

THE CHINA AND EURASIA FORUM QUARTERLY

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*Central Asia- Caucasus Institute
Silk Road Studies Program*



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Executive Editors

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Central Asia- Caucasus Institute

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Editors' Note

Dear Readers,

Since the collapse of the Soviet Union in December 1991, there have repeated concerns about the stability of the former Soviet republics, particularly those in landlocked Central Asia. Nineteen years on, these independent republics have shown remarkable resilience in the face of domestic challenges, Great Power politics and a changing international environment.

2010 turned out to be another eventful year for China and the Eurasia region. Security challenges ranged from drug trafficking, to terrorism, to the Taliban insurgency in Afghanistan, to political instability and inter-ethnic conflict in the Kyrgyz republic, drought, and socio-economic unrest just to name a few. On a more positive note, the governments are learning to work closer together both bilaterally and multilaterally in response to these challenges. In addition, there have been progress in terms of cooperation in areas of trade, economic investments and infrastructure development. Political and cultural exchanges have also been taking place. Whether 2011 would turn out to be a productive and stable year for China and the Eurasia region would depend on these governments' ability to manage both domestic and international challenges.

In this issue, Martin Brownbridge and Sudharshan Canagarajah comment on how the on-going global economic crisis has affected remittances to the Kyrgyz republic and Tajikistan at the macroeconomic level. This is followed by a commentary by Vyacheslav Dodonov who offers a Kazakh perspective on bilateral trade and economic cooperation between Kazakhstan and China.

The first of the analytical articles contained here is on NATO-Central Asia relations authored by Shirin Akiner. The second paper by Tian Guang and Mahesh Ranjan Debata examines Uyghur Diasporic Nationalism. Following this is a discussion on U.S foreign policy towards Iran's nuclear program by David A. Anderson, Blaine N. Wales and Scott Brunson. This is followed by Daniel Burghart's analysis of the energy policies of Eurasian governments over the past 18 or so months. David A. Anderson and Isabel Geiger then discuss China-India bilateral trade relations in the context of their ongoing border dispute. The final piece contained in this issue by Kathleen J. Hancock and Steven E. Lobell

looks into the rise of China using realist perspectives to shed light on whether a Sino-Russian alliance will form, and if so, the likelihood of war between great powers, notably the United States and China.

The China and Eurasia Forum was set up with the aim to examine the growing relationship between China and Eurasia. It is with great sadness for us to announce that the China and Eurasia Forum Quarterly journal will be discontinued after this issue. All the issues released to date, including this final issue, will continue to be available at the China and Eurasia Forum website <www.chinaeurasia.org>. The China and Eurasia Forum New Digest which is updated regularly on the website will continue to operate as usual for now.

Looking ahead, we believe that China's relationship with Eurasia is set to further mature in the long run. Xinjiang is now actively developed as a key region for China's opening up to its neighbors west of its borders. Cross-border trade between China and Eurasia is expanding. There are also plans underway to connect high-speed railroads between China and Europe. Two lines to Europe with terminuses in London and Berlin are reported to be under consideration, with one passing through India, Pakistan and the Middle East, and the second via Russia.

The ancient Silk Road is known as the ancient network of trade routes linking Rome in the West to China in the East. Besides carrying silk and spices, the route connected the people of Europe and Asia and facilitated the exchange of cultures and ideas. In today's context, we recognize that free markets and open borders carry both opportunities and costs. A railroad network connecting China and Europe would therefore fuel both dreams and discord. How developments unfold would depend on the domestic politics of the countries involved and the international environment in the coming years. We hope that our journal has enabled you to make better sense of the transformation that has occurred thus far.

The CEFQ team would like to take this opportunity to thank our funders, senior advisors, review committee, past editors, contributors, reviewers, readers and supporters who have made the journal a success over the years.

We hope you enjoy reading this final issue as much as we have enjoyed preparing it.

Christopher Len and Niklas Swanström

Remittances and the Macroeconomic Impact of the Global Economic Crisis in the Kyrgyz Republic and Tajikistan

*Martin Brownbridge and Sudharshan Canagarajah**

Introduction

Several members of the Commonwealth of Independent States (CIS) rely heavily on remittances sent back by migrant workers, mainly in the Russian Federation, to support household incomes and the balance of payments. Tajikistan is the most heavily dependent of the CIS countries on remittances, followed by Moldova and the Kyrgyz Republic (Table 1).

Table 1. Remittances in 2008 as a Share of GDP and Imports for Five CIS Economies.

	Remittances US\$ millions	Remittances as Percent of GDP	Remittances as Percent of Imports
Armenia	1062	9	22
Georgia	732	6	12
Kyrgyz Republic	1205	23	25
Moldova	1897	31	39
Tajikistan	2670	52	94

Sources: World Bank and IMF

During the 2000s, remittances have become an important channel through which growth in the Russian Federation is transmitted to other CIS economies, whereas the trade channel, which was traditionally the

* Martin Brownbridge is advisor to the Governor, Bank of Uganda. Sudharshan Canagarajah is Lead Economist, The World Bank, Washington D.C., USA. All the views expressed here are done in the authors' personal capacity. They do not reflect the positions or views of the organization(s) which they represent.

¹ Alturki, Fahad, Jaime Espinosa-Bowen, and Nadeem Ilahi, "How Russia affects the neighbourhood: Trade, Financial and Remittance Channels," *International Monetary Fund*, Working Paper WP/09/277 (2009).

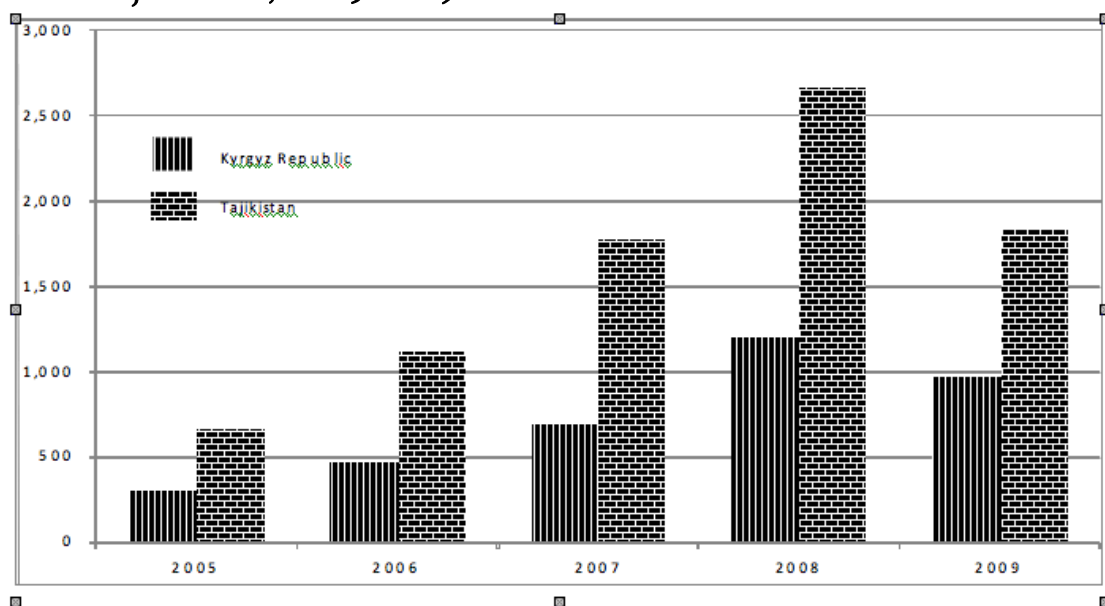
dominant channel of economic integration, has declined in importance. Outward transfers of remittances from Russia rose to US\$25 million in 2008, of which other CIS countries were the destination for 90 percent.¹

Valued in U.S. dollars, remittances received by CIS countries other than Russia fell by 25 percent in 2009, because of the economic crisis in Russia. This note analyses the macroeconomic impact of the fall in remittances in the Kyrgyz Republic and Tajikistan, the two smallest and poorest (in terms of per capita incomes) economies in the CIS. The following section (section 2) provides some background material on the growth of remittances and the contribution that they have made to the Kyrgyz and Tajik economies. This is followed by the third section which examines how they adjusted to the fall in remittances. The fourth section concludes.

The Contribution of Remittances to the Kyrgyz and Tajik Economies

Figure 1 below shows annual gross inflows of remittances over the five years to 2009 to the Kyrgyz Republic and Tajikistan. The growth of remittances in the mid-2000s was dramatic. Between 2005 and 2008, the U.S. dollar value of remittances rose fourfold in both Tajikistan and the Kyrgyz Republic. The main forces driving worker migration from the Kyrgyz Republic and Tajikistan are the large wage differentials between them and the Russian Federation; the per capita income of Russia was 17 times that of Tajikistan and 12 times that of the Kyrgyz Republic in 2008. Most migrants work in the construction industry or in service industries.

Figure 1. Annual Remittance Inflows to the Kyrgyz Republic and Tajikistan, 2005-2009: U.S. Dollar Millions.



