber-optic line from Western Europe to Eastern Asia. In order of importance, TASIM is second to Baku-Tbilisi-Ceyhan. The UN General Assembly supported TASIM and will enable the South Caucasus to be an ICT node between Frankfurt and Hong Kong.

- Azerbaijan as the Fulcrum for Afghanistan

Azerbaijan's role in the development of Afghanistan is very important from the perspective that Azerbaijan is an example of a modern and Muslim secular state with a fast rate of economic development.

For more than a decade, Azerbaijan has provided unrestricted ground, air and sea transit access for the U.S. and the North Atlantic Treaty Organization (NATO) forces to and from Afghanistan and other theaters.⁹ As the U.S. and NATO forces are planned to withdraw from Afghanistan by 2014, the Northern Distribution Network (NDN) that crosses Azerbaijan increases its importance.

The Azerbaijani Ambassador to Afghanistan and Pakistan, Dashgin Shikarov, said that Azerbaijan is among the top five countries which invest in Afghanistan. Azerbaijan plans to

⁹ Socor V, Azerbaijan's Elections and the U.S.-Azerbaijan Strategic Partnership, Eurasia Daily Monitor Volume 10, Issue: 173, 2013.

invest about \$1-2bln in Afghanistan through different plans of the private and public sectors. It should be considered that the Afghanistan Reconstruction Trust Fund (ARTF) – supported by over 30 bilateral donors – could potentially provide up to \$800mln per year for the development of Afghanistan.

According to the World Bank, Afghanistan has sustained an average GDP growth of 9.2% between 2003 and 2012. As the World Bank forecasts that the share of the mining sector in aggregate output in Afghanistan will increase in the upcoming years, Azerbaijan's plans toward midstream, upstream and downstream activities in the Afghan energy sector appears more plausible. Azerbaijan and Afghanistan are planning to sign a memorandum of understanding in the field of energy in Kabul in November 2013, which will be an instruction book for cooperation between the two countries. The U.S. Energy Information Administration (EIA) acknowledged in 2008 that as northern Afghanistan is a southward extension of Central Asia's highly prolific, natural gas-prone Amu Darya Basin, Afghanistan has proven, probable and possible natural gas reserves of about 5tcf. Azerbaijan has got effective experience in the extraction, processing and sale of oil and gas. So Azerbaijan, with its excess funds, might implement successful projects in the energy field in Afghanistan. This policy coincides with the World Bank's Afghanistan Interim Strategy, which implies "Resource Corridors" to attract investments in Afghanistan's huge natural resources. The trade turnover between Azerbaijan and Afghanistan increased from \$11.7mln in 2005 to \$119.9mln in 2012; in other words, it increased by more than 10 times.