Sources: National Bank of Tajikistan and the World Bank

In the space of half a decade, remittances have become a dominant feature of both the Tajik and Kyrgyz economies. The substantial contribution that they made to household incomes fuelled a consumer boom which in turn boosted real GDP growth. The consumer boom also led to rapid growth in imports and widening trade deficits which were largely funded by remittances. According to 2008 World Bank figures, at least half of the decline in absolute poverty in Tajikistan, from 72 percent in 2003 to 53.5 percent in 2007 is attributed to the growth of remittances. Remittances also contributed to the fall in poverty in the Kyrgyz Republic from 50 percent in 2003 to 35 percent in 2007.

The Impact of the Global Crisis on the Kyrgyz and Tajik Economies

The Russian economy suffered a double blow in 2008; first from the steep drop in world crude oil prices and second, from a reversal of capital account inflows. The fall in national income and the adjustment of the balance of payments (BOP) to the external shocks triggered a steep recession. After recording real GDP growth of 8.1 percent in 2007, growth fell to 5.6 percent in 2008 and then to negative 9 percent in 2009, one of the steepest falls of any major economy. This affected remittances, mainly to other CIS economies, through two channels: first because of a contraction in employment, especially in the cyclically sensitive construction industry² and secondly because the depreciation of the Russian rouble, by 51 percent against the U.S. dollar between March 2008 and March 2009, reduced the dollar value of remittances.

Remittances to both the Kyrgyz Republic and Tajikistan began to fall in the final quarter of 2008, by more than can be attributed to seasonal factors alone, with the fall continuing through 2009. Gross inflows of remittances valued in U.S. dollars to the Kyrgyz Republic were 20 percent lower in 2009 than in 2008 while in Tajikistan gross inflows fell by 31 percent in the same period, although remittances were still higher in both countries in 2009 than they had been in 2007 (see Figure 1).³ Both countries, therefore, suffered a substantial external shock as a result of the fall in remittances in 2009. The Tajik economy incurred a fall in national income of 16 percent and the Kyrgyz economy a fall of 5 percent of their respective 2008 GDPs as a result of the fall in remittances. For the Kyrgyz economy, the shock from the fall in remittances was compounded by a fall in its export earnings of about 6 percent of GDP.

² There were also reports of migrant construction workers not being paid their wages, World Bank (2008), "Migration in Tajikistan" mimeo.

³ Remittances in 2009 fell by 30 percent in Armenia, 27 percent in Georgia and 20 percent in Moldova from their levels in 2009.

Tajikistan's exports did not fall in 2009, but are far less important as a source of foreign exchange earnings than remittances for its economy.

Table 2. Key Macroeconomic data for the Kyrgyz Republic and Tajikistan.

	Kyrgyz Republic			Tajikistan		
	2007	2008	2009	2007	2008	2009
Real GDP growth (%)	8.5	8.4	2.3	7.8	7.9	3.4
Trade Balance goods and services (% of GDP)	-26	-33	-20	-48	-55	-40
Exports of goods and services (\$ millions)	2244	3037	2702	385	457	458
Imports of goods and services (\$ millions)	3218	4747	3622	2058	3179	2387
Remittances (\$ millions)	688	1205	967	1774	2670	1833
Private consumption (% of GDP)	78	87	64	112	121	106
Nominal Exchange Rate change (+=depreciation)	7	-1.7	17.4	0	-0.3	29

Sources: IMF Country Documents

How did the fall in remittances affect the macroeconomies of these two countries? Faced with a negative external shock, an economy essentially faces two choices. First, if the shock is expected to be purely temporary, the economy might be able to avoid having to cut expenditure and instead could run a larger current account deficit by accumulating net foreign liabilities, either in the form of foreign borrowing or running down international reserves. The second option is for the economy to adjust to the external shock by reducing imports, thereby avoiding a deterioration of the current account of the BOP and the overall BOP.

The first option was not available for Tajikistan because it did not have anywhere near sufficient international reserves. At the end of 2008, the central bank held gross international reserves equivalent to less than one month's worth of imports of goods and services. It also did not have the creditworthiness to access external capital markets, other than on a very limited scale from official concessional sources such as the IMF. The Kyrgyz Republic was in a somewhat stronger position with reserves equivalent to 4.1 months of imports at the end of 2008; hence it could have funded a modest temporary BOP deficit. However funding a BOP deficit with international reserves would have been a risky strategy to pursue given that the duration of the external shock was, and still is, very uncertain and the Kyrgyz Republic did not take this path.

Consequently, both countries adjusted to the external shock by reducing imports, thereby improving their trade balances, by 13 and 15 percent of GDP in the Kyrgyz Republic and Tajikistan respectively; an adjustment which was facilitated by exchange rate depreciation (see Table 2). Imports valued in U.S. dollars contracted by 24 percent in the Kyrgyz Republic and by 25 percent in Tajikistan. The fall in imports was brought about mainly by a contraction in private consumption, by 23

percent of GDP in the Kyrgyz Republic and 15 percent of GDP in Tajikistan. Hence the burden of adjustment to the external shock was borne by households, not surprisingly as the fall in remittances directly cut their disposable incomes by a substantial amount. Given that the financial sectors in both countries are very shallow and underdeveloped, it is unlikely that households were able to access sufficient credit, or decumulate financial savings, to smooth their consumption in the face of a shock of this magnitude. In both countries, bank deposits provide the main vehicle for household saving in the form of financial assets (there are few other financial assets available to savers), but non government deposits are small as a share of GDP: at the end of 2008 they were 8.6 and 9.3 percent of GDP respectively in Tajikistan and the Kyrgyz Republic. Hence the liquid financial assets which could potentially have been used to smooth consumption in the face of an adverse household income shock were small. It is likely that households invest some of their savings in other assets besides bank deposits, such as residential construction, but these assets are not very liquid and so cannot easily be used to smooth income shocks.

Real GDP growth fell sharply in both countries, but remained positive; unlike most other countries in the CIS, the Kyrgyz Republic and Tajikistan avoided recession, despite the substantial contraction in private consumption and import spending. From the 2008 level of GDP growth, preliminary estimates indicate that real growth decelerated by 6 percentage points in the Kyrgyz Republic and by 4.5 percentage points in Tajikistan. This compares favourably with the average for the CIS (excluding Russia) in which real growth fell by 9.2 percentage points to negative 3.9 percent in 2009.⁴ It also compares very favourably with the other small low income CIS economies of Armenia, Georgia and Moldova which all suffered steep recessions in 2009, with real growth of -15.6 percent, -10 percent and -4 percent respectively.⁵

As such, real output of the Kyrgyz Republic and Tajikistan proved rather more resilient to the external shock than most of their regional partners in the CIS. This is surprising in some respects. Both economies are not well diversified and are still dominated by state owned enterprises, which impede flexible supply side adjustment to price incentives. It is worth exploring possible explanations for this conundrum and in particular whether the adjustment to an external shock arising from a fall in remittances might be less disruptive for the real economy than a shock arising from the trade or capital accounts.

As noted above, the immediate impact of the fall in remittances was on household incomes. This was transmitted into a fall in consumer

⁴ Data from the IMF, World Economic Outlook, January 2010.

⁵ Data from World Bank ECA Statistical Annexes, September 2009.

demand, for both domestically produced and imported consumer goods. However, the impact on demand for domestic consumer goods (mostly non-traded goods) was muted because of the exchange rate depreciation which had two beneficial effects. First, it meant that the fall in remittances, when valued in national currency, was much less than the fall when denominated in U.S. dollars. For example, remittances fell by 31 percent in Tajikistan in 2009, but the Tajik Somoni value of these remittances, in real terms, fell by only 18 percent. As a result, private disposable incomes in real terms probably fell by only about 1 percent in 2009.⁶ Secondly, the depreciation of the real exchange rate encouraged consumers to switch demand from imports to non-traded goods. It is also plausible that imported consumer goods are much more income elastic than non-traded consumer goods; this would be especially likely if some of these imports are purchased directly by migrant workers in Russia and then brought home themselves or by fellow workers when they return to their country of origin. As a consequence, most of the contraction in household consumption which took place appears to have fallen on imports rather than on demand for domestic non-traded goods.

An external shock transmitted through the trade channel, emanating from a fall in export demand or a fall in export commodity prices, which affected several CIS economies, including to a limited extent the Kyrgyz Republic, is potentially much more disruptive than a shock which entails only remittances. A fall in export demand directly affects output in the export industries as well as having second round effects through the impact of fall in incomes in the export sector on private consumption. Real exchange rate depreciation will be ineffective in alleviating the impact of the first channel if the price elasticities of export supply and demand are small.

Conclusion

As a result of their very rapid growth in the 2000s, worker remittances have emerged as one of the most important channels of economic integration within the CIS for its smaller and poorer economies. The economic crisis in Russia, from where almost all remittances originate, triggered a sharp fall in remittances beginning in the second half of 2008. This is due to, first, recession in the industries employing most migrant workers, such as construction; and second, the depreciation of the Russian rouble against major international currencies. Valued in U.S. dollars, remittances to Tajikistan fell by 31 percent in 2009 compared to 2008, while those to the Kyrgyz Republic fell by 20 percent. With limited access to external capital, the economies of these two countries were

⁶ This is calculated as the nominal value of GDP product minus taxes, plus the domestic currency value of remittances, all deflated by the consumer price index.

forced to adjust to the fall in remittances through a reduction in imports, which fell by about a quarter in 2009. The fall in imports was largely matched by a reduction of private consumption. Hence households bore the brunt of the adjustment to the external shock through a contraction of consumption.