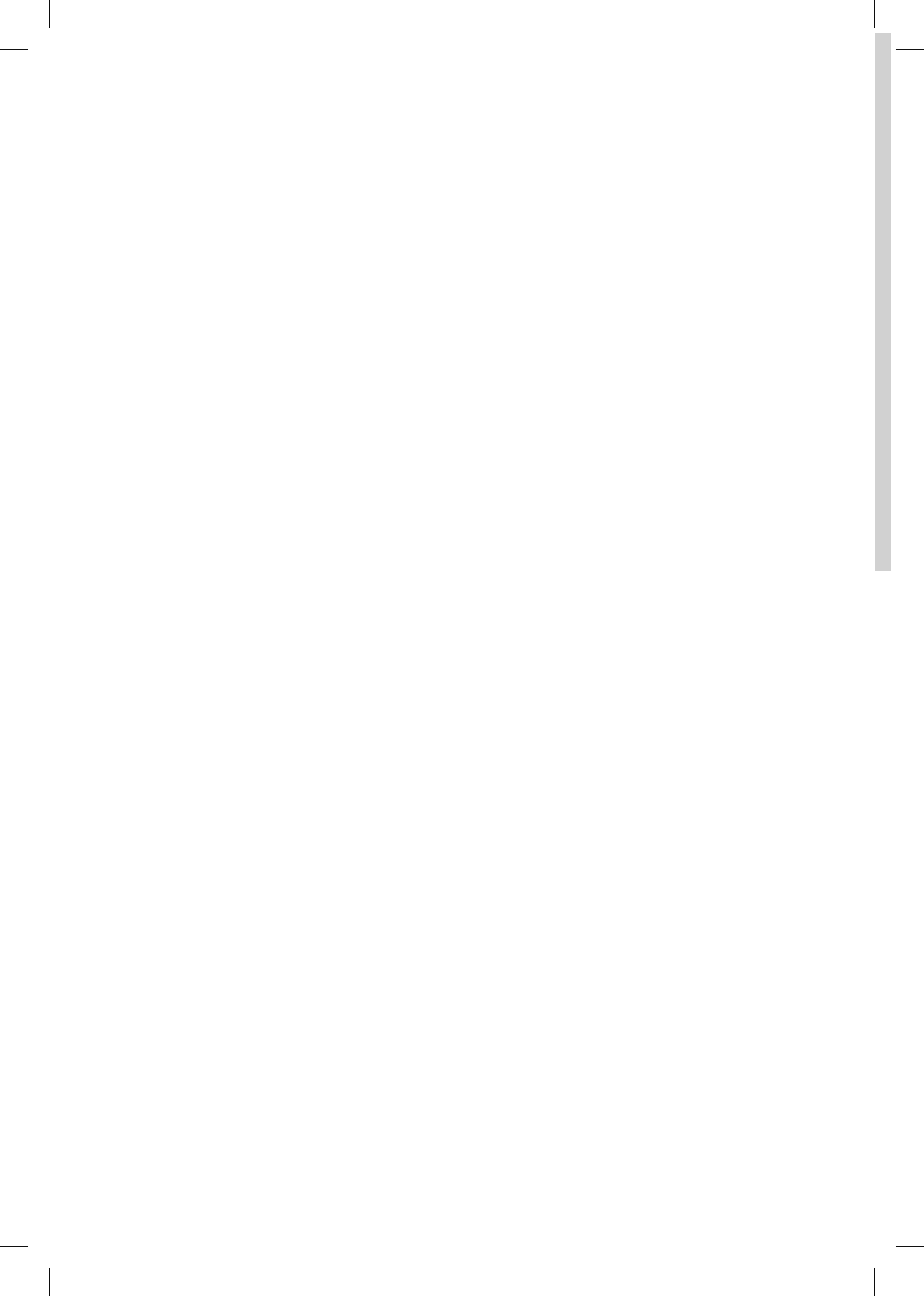
The Obama administration's "resetting" relations with Russia to achieve its support on issues such as Afghanistan, Syria etc. move Washington's interests away from the Caucasus. On the other hand, the important role of Azerbaijan in the rebuilding of

Afghanistan officially brings Baku and Washington closer together. Azerbaijan is the fulcrum for the development of Afghanistan, and is taking part in the international mechanism geared towards rebuilding the country.

CONCLUSION

Contemporary Azerbaijan aims to be a leading economic and political actor in the emerging reality of the South Caucasus and Central Asia. Opening Caspian energy resources to the world and building the Baku-Tbilisi-Ceyhan main oil export pipeline has been crucial in the shaping of the geopolitical and geo-economic vector of the South Caucasus. The development of the Southern Gas Corridor, launching the Baku-Tbilisi-Kars railway and the Trans-Eurasian Information Super Highway Project (TASIM) will empower the South Caucasus as an important nexus between two continents – Europe and Asia. Azerbaijan, with its 2.6tcm gas reserves, is important to diversify Europe's natural gas supply sources.

In spite of security concerns such as the occupation of Azerbaijani territories and the breakaway territories of Georgia, the South Caucasus is transferring into an active player.



**POSTFACE:
PERSPECTIVES INTERSECTING,
AREAS OVERLAPPING**

*Carla Salvaterra**

Not only has the world changed dramatically – it is still indeed transforming at breakneck speed – but another change is afoot, albeit at a different rate: the whole question of areas in transition is itself in the process of transformation. To pin this phenomenon down to one particular discipline, we might say that geopolitics is now gripped by unceasing metamorphosis. The categories traditionally or conventionally applied until

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recently are proving more and more inadequate by the hour. This sensation is at its most clearly discernible in those outposts of cutting-edge analysis (themselves not lacking in limitations), the universities and research centres. The mounting challenge facing science and higher education today is hence to foster an ability to open dialogue with others, to produce keener, more effective (and not just abstract) tools with which to read the crisis, grasp above all which way it is moving, and forecast its intensity and future momentum.