Despite the substantial magnitude of the external adjustment, the impact on the domestic economies of the Kyrgyz Republic and Tajikistan was less severe than in most other CIS economies; although real GDP growth fell in both countries in 2009, the fall was smaller than in other CIS economies and they both avoided a recession in output. Three reasons may explain why the sharp fall in remittances did not trigger a recession in the Kyrgyz Republic and Tajikistan. First, in contrast to an external shock emanating from lower export demand or lower export prices, a shock to remittances does not directly affect domestic production; the effects are indirect, mainly through their impact on demand for non-traded consumer goods. Second, the large exchange rate depreciation of the Kyrgyz Som and Tajik Somoni dampened the fall in the real value, denominated in domestic currency, of remittances and hence household disposable incomes. Third, real exchange rate depreciation encouraged consumers to switch demand from imported to non-traded consumer goods. In addition, demand for imported goods by remittance dependent households may be more income elastic than demand for non-traded goods. As a consequence, most of the real fall in private consumption demand fell on imported consumer goods, allowing the domestic non-traded goods sectors escaped recession.

In conclusion, the experience of the Kyrgyz Republic and Tajikistan during the global economic crisis tentatively suggests that remittances may have a role to play in helping to dampen the impact of external shocks on domestic output in the remittance receiving countries, at least when supportive macroeconomic policies are implemented, such as exchange rate depreciation.

Kazakhstan and China: Trade and Economic Cooperation

*Vyacheslav Dodonov**

Introduction

The post-Soviet history of economic cooperation between Kazakhstan and China is one of impressive progress. Small in comparison to that of other major economic powers, the trade volume of about US\$300 million in 1992 soared to US\$12.2 billion dollars in 2008, a forty-fold increase. The crisis year of 2009 slowed down the rapid expansion of trade cooperation, contracting turnover by 28 percent to US\$9.5 billion. This reduction in bilateral trade volume, however, has been less than that with other countries (reduction in Kazakhstan's total foreign trade turnover amounted to over 34 percent). Despite the global crisis, China managed to strengthen its position in the Kazakhstan market.

The crisis, indeed, forces adjustments in the plans for economic development around the world, and also raises the issue of post-crisis cooperation between Kazakhstan and China. It is possible to forecast the intensity of future cooperation between the two countries judging from the post-crisis development perspectives of both economies.

Economic Prospects in China and Kazakhstan

With a continuous growth even at the crisis's peak, prospects for China today are more than favourable: its GDP grew by 11.9 percent in the first quarter of 2010. Amid gradual tightening of its monetary policy, the high post-crisis potential of the Chinese economy is recognized in steadily improving outlooks for economic growth. The experts of the Chinese Academy of Social Sciences (CASS) lifted China's economic growth projection for 2010 to between 9.1 percent and 9.9 percent. In mid-March 2010, Lu Zhongyuan, a Chinese government analyst, projected the Chinese economy to expand by about 9 percent in 2010 and, provided the

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global recovery is rapid, to even exceed 10 percent.¹ Despite a strong reduction in exports, the Chinese economy grew by 16 percent in 2009.

A sharp rise in exports from China is expected for 2010: according to Zhao Jinping, an expert of the Development Research Centre of the State Council, exports will grow by at least 10 percent; other Chinese experts expect higher projected targets of 15 percent or more.² Beijing's official forecast of 8 percent growth for 2010 (according to Premier Wen Jiabao speaking at the third session of the NPC of the 11th convocation on March 5, 2010) seems overly cautious taking into account export growth and global economic recovery. A more plausible forecast for 2010 is 11-12 percent.

Kazakhstan's economy has also good prospects for 2010, though not as impressive as those of China. Kazakhstan's economy grew at a rate of 1.2 percent in the crisis year of 2009. International experts forecast a notable growth for 2010. The Asian Development Bank in its "Asian Development Outlook 2010" published on April 13, 2010 projects Kazakhstan's economy to grow by 2.5 percent in 2010. To me this appears as an underestimation; the real potential for economic growth in 2010 can be evaluated at around 4 percent.

In the first quarter of 2010, GDP growth in Kazakhstan was estimated at a rate of 7.1 percent. Such a rapid growth may be explained, first, by the effect of a low comparison base (first quarter of 2009 has been the worst in recent years, GDP fell by 2.2 percent). Second, economic growth has been propelled by stronger trade and year on year sharp increases of world prices for raw materials that Kazakhstan exports. In the spring of 2009, world prices for oil and metals were at their minimum but increased almost twofold over the course of the year. It is natural that Kazakhstan's economy, heavily dependent on exports of these products goes through ups and downs along with oil prices, and for this reason is currently experiencing rapid economic expansion.

Kazakhstan is seeking to move away from being tightly bound to the raw materials market. A number of programs aiming to modernize the economy and raise its level of innovation have been adopted over the course of recent years. Specifically, the 2020 Strategic Development Plan envisages an increase in GDP by at least one third, and sets a goal to achieve the following key economic development indicators:

- To increase the share of the manufacturing industries to reach 12.5 percent of GDP by 2015 and 13 percent by 2020;

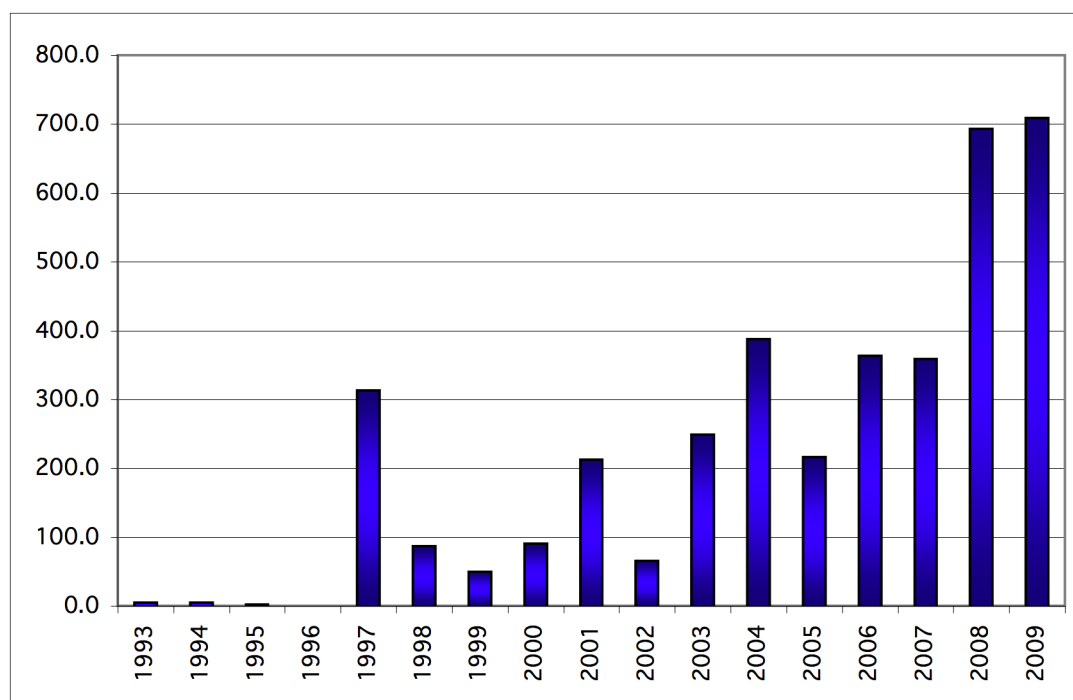
¹ "China 2010 GDP to grow more than 9 pct - think-tank," Reuters, March 15, 2010.

² "China reports trade deficit in March, 1st time in 6 years," *Xinhua News Agency*, April 10, 2010.

- To increase the share of non-primary commodity exports in total exports from 10 percent to 40 percent by 2015 and 45 percent by 2020;
- To increase labor productivity in the manufacturing industry one-and-a-half-times by 2015 and twofold by 2020;
- To expand productivity in agriculture twofold by 2015 and fourfold by 2020;
- To reduce energy intensity of GDP by at least 10 percent by 2015 and by 25 percent by 2020.

The economic prospects of both Kazakhstan and China for 2010 and in the long run appear quite favorable. This has created the conditions to enhance cooperation, which over the course of recent years, is increasingly shifting into the investment sphere. China is currently the third largest foreign investor in Kazakhstan with over of US\$11 billion in accumulated investments. It is revealing that the highest levels of Chinese investment in Kazakhstan came over the past two years, that is, during the global economic downturn (Figure 1).

Figure 1. The dynamic of Chinese FDI into Kazakhstan in US\$.



Source: National Bank of the Republic of Kazakhstan

The growth of direct investments from China in 2008-9 demonstrates the reliability and stability of China as an economic partner. This has created the requisites to engage Chinese companies in the large-scale

modernization of the Kazakh economy. Such cooperation has already started: in 2007, the two parties signed a Program of Cooperation in Non-Primary Sectors aiming at advancing cooperation and rational diversification of bilateral trade. In April 2008, the Government of Kazakhstan and the Government of China adopted the Action Plan complementing the Program.

Kazakh-Sino Cooperation in the Energy Sector

It is true that foreign investors in Kazakhstan, a nation endowed with significant energy resources, have largely concentrated their activities in its oil and gas industries, competing with other leading international companies from the world's leading economies. China is also actively increasing its presence in the Kazakh energy sector. China on this front meets both the Chinese and Kazakh parties' mutual interests. In particular, the introduction of the Atasu-Alashankou pipeline allows Kazakhstan to diversify oil export routes and make full use of the transit potential. According to Sauat Mynbayev, the Kazakh Minister of Oil and Gas, fifteen companies with Chinese capital ranging from 50 percent to 100 percent have been operating in Kazakhstan as of January 1, 2010.³ The largest of these companies ("Aktobemunaigaz", "Mangistaumunaigaz" and "Kazgermunai") are planning to produce 14 million tons of oil in 2010. The total volume of oil produced by all companies with Chinese participation will amount to 25,135 million tons this year, or about 31 percent of the total oil production in Kazakhstan. The total investments in oil and gas industry companies with Chinese participation have reached US\$4.172 billion.

For the Kazakhs, energy cooperation with China today, in comparison with other countries, has a number of advantages. First, many of the contracts with big Western international oil companies were concluded in the early 1990's, a time of post-Soviet collapse of Kazakhstan's economy, when the local government had neither a possibility nor time to carefully choose partners and insist on the contractual terms. As a result, some contracts that were signed contained unfavorable long-term conditions for Kazakhstan. These contracts, though disadvantageous for Kazakhstan, are still valid. Today, Astana does not face such problems when signing contracts with Chinese companies. These contracts are more elaborated and profitable for Kazakhstan, envisioning no tax privileges. Furthermore, in most cases Chinese investors are engaged in the development of old fields with relatively low investment attractiveness and cost-effectiveness. Finally, in some cases, Chinese oil companies, unlike some western ones, accept social obligations to develop

³ "Ekspertnoye zaklucheniye [Expert Opinion]," kazenergy.com, April 14, 2010, <<http://www.kazenergy.com/content/view/11750/65/lang,ru/>> (October 15, 2010).

regions in which they operate. “CNPC-Aktobemunaigaz”, for instance, by agreement with the Governor of the Aktobe region, allocates US\$6 million annually for various social projects and over US\$1million for infrastructure development in rural areas, as well as conduction of sowing and harvesting campaigns. In 2009, investments in the social development of local infrastructure and regions in which Chinese companies operate totaled US\$34.7 million.

Conclusion

In the short-term, the prospects for Kazakh-Chinese trade and economic cooperation appear quite favorable. Post-crisis recovery of the global economy will increase demand and in turn, prices for goods exported from Kazakhstan. This will have a positive impact on Kazakhstan’s trade, including that with China. In the author’s view, a 30 percent growth in bilateral trade can be expected in 2010. The implementation of a number of agreements signed between the countries, as well as economic projects, will advance investment activities of enterprises of Kazakhstan and China. Finally, besides creating favorable conditions for the accelerated modernization of both economic systems, the growth of both the Chinese and Kazakh economies would further facilitate greater bilateral cooperation across a wide spectrum of industries. In the long term, this ever-growing bilateral relationship built on mutual respect and joint benefit would serve as a key building block for the stability of the Central Asian region.

Partnership Not Mentorship: Re-appraising the Relationship Between the EU and the Central Asian States

*Shirin Akiner**

ABSTRACT

In the 1990s, there seemed to be a complementarity between the needs of the newly independent Central Asian states, and the political and economic interests of the European Union. Yet the EU failed to establish traction in the region and its ability to exert leverage has remained low. One problem is a dissonance in mutual perceptions, reflecting negative images. This creates misunderstandings and resentments. The relationship between the EU and the Central Asian states must be recalibrated to emphasise partnership not mentorship. Another problem is that EU projects are ambitious in scope but poorly resourced, and thus often fall short of expectations. A third problem is that the EU has been unable to establish itself as a unitary actor in the region. Bilateral links with individual EU member states are more effective. Unless the EU succeeds in overcoming its internal divisions it will be difficult to implement a coherent regional strategy.

Keywords • European Union • Central Asia • EU Strategy in Central Asia
• Cooperation; Energy; Security

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Introduction

In the early 1990s there seemed to be a natural complementarity between the needs of the newly independent Central Asian states, and the hopes and aims of the newly formed European Union (EU).¹ The Central Asians looked to the EU for assistance and guidance as they embarked on the difficult process of post-Soviet transition. The EU was eager to help these young states build democratic societies and liberal, open economies. Yet the EU failed to establish traction in the region and its ability to exert leverage remained low. The Central Asian states, meanwhile, gained in confidence and became more assertive. They set about developing their own political and economic systems, drawing on international experience as well as on indigenous traditions and values. They have much in common with each other, but there are also significant differences in culture and outlook. Consequently, they are following divergent paths. All, however, recognise the value of learning from the experience of others, including the EU, but insist on defining their own priorities and needs. The consolidation of independence has been matched by an upsurge of national pride. The notion of foreign tutelage, whatever the form or source, is regarded as anathema. The Central Asians expect and demand to be treated as equals, not as “junior brothers”.

This change of mood has resulted in a qualitative shift in the way Central Asians approach the relationship with the EU. There is scant understanding of this in the EU, where perceptions of the region continue to be characterised by tropes of underdevelopment and dysfunctionality, replete with warnings of impending danger.

The insistence on this narrative of disaster and mismanagement reinforces the idea that the region will descend into chaos unless it receives external help. The gulf between these perceptions - from within and without the region - reflects a “cognitive dissonance” that hinders meaningful interaction. The contention in this paper is that unless this tension is resolved, it is unlikely that there will be a strong, durable relationship.

From TACIS to Strategy Papers: EU-CA Relations

Before considering the situation today, it is useful to review the evolution of EU engagement with the Central Asian states. The first stage dates back to the early 1990s, when a scattering of assistance and development

¹ Established by the Treaty of Maastricht, on the basis of the European Communities in February 1992; came into force in November 1993.

projects were implemented under the EU-funded TACIS umbrella.² Despite enthusiasm and good will on all sides, the results were disappointing. Most projects were poorly planned and of questionable relevance. Moreover, the lion's share of the funding was "recycled" back to the donors in the form of generous (some would say over-generous) fees and expenses paid to EU-based consultants and project managers.

The next stage, ushered in by the offer of EU Partnership and Cooperation Agreements, promised a more structured approach.³ Negotiations commenced in the mid-1990s, and agreements were ratified with Kazakhstan, Kyrgyzstan and Uzbekistan respectively in 1999. An agreement was signed with Turkmenistan in 1998, but the process stalled and currently ratification is still pending. Tajikistan signed in 2004, but ratification was postponed; the agreement finally entered into force on January 1, 2010. Initially, these documents were welcomed in Central Asia as a gauge of the serious intentions of the Europeans. However, optimism was soon replaced by disappointment and dissatisfaction over the uneven nature of the agreements. The benefits that they offered were heavily slanted towards the interests of EU partners, with few reciprocal advantages for the Central Asians. Moreover, although they became eligible for the preferential tariff rates of the EU's Generalised System of Preferences, in practice, the range and volume of their exports did not allow them to take advantage of the system. Not surprisingly, trade remained at a very low level, with Central Asian exports to the EU inordinately dominated by raw materials, especially hydrocarbons.⁴

² TACIS, acronym for the programme "Technical Aid to the Commonwealth of Independent States", was launched by the European Commission in 1991 to assist countries of Eastern Europe and Central Asia in their transition to a market economy, also to promote democratization and to strengthen the rule of law. In the period 2007-2013 the European Neighbourhood and Partnership Instrument was phased in to replace the TACIS programme. For TACIS allocation of funds by country (1991-2006) see *TACIS in Tables* <tacis.uz/docs/Tacis_tables_EN.pdf> (September 1, 2010); also the TACIS programme 2000-2006 <http://europa.eu/legislation_summaries/external_relations/reactions_with_third_countries/eastern_europe_and_central_asia/r17003_en.htm> (September 1, 2010) and the *EU Newsletter*, which focuses mainly on Kazakhstan but also provides some information about EU cooperation with other Central Asian countries <<http://www.delkaz.ec.europa.eu>> (September 1, 2010). In 2007, the Tacis Programme was replaced for the countries of the European Neighbourhood Policy and Russia by the European Neighbourhood and Partnership Instrument.

³ Texts of the Partnership and Cooperation Agreements are available online at: <http://ec.europa.eu/external_relations/central_asia/pca/index_en.htm> (September 1, 2010).

⁴ In 2008, Central Asian exports to the EU amounted to €19.8 billion, while EU exports to Central Asia totalled around €7.5 billion. To put this in perspective, Kazakhstan, which accounts for almost 85 percent of EU trade with Central Asia, represents only 0.7 percent of the EU's overall trade with the world. Data from *EU Trade with Central Asia*, undated <http://www.eeas.europa.eu/central_asia/docs/factsheet_trade_en.pdf> (September 1, 2010). Oil products account for some 80 percent of EU imports from Kazakhstan and 90 percent from Turkmenistan. The percentage share of imports from Uzbekistan is only

Coincidentally, this mirrors the situation in the WTO: as the *impasse* in the Doha round of talks has highlighted, agreements that supposedly create a level playing field for all, in fact tend to favour the richer, more powerful states, thereby severely harming weaker partners - as Kyrgyzstan, which joined WTO in 1993, has discovered to its cost.