For some time now Bologna University (UNIBO) has been engaged in creating concrete and privileged exchanges with certain preferential areas, amongst them Brazil. Its encounter with the Alexandre de Gusmao Foundation falls precisely within this necessary updating exercise, and was helped by UNIBO's excellent relations over the years with the Brazilian Embassy in Italy, through which it shares a cultural Foundation common to the two countries: FIBRA. The encounter with FIBRA could hardly have been better. Via its International Relations mechanisms and in liaison with the FIBRA Foundation, UNIBO has endeavoured to set up a common project creating a different window onto the world, a new area of dialogue and comparison.

When I talk of international relations, I mean at least two levels, one institutional, the other scientific, intercommunicating yet distinct, at times dialectically so: the branch of university foreign policy that fosters international teaching and research connections, and the political science area of international relations in which Bologna excels. We are talking of strategy, and it must be said that in Europe, and above all Italy, strategy is less intensely cultivated than it is, say, in Brazil; but within Bologna University's international strategy for the coming years its own intended role is not just as a centre for research and higher education, but above all as the builder of a new more participatory and cohesive society. It is

on that enterprise that our University has set its sights and bends the considerable forces of its own expertise as an interlocutor on matters of global concern.

The synergy sparked off between FUNAG and UNIBO no doubt springs from this far from insignificant though still futuristic point. To this meeting of ideas Bologna brings a new arsenal of weapons. Essential software for the project is supplied by the nucleus of diplomatic sciences in an internationally-gearred Department deployed across the many campuses of our region. The Department of International Relations handles the bulk of the mobility schemes entering the country and is right in the hub of some extraordinary and complex networks (one such is the project *Ciências Sem Fronteiras*, the Italian end of which is run by UNIBO). Add to this some innovative think-tanks, like the Institute for Advanced Studies and, specifically targeting a world region of growing importance, *IRT Brazil*, an Integrated Research Team that gathers within one virtual department researchers from all scientific areas training their research projects on Brazil under the banner of inter-disciplinarity.

This last feature is what distinguishes the dialogue between Bologna and FUNAG: discussion based on “crossed perceptions” – as the seminar clearly showed – can be transformative in itself. Whereas the focus of what is inevitably a global analysis has tended to be an East-West axis – global players like China and the USA –, narrowing the viewpoint to Europe and Brazil, Asia and Africa, has here helped to give the all-too-often abstract concept of multilateralism a concrete force and dimension. This more precise approach to global movements distinguishes not just events in a historical background and the geopolitical ideas they belong to, but the symbolic counterweights that tend to be lost from sight beneath layers of strategy, yet play a prolonged underground part in defining new patterns of relationship. The areas have changed,

and so, too, have the ways they are perceived and the forms in which they are represented.

The concept of multilateralism is here a melting-pot of non-coinciding viewpoints, yet these bring a precious substance to the definition of its meaning. Names no longer suffice unless they convey the forces and power that lie beneath them. One thinks of Brazil, and the weight it has in South-South multipolarity, the definition of which has an ethical proviso: that there be “responsible cooperation”, not just expansionist leanings and hegemony. It is plain to everyone that we are in the heart of a new renaissance, though we will have to do some re-thinking of that old connection (lost? rusty? harder than ever to pinpoint!) between names and objects, words and things.

The hallmark of this international workshop was clearly its multiple perspective: Europe, Brazil, China, the USA, Latin America, Asia and Africa. This created a shared domain for discussion and the prospect of establishing new relations that are symbolic but something more. It is in letting a whole spectrum of viewpoints speak that we find the concrete praxis of multilateralism. The outcome of this critical approach may be seen not just in the framework we have carved out, but more microscopically in the format followed, which has set a premium on dialogue, exchange of ideas, a happy union of words and things. In the upshot, the meeting has forged a new forum, unexpected in form and content. A forum that UNIBO hopes to keep open and foster by an efficient partnership with FUNAG. There are still many ideas left to explore in depth with our common taste for intense crossed perceptions.







Formato	15,5 x 22,5 cm
Mancha gráfica	12 x 18,3 cm
Papel	pólen soft 80 g (miolo), cartão supremo 250 g (capa)
Fontes	Gentium Book Basic 14/15 (títulos), Chaparral Pro 11,5/15 (textos)