The third stage in EU's relations with Central Asia was the launch of strategy papers. The first such document, the *Strategy Paper 2002-2006*, once again raised hopes for a more coherent, long-term programme of engagement.⁵ It confidently announced that the core objectives of the new strategy were "to promote the stability and security of the countries of Central Asia and to assist in their pursuit of sustainable economic development and poverty reduction".⁶ There was to be a three-track approach, focusing on security and conflict prevention; elimination of sources of political and social tension; and improvement of the climate for trade and investment. However, the budget for this grand concept was unrealistic (for 2002-2004, the total allocation for the entire region was €150 million)⁷ and the implementation "fragmented and project-driven, rather than strategic".⁸

A much glossier document, the *European Union and Central Asia: Strategy for a New Partnership*, appeared in 2007.⁹ This was developed under the aegis of the German presidency and covered the period 2007-2013. It was fleshed out by a somewhat more detailed *Regional Strategy Paper for Assistance to Central Asia*, and a programme-orientated *Central*

about 30 percent, but in terms of value it is in the top product bracket. See further Sébastien Peyrouse, *Business and Trade Relationships between the EU and Central Asia*, EUCAM Working Paper no. 1, June 2009 <http://www.eucentralasia.eu/fileadmin/user_upload/PDF/Working_Papers/WP-No.1.pdf> (September 1, 2010).

⁵ *Strategy Paper 2002-2006 & Indicative Programme 2002-2004 for Central Asia*, European Union External Action, October 30, 2002 <http://www.eeas.europa.eu/central_asia/rsp/02_06_en.pdf> (September 1, 2010). This 30-page English-language document comprises six sections: an overview of EC/EU objectives; the Central Asian policy agenda; an analysis of the region; an overview of past and ongoing EC cooperation and other donor activities; EC response strategy for Central Asia; and the Central Asia indicative programme for 2002-2004. In addition, there are eight annexes that give geographic, economic and other such background information.

⁶ *Strategy Paper 2002-2006 & Indicative Programme 2002-2004 for Central Asia*, pp. 3-4.

⁷ It was broken down as follows: regional cooperation - €40 million; regional support to nationally implemented programmes (education reform, partnership and cooperation implementation etc.) - €80 million; poverty reduction - €30 million. Data from *Strategy Paper 2002-2006 & Indicative Programme 2002-2004 for Central Asia*, Table 5, p. 31.

⁸ *Central Asia: What Role for the European Union?* ICG Asia Report no. 113, April 10, 2006 <<http://merln.ndu.edu/archive/icg/centralasiaeu.pdf>> (September 1, 2010).

⁹ *European Union and Central Asia: Strategy for a New Partnership*, General Secretariat of the Council, European Communities, Brussels, 2007 <http://www.consilium.europa.eu/uedocs/cmsUpload/EU_CtrlAsia_EN-RU.pdf> (September 1, 2010). On the fly leaf of this bilingual booklet (English and Russian), there is the explanation that it has been prepared by the General Secretariat of the Council, but "does not commit either the European Union or the governments of the Member States".

Asia Indicative Programme for 2007-2010.¹⁰ Bilateral relations between Germany and the Central Asian states were undoubtedly the most successful example of EU involvement in the region, thus there was an expectation that these initiatives would, at last, yield significant results. The Central Asian governments, eager to support the new Strategy, submitted carefully drafted proposals.¹¹ Regrettably, this was only weakly reflected in the final document, which resembled a lazy student's attempt to re-hash an old text, in the hope that a little superficial titivation (re-shuffling of headings, multiple repetitions, slick formatting and numerous colour illustrations) would conceal the lack of new content - a vain stratagem. As before, it was marked by insensitivity to the Central Asian context, compounded by a poor grasp of the region's history,¹² a dearth of substance and the absence of a genuine vision.

Cognitive Dissonance

The chief obstacle in the relationship between the EU and Central Asia is the lack of common understandings. In social psychology, the term "cognitive dissonance" refers to the discomfort caused by the clash between simultaneous but contradictory "cognitions" (beliefs, perceptions, attitudes etc.). The theory that is derived from this phenomenon posits the notion that those who experience this dissonance have a "motivational drive" to resolve it, either by justifying their beliefs and attitudes, or by changing them.¹³ Here the term is used to describe the contradictory cognitions that are held in Central Asia and the EU. This dissonance results in inadvertent friction and miscommunication. To resolve this situation, one or both the parties must modify their behaviour. This requires an understanding of the position of the other, as well as a judgement over "appropriateness" - who sets the norms, who makes the concessions. Below, these contrasting points of view are described.

¹⁰ *European Community Regional Strategy Paper for Assistance to Central Asia for the period 2007-2013*, European Union External Action <http://www.eeas.europa.eu/central_asia/rsp/07_13_en.pdf> (September 1, 2010); and *Central Asia Indicative Programme 2007-10* <http://ec.europa.eu/external_relations/central_asia/rsp/nip_07_10_en.pdf> (September 1, 2010) respectively.

¹¹ The list of concrete proposals submitted by Uzbekistan ran to 18 pages, by Kazakhstan to 25 pages (private communication from a senior Uzbek diplomat, February 22, 2010).

¹² For example, in the *European Community Regional Strategy Paper for Assistance to Central Asia for the period 2007-2013*, section 3, p. 12, the region is described as having fallen "under Ottoman ... control". Such basic errors do not inspire confidence.

¹³ The theory was first elaborated by Leon Festinger in the mid-1950s. Since then it has generated a large body of scholarly literature, with application to a varied range of subjects. See Joel Cooper, *Cognitive Dissonance: Fifty Years of a Classic Theory* (Sage: London/Los Angeles, 2007); also Carol Tavris and Elliot Aronson, *Mistakes Were Made (but not by me)* (Harcourt: NY/Orlando/London, 2007).

Central Asian Perceptions

Central Asian attitudes can only be understood in the light of a traumatic recent history. Under Soviet rule, the region experienced a massive transformation. Modernisation and, through the prism of Russian culture, Europeanization, brought not merely new skills and knowledge, but a fundamental change in outlook. Traditional culture was largely relegated to the private sphere. One can dispute the details of this process, but it is undeniable that through it the Central Asians acquired a degree of human capital that compared favourably with that of developed nations. Moreover, Central Asians were well represented amongst the cultural and intellectual elite of the Soviet Union, producing scientists, mathematicians, ballet dancers, opera singers and other professionals of world standing. Then, without any psychological, political or economic preparation, the entire framework within which this development had taken place suddenly evaporated. It was a seismic shock. In scale, it resembled the French or Russian revolutions, but the speed with which events unfolded was infinitely greater. Virtually overnight, the political and economic foundations of these societies were swept away. Even notions of identity and belonging were undermined. The very survival of the Central Asian republics as independent entities was called into question.

The first priority was to maintain stability and social cohesion. Many feared that the outbreak of civil strife in Tajikistan in 1992 was a harbinger of chaos and bloodshed throughout the region. In fact, within a relatively short period, a peace process was underway and in 1997 the warring factions signed a peace agreement which has remained in force since then - an exceptional outcome by any standards. Meanwhile, in all the Central Asian states, fundamental reforms were undertaken, aimed at (re-)building the state and the nation. Initially, there were attempts to apply foreign models - for example, Turkish or South Korean. It soon became apparent, however, that the Central Asian situation was unique. Solutions, likewise, had to be unique, drawing on local traditions and experience. Formulating and applying coherent domestic and foreign policies required complex problem-solving skills, founded on strong analytical, administrative and organisational capabilities. This was a process of trial and error: inevitably, some reforms were successful, others less so. No one would suggest that the Central Asians have created utopias, or that the process of transformation is complete. Nevertheless, steady progress has been made and when set in historical and geographical context, the record is impressive.

Perceptions of the EU

In the early 1990s, Central Asians regarded the EU as an exemplar. Some even dreamt of eventually joining the European Union. Yet as they began

to travel to member states for work or study, firsthand exposure to life there revealed a darker reality. Central Asian visitors encountered - in some cases for the first time in their lives - intolerance and abuse of ethnic and religious minorities. They saw widespread under-age prostitution and paedophilia; drug abuse; violent street crime; fraud and other forms of corruption (including in EU organs); poverty;¹⁴ family breakdown; social exclusion. These and other social ills are not unique to the EU, but they contrast painfully with the high moral tone that its officials frequently use in their dealings with other countries. The values and ideals that the EU proclaims - democracy, rule of law, good governance and human rights - are noble and the Central Asians strive to live up to them as best they can. However, the European experience also shows that good intentions do not necessarily create humane, just societies. Central Asia has not solved all its problems, but neither has the EU. As Kazakh President Nursultan Nazarbayev commented caustically, "We have enough advisers now from here and from there, from the West, from beyond the ocean ... Kazakhstan is no longer a state that can be ordered about and told what to do. We know what we have to do. We shouldn't run after foreign recommendations with our pants down."¹⁵

EU perceptions of Central Asia

In the EU, Central Asia is often described as lawless and poverty-stricken, ruled in arbitrary fashion by corrupt, brutal dictators with bizarrely extravagant habits. Unemployment, organised crime and drug trafficking are said to be rife; ethnic conflict, fuelled by competition over scarce land and water resources, is believed to be imminent; a youthful, fast-expanding population is depicted as easy prey for religious extremists and terrorists. These and other negative images are deeply embedded in popular perceptions of Central Asia.¹⁶ In turn, they inform EU policy-making by raising the spectre of state failure and consequent chaos. Yet this doom-laden picture is far from complete. It lacks scale

¹⁴ In January 2010, the European Commission and the Spanish Presidency launched the campaign "European Year for Combating Poverty and Social Exclusion". According to official estimates, almost 80 million Europeans (some 17 percent of the EU population) were living below the poverty threshold. See further <<http://www.2010againstopoverty.eu>> (September 1, 2010).

¹⁵ Bruce Pannier, "Kazakhstan: President Tells West -- We Don't Need Your Advice," *RFE/RL*, November 15, 2006 <<http://www.rferl.org/content/article/1072763.html>> (September 1, 2010).

¹⁶ Nick Megoran and John Heathershaw, two British scholars with extensive firsthand knowledge of the region, explored this phenomenon in a paper "Discourses of Danger and Western Policy Towards Central Asia in the Light of Recent Events," presented at the Royal Institute of International Affairs (Chatham House), London, September 13, 2010 (publication forthcoming). They argued convincingly that conventional Western depictions of Central Asia as a place of danger and threat do not correspond to local experiences and perceptions.

and context. It also ignores the many positive developments of recent years, the observable improvement in people's standard of living, the new opportunities that are available. This is not to deny that areas of serious concern remain. These states are vulnerable: they face complex problems for which there are no fail-safe solutions. Some are the result of the internal stresses of transition. Others are caused, or exacerbated, by instability in the volatile regional neighbourhood.

Common Threats, Different Attitudes

Terrorism is a prime common concern. It is a global phenomenon, supported by underground networks and support systems that are ill understood. The first terrorist acts in Central Asia occurred in Uzbekistan in the late 1990s; since then there have been several more incidents, but also many pre-emptive arrests in Uzbekistan and the neighbouring states. Western commentators often suggest that the Central Asian governments are themselves to blame for the spread of terrorism and religious extremism in the region because of their repressive policies. Democracy and economic development, it is claimed, are the only way to combat these threats. Yet the reality is that terrorism flourishes across the world, in countries with very different political systems and levels of economic development. Moreover, some of the most notorious terrorists have been born, bred and/or educated in Western democracies.¹⁷ It should also not be forgotten that when confronted with terrorist activities on their own territories, Western governments (including some EU member states) have introduced harsh, legally dubious and morally reprehensible measures. This undermines the credibility of their prescriptions for dealing with this problem. For the Central Asians, the stakes are too high for experimentation. Rather than risk destabilising still fragile societies, they prefer to trust their own judgement. Their policies, grounded in familiarity with the context, combine education and development with tough policing. It is impossible to predict how successful this approach will be in balancing security

¹⁷ To give but a few examples, the September 2001 attacks on the USA were masterminded by the so-called "Hamburg cell". The leader of the group, Mohammed Atta, was born in Egypt, but went to Germany for higher education in 1990, when he was 22 years old. He lived and studied in Europe and the USA from then onwards. Other members of the cell had similar profiles. The terrorist attacks in London in July 2005 were carried out by men of British citizenship, who had grown up entirely in the UK; like the ringleader Mohammad Siddique Khan (born 1974), they spent most of their lives in West Yorkshire. Many of the terrorist attacks to date have been carried out by those of Pakistani or Middle Eastern origin, but there are also some converts. The best known case is that of Richard Reid, the "shoe bomber," who in December 2001 tried, unsuccessfully, to blow up an American Airlines flight by means of explosives concealed in his shoe. Of Jamaican descent, he was born in a suburb of London. He converted to Islam in 1996, aged 23.

needs with basic civil liberties. Other governments who face similar threats are also still struggling to find an appropriate balance.

Drug trafficking from Afghanistan and the related cluster of problems is another area of common concern. This is a relatively new development. The Western intervention in Afghanistan triggered an exponential increase in drug cultivation and concurrently, the demand for illegal opiates rocketed in Europe. Located on the northern route out of Afghanistan, the Central Asian states are the “frontline”. The fall-out from the transit trade in narcotics - violent crime, corruption, local addiction, health and social problems - causes huge damage to the region. The Central Asian governments are fully committed to the struggle to combat drug trafficking, using their own resources as well as cooperating with international agencies and donors. The support they receive is usually termed “assistance”. Yet as victims of a disaster not of their making, it would arguably be more fitting to consider this aid as a form of reparation for harm inflicted. Moreover, as they are directly affected by anti-narcotics campaigns at both ends of the trafficking chain - caught in a cleft stick between producers in Afghanistan and consumers in Europe - they should surely be more actively involved in developing and evaluating these measures. In the EU, that would include participating in debates on ways to curb demand - education and rehabilitation, punishment or legalisation.

These few examples illustrate the distance in perceptions and attitudes that exists between the EU and Central Asia. This gulf must be bridged if there is to be genuine cooperation.

EU Engagement in Central Asia: Pirandello or Dostoevsky?

EU engagement in Central Asia, as commented above, has been distinguished by a lack of focus. It might, in Pirandello-like terms, be dubbed “twenty-seven states in search of a purpose”: there is a symbolic desire “to be present”, but the rhetoric, lofty and altruistic, offers only a vague explanation as to why this should be so. Over a century ago, Dostoevsky addressed the question of Russia’s involvement in the region in a more trenchant fashion. He asked “Why do we need [Central] Asia?”¹⁸ and responded that it was necessary for Russia’s self- image,

¹⁸ Fyodor Dostoevsky, “Geok Tepe. Chto takoe Aziya dlya nas? [Geok Tepe. What does Asia mean for us?],” *Dnevnik pisatelya* [A Writer’s Diary], January 1881 edition, sections III/IV, written immediately after the Russian victory over Turkmen tribes at the battle of Geok Tepe. The full Russian text is available online at <http://philolog.spaskizhi.ru/conc/dostoevo/user_new/index.php?mode=showWorkTextInWork&wordText=%D1%82%D0%B5%D0%BA%D0%B8%D0%BD%D1%86%D1%8B&workId=9> (September 1, 2010). For an English translation, see Fyodor Dostoevsky, A

because it gave a sense of superiority. The idea that there might be any such motivation behind the EU's presence in Central Asia would seem both ridiculous and insulting. Nevertheless, there are echoes of a colonial mindset. Stated EU priorities for the region combine development assistance, focused on the need to ensure stability and security and help to eradicate poverty, with economic goals such as the promotion of closer cooperation between Central Asia and the EU in spheres of energy and transport.¹⁹ These objectives are oddly reminiscent of past imperial ambitions, when a "civilising mission" was twinned with the exploitation of natural resources. This process was memorably lampooned by South African Archbishop Desmond Tutu: "The white man came to our land and told us to kneel down and hold out our hands. We did so. When we opened our eyes, we had the Bible - and the white man had the land".²⁰

Of course the EU has no desire to mount a land grab, or any other sort of grab, in Central Asia. Yet the combination of assumed moral superiority and eagerness to secure access to the region's energy resources resonates jarringly. As Muhiddin Kabiri, a respected Tajik opposition leader puts it, Europe gives the impression that "Central Asia is all about oil and gas ... important to Europe only as a reserve fuel tank".²¹ At the same time, the insistent portrayal of Central Asia as a place of danger and threat can seem to justify and rationalise the need for a "civilising mission" to bring order, enlightenment and prosperity to the region. Linked to the EU's desire for "safe energy supplies", ideological and economic agendas appear as two sides of the same coin. Possibly this approach reflects a subconscious "default mode" in European thinking about this part of the world. However, today's reality is that the EU's power to pursue these hopes and ambitions is very limited. Hence, the Pirandello-esque "search for a mission" takes on the guise of displacement activity, a substitute for productive action. The challenge for the EU is to make a sober assessment of the discrepancy between wishes and abilities - and to devise a realistic, deliverable strategy.

Writer's Diary, vol. II, 1877-1881, Kenneth Lantz (translator and annotator) (Quartet: London, 1995), pp. 1368-1378.

¹⁹ Refer to Section II, "EU strategic interests: Security and stability," *European Union and Central Asia: Strategy for a New Partnership*, pp. 8-9. *European Community Regional Strategy Paper for Assistance to Central Asia for the period 2007-2013*, pp. 3-7.

²⁰ Personal communication to the author by a clergyman who worked in the Johannesburg diocese in 1985. Desmond Tutu, then Bishop of Johannesburg, would sometimes use it in his sermons. The anecdote is also ascribed to Archbishop Trevor Huddleston, Tutu's mentor.

²¹ Farangis Najibullah, "Energy Or Values? EU's Central Asia Dilemma Discussed At Polish Forum," *Radio Liberty/Radio Free Europe*, September 10, 2009 <http://www.rferl.org/content/Europe_Central_Asia_Dilemma_Discussed_At_Polish_Forum/1819860.html> (September 1, 2010).

In Central Asia, the attitude is more pragmatic. The regional governments welcome cooperation with foreign partners, but this has to accord with the orientation and desired pace of their development strategies. The EU has outlined major initiatives such as INOGATE (EU, Central Asia, Caucasus, Black Sea energy co-operation programme)²² and TRACECA (Transport Corridor Europe, Caucasus, Asia).²³ However, ministerial meetings and grand declarations notwithstanding, attention has mostly been directed towards the Caucasus and Black Sea regions, with little concrete implementation of either programme in Central Asia. Equally, the vaunted Nabucco gas pipeline, an ambitious project to carry Caspian and Middle Eastern gas to Europe, bypassing Russia, remains highly problematic. It has been on the EU's political and economic agenda since 2002; but again, despite upbeat announcements about potential agreements, at the time of writing its future is still uncertain.²⁴

Meanwhile, new facts are being created on the ground. Exploration and development ventures with partners from Asia are proliferating. The same is true of export pipelines. Since 2005, an oil pipeline from western Kazakhstan to China has been completed; a gas pipeline following approximately the same route is planned for the near future. A gas pipeline from Turkmenistan to China is already in operation. Russia is upgrading and expanding the Central Asia-Centre (Turkmenistan-Uzbekistan-Kazakhstan-Russia) network of gas pipelines. A new Turkmenistan-Iran pipeline has been launched. The picture is similar in other sectors, including uranium and rare earths. Road and rail transport corridors are also spreading out in all directions.²⁵ As for ensuring the

²² Acronym is derived from an earlier project entitled "Interstate Oil and Gas Transport to Europe". The process of enlargement of this body began in November 2004 with an Energy Ministerial Conference held in Baku (the "Baku Initiative"); it was followed by a meeting in Astana in November 2006, which resulted in the Astana Energy Ministerial Declaration on scope and principles. See further INOGATE website <http://www.inogate.org/inogate_programme/about_inogate> (September 1, 2010); also *European Union and Central Asia: Strategy for a New Partnership*, pp. 17-20.

²³ Launched in May 1993, TRACECA is an EU-funded interstate programme to develop a transport corridor between Europe and Asia across the Black Sea, South Caucasus, Caspian Sea and Central Asia. Apart from some work on the development and modernization of Caspian ports, most of the projects to date have focused on the western sector of the proposed transport corridor. See further TRACECA website <http://ec.europa.eu/europeaid/where/asia/regional-cooperation-central-asia/transport/traceca_en.htm> (September 1, 2010).

²⁴ For a detailed assessment of this project see John Roberts, *Pipeline Politics: The Caspian and Global Energy Security* (Royal Institute of International Affairs: London, forthcoming 2011).

²⁵ See Michael Emerson and Evgeny Vinokurov, *Optimisation of Central Asian and Eurasian Trans-Continental Land Transport Corridors*, EUCAM Working Paper no. 7, December 2009 <<http://www.frice.org/publication/697/optimisation-of-central-asian-and-eurasian-trans-continental-land-transport-corridors>> (September 1, 2010).

security of energy supplies - a stated EU aim - the most constructive contribution to date has come from Turkmenistan. In December 2008, at a session of the UN General Assembly, it proposed a resolution on “Reliable and Stable Transit of Energy and its Role in Ensuring Sustainable Development and International Cooperation”; the document was endorsed with the full and unreserved support of all UN members.²⁶

Against this background of rapid development and large-scale investment from a growing number of partners, the EU’s credibility is dented by its procrastination in implementing the grandiose infrastructural projects that it has proposed.

EU Proposal to “Enhance Regional Cooperation in Central Asia” - a Case of Hubris

Another stated EU priority is “to facilitate/promote closer regional cooperation in Central Asia”.²⁷ This is hubris. These countries are independent, sovereign states. They will not accept external interference in matters of policy. The EU can exhort, admonish and cajole as much as it wishes, but it does not have the leverage to influence the actions of the Central Asian states. The idea that external help/pressure can be used to “enhance regional cooperation” merely underlines how little understanding of the region there is in EU capitals. It is not that the Central Asians are too obtuse to realise the need for joint action to resolve regional problems. On the contrary, they know this better than any outsider ever could. They are not newcomers to this region: they have lived with their neighbours for centuries and will no doubt do so far into the future. It is precisely for this reason that they understand the need to make agreements that have the support and voluntary consent of all the concerned parties. A notable example of consensus, achieved after long discussion, was the Treaty on the Creation of a Nuclear-Weapon Free Zone, endorsed by all five states in September 2006.

Various multilateral formats have been tried since independence, starting with a trilateral Kazakhstan-Uzbekistan-Kyrgyzstan economic and defence union in 1994; this was eventually transformed into the

²⁶ “UN General Assembly adopts Turkmenistan’s resolution on reliable transit of energy resources,” reported on December 23, 2008 <<http://enews.ferghana.ru/news.php?id=909>> (September 1, 2010). Text of Resolution 63/210, adopted by the UN General Assembly, December 19, 2008, on “Reliable and stable transit of energy and its role in ensuring sustainable development and international cooperation” available online: <http://www.osce.org/documents/sg/2010/04/43476_en.pdf> (September 1, 2010).

²⁷ *European Community Regional Strategy Paper for Assistance to Central Asia for the period 2007-2013*, pp. 3, 5-7; it is highlighted as one of the EU’s “core objectives” in Central Asia; similar emphasis is given in *European Union and Central Asia: Strategy for a New Partnership*, pp. 11, 17; also in chapter V, “A strengthened EU approach,” in various paragraphs relating to specific projects. See also *Strategy Paper 2002-2006 & Indicative Programme 2002-2004 for Central Asia*, pp. 3-4, 21-23.

Central Asian Cooperation Union, which, after merging with the Eurasian Economic Community, was dissolved in 2005. None of these structures proved to be effective. A new form of association might be proposed in the future. For the present, cross border issues are the main concern and bilateral relations are regarded as a more flexible mechanism for regulating such matters. It is a tortuous, sometimes acrimonious process, but results are gradually achieved.

It could be argued that some issues, such as water and border management, cannot be resolved in piecemeal fashion, through bilateral agreements. Instead, an integrated regional strategy is required. However, these issues are of such vital importance to the security of each state that there is extreme sensitivity over every detail. Consequently, it is only when the conflicting concerns and needs of neighbouring states have been resolved that it will be possible to reach a robust regional agreement, supported by viable, effective instruments. The EU has offered to facilitate this process. This well-meaning gesture is not likely to find widespread support. To be blunt, the EU has not established a reputation as an “honest broker” in the region.²⁸ Rightly or wrongly, there are suspicions that the Europeans will favour the interests of some parties instead of taking an even-handed approach to all. Specifically, there are concerns that the EU will favour the smaller, weaker states of Tajikistan and Kyrgyzstan in the hope of gaining political leverage within the region by “buying” allies through which to exert pressure on the larger, sometimes obdurate, states. Whatever the reality may be, this perception of bias is a liability. Thus, if an outside body is to be involved, there is a general consensus that it should be the United Nations.²⁹ In the case of water management, this is already happening: in mid-2009, at a meeting sponsored by the Ashgabat-based UN Regional Center for Preventive Diplomacy in Central Asia (UNRCCA), notable progress was made when, for the first time, downstream states agreed to share some of the costs of managing rivers that originate in upstream states.³⁰

²⁸ Personal discussions with diplomats from all the Central Asian states in the period 2008-2010.

²⁹ Discussions with Central Asian diplomats. See, too, President Islam Karimov’s speech at the UN General Assembly, September 2010, in which he calls on the United Nations “to provide comprehensive assistance in conducting an independent international investigation of the dreadful events” in Kyrgyzstan earlier that year: “President’s Speech at the UN Session on Millennium Development Goals,” Press Service of the President of the Republic of Uzbekistan, September 20, 2010 <http://www.press-service.uz/en/news/show/vistupleniya/address_by_h.e._mr._islam_karimov_presid/#> (September 1, 2010).

³⁰ Reported by *RFE/RL Tajik Service*, July 24, 2009. See also Final Document adopted by all participants, under the aegis of UNRCCA, July 16, 2009 (available from UNRCCA office in Ashgabat). The meeting was a follow-up to the inconclusive Almaty conference of the International Fund for Saving the Aral Sea in April that year.

Responding to “Clear and Present Danger”: Kyrgyzstan

One of the key features of the EU Strategy in Central Asia is the strong emphasis that is placed on security and stability. However, there is a marked contrast between perceptions in the EU and perceptions in Central Asia as to what constitutes pressing security threats. In the EU, it is the lack of good governance, poor human rights, corruption and other such abuses. In the Central Asian states, it is terrorism, drugs trafficking and other forms of criminal activity.³¹ This reflects the very different security environments. The EU approach is “soft”, long-term and largely developmental in concept. In Central Asia, the threats are immediate and deadly, requiring a swift, “hard” response and the use of whatever force is necessary to protect the public. There is no argument as to the need for ongoing reforms in all sectors of government: all the Central Asian states realise that this is essential. However, it cannot provide protection against the “clear and present dangers” that the region faces.

The violent clashes in Kyrgyzstan in 2010 were a tragic illustration of the type of situation that is liable to erupt in the region. The conflict began in April in the capital Bishkek, but reached a climax in the south of the county in early June. The death toll was officially set at some 400, but unofficial estimates suggested a figure of at least 2,000. It is not clear whether the fighting was sparked by a clash between criminal gangs, by supporters of the ousted President Bakiev or by inter-ethnic rivalries. What is certain is that the great majority of the victims were ethnic Uzbeks, who form a large proportion of the population in southern Kyrgyzstan. Some 100,000 of them sought asylum in Uzbekistan. It took several days for aid from international agencies to arrive, thus the Uzbek government had to mobilise its own resources to cope with this massive influx of vulnerable, traumatized people.³² The Kyrgyz government, having appealed in vain for assistance from Moscow, eventually succeeded in restoring calm using its own armed forces. This enabled the refugees from Uzbekistan to be repatriated at the end of the month.

Tashkent’s response to the disaster was crucial. On the organizational level, it was well coordinated and emergency aid was delivered efficiently. On a political level, President Islam Karimov’s unequivocal rejection of attempts to ethnicise the conflict, along with his firm stance against impromptu acts of revenge, prevented the conflict from spreading

³¹ *European Community Regional Strategy Paper for Assistance to Central Asia for the period 2007-2013*, pp. 4-8.

³² See United Nations High Commissioner for Refugees, *Final Report on UNHCR Emergency Operations In the Republic of Uzbekistan*, Geneva, July 23, 2010 <<http://www.unhcr.org/4c51717a6.html>> (September 1 2010; also “Refugee Crisis Poses Challenge for Uzbekistan,” *Eurasianet*, June 14, 2010 <<http://www.eurasianet.org/node/61303>> (September 1, 2010).

across the border.³³ The danger of this happening was very real: many ordinary Uzbeks, outraged by the atrocities that had been inflicted on their kin, wanted to launch retaliatory cross-border attacks. This could easily have escalated into an inter-state confrontation.

In such a volatile environment the EU prescriptions for stability have little practical relevance. In the long-term undoubtedly they make sense, but that is of little comfort when a brutal insurgency is underway. In the case of the Kyrgyz conflict, the most that external actors have been able to do is to offer disaster relief and humanitarian aid. This is of course not an insignificant contribution, but it did not stop the violence and it certainly does not take away the possibility of renewed disorders. Initiatives such as the EU's Instrument for Stability, which are supposedly intended to respond in a time of crisis, do not have the capacity to react rapidly. For those who are caught up in the situation and desperate for help, this is frustrating. As one Kyrgyz official put it, "The EU people smile, say kind words - and do nothing".³⁴ This comment is not so much a criticism as a failure of communication: the EU appears to be giving one sort of message, but in reality it means something different. In this context, it is important to appreciate the role of local actors: Uzbekistan, initially without the support of international agencies, took appropriate action because, quite clearly, it was necessary for the security and stability of its own population as well as for the region at large. This underlines the fact that in the face of an unfolding crisis, it is the Central Asians themselves who must take responsibility for their own security.

Kazakhstan's Chairmanship of the OSCE: An Aid to Promoting EU's Central Asia Agenda?

In the EU, the hope has been expressed that Kazakhstan's status as Chairman of the Organisation for Security and Co-operation in Europe (OSCE) will enable it to play a key role within Central Asia, promoting EU/OSCE agendas in such areas as human rights and democratisation, likewise in enhancing regional cooperation. These are vain hopes. To Western eyes, Kazakhstan may appear to be more "advanced", and therefore worthy of emulation, but within the region it does not occupy a special niche of respect and authority. As mentioned previously, the Central Asian states share some common features, but there are also significant differences. This is recognised by the Kazakhs themselves. As

³³ See statement by the President of the Republic of Uzbekistan on the Events in Kyrgyzstan, Bukhara, June 18, 2010 <http://www.uzbekembassy.org/r/press_releases/13287/> (September 1, 2010); also Briefing by Uzbek First Deputy Foreign Minister, providing a detailed account of the humanitarian situation: "About the Briefing in Tashkent on the Events in Southern Kyrgyzstan," June 15, 2010 <http://www.uzbekembassy.org/e/press_releases/13210/> (September 1, 2010).

³⁴ Private communication by Kyrgyz official in September 2010.

one senior official expressed it: “We are like the five fingers of a single hand, organically joined but distinct and separate”. It is no accident that these states are set on divergent political paths. Each state has its own social structures, its own cultural peculiarities. There is a degree of economic cooperation between them, strengthened by some Kazakh investment. However, none of the Central Asian states shows any inclination to adopt Kazakhstan’s development model.

There is also no convergence in their foreign policies. On the contrary, they are pursuing separate trajectories. Certainly there are occasions when foreign policy objectives coincide, but this is not the result of a unified approach. Rather, it is because these states face similar challenges and may sometimes come to similar conclusions as to how best to respond. For example, the Central Asian states backed Kazakhstan’s bid to secure the chairmanship of the OSCE. However, this was in the context of a broader campaign by the Commonwealth of Independent States, energetically promoted by Russia, to counter perceived Western domination of the OSCE agenda. Once Kazakhstan had secured the coveted post, there was a noticeable lack of enthusiasm in Central Asia for Kazakh-led initiatives.

The limitations to Kazakhstan’s ability to assume a leadership role in Central Asia was demonstrated during the crisis in Kyrgyzstan earlier this year. In its role as OSCE chairman, Kazakhstan helped to organise the evacuation of ousted President Kurmanbek Bakiev in April. It did not play a role during the conflict, but in July it hosted an informal OSCE meeting of foreign ministers. As a result, a preliminary agreement was reached to send an international police force, drawn from OSCE members, to southern Kyrgyzstan. The decision was later formally confirmed, but although the Kyrgyz government favoured the deployment, it was strongly opposed by others, including the mayor of Osh.³⁵ At the time of writing this paper, it is not clear whether the mission will proceed. Even if it does go ahead, it is unlikely to have much impact on the underlying tensions in such a hostile environment. On a bilateral level, Kazakhstan closed its border with Kyrgyzstan after the April disturbances, on grounds of national security reasons, since it feared an influx of refugees as well as drugs and arms. This was a serious blow to the Kyrgyz economy, as the country relies heavily on its trade with Kazakhstan. The border remained closed until mid-May, when it was partially re-opened. Heightened security measures are still in place, heavily restricting cross-border movement. Realistically, there was little else that Kazakhstan could do, either on its own or as chairman of the OSCE.

³⁵ “Kyrgyz in Osh Protest against International Police,” *RFE/RL*, July 19, 2010
<http://www.rferl.org/content/Kyrgyz_In_Osh_Protest_Against_International_Police/2104222.html> (September 1, 2010).

The relationship between the EU and Kazakhstan is important in its own right and no doubt could prove to be mutually beneficial.³⁶ However, as discussed above, it would be futile, not to mention counter-productive, to extrapolate from that the notion that Kazakhstan could assume a leadership role in the region. Undoubtedly, it would be convenient for the EU to designate, albeit tacitly, a “Mr Central Asia” - a surrogate through which to channel an EU agenda. This grossly underestimates the keen sense of national pride within the region. Efforts to pursue such a policy would not only have a deleterious effect on the EU’s image, but more seriously, would provoke resentment, stir up latent rivalries and ultimately to lead to greater fragmentation within the region.

A Changing World

During the Soviet era, Central Asia was largely isolated from the external world. There were almost no direct communications or transport links with neighbouring countries, let alone with more distant lands. Thus, in the aftermath of independence one of the first tasks was the creation of the physical as well as the organizational infrastructure for engagement with the international community. Remarkably, within some eighteen months functioning ministries of foreign affairs and foreign economic relations were established in all the Central Asian states. It is noteworthy that from the outset, they were careful to avoid becoming enmeshed in any single bloc or grouping. Thus, for example, they joined the Commonwealth of Independent States; the Organization for Islamic Conference; the NATO Partnership for Peace programme; and the Organization for Security and Cooperation in Europe. This diversification of links was not accidental: it was part of a broader process whereby the Central Asians “re-possessed” the centrality of their physical and cultural geography.

The Central Asian states, with the exception of Turkmenistan,³⁷ are now active members of regional structures such as the Shanghai Cooperation Organisation (SCO),³⁸ the Eurasian Economic Community (EURASEC)³⁹ and the Collective Security Treaty Organisation (CSTO).

³⁶ See *State Programme: Kazakhstan’s Path to Europe, 2009-2011* (Envoy Media Ltd: London, 2008/9), which sets out the main objectives of the country’s policy towards Europe over a two-year period. How much of this agenda will be achieved, and to what extent the momentum will be maintained in the future, remains to be seen.

³⁷ Turkmenistan’s status of Permanent Neutrality, adopted on December 12, 1995, recognized and supported by the UN, precludes membership of any organization that has a military dimension, or represents an exclusive political bloc.

³⁸ For a discussion of the evolution and aims of this body see Shirin Akiner, *The Shanghai Cooperation Organisation: A Networking Organisation for a Networking World*, Global Strategy Forum, London, 2010 <www.globalstrategyforum.org/upload/upload95.pdf> (September 1, 2010).

³⁹ Uzbekistan joined EURASEC in January 2006, but withdrew in November 2008.

These bodies share some of the same objectives as the EU, particularly in the field of security. It is therefore reasonable to seek ways of promoting synergy. At first the EU seemed determined to ignore them, as their existence was mentioned only in passing in the *Strategy Paper 2002-2006*.⁴⁰ If the EU is now genuinely interested in pursuing cooperation with these organisations, as stated in its *Strategy For A New Partnership* and other recent documents,⁴¹ a formal basis needs to be established, underpinned by the signing of a memorandum to clarify the scope and nature of the relationship.⁴² Such cooperation, moreover, would only be viable if it were based on parity. There could be no special status for the EU as *primus inter pares*.

Thus, the situation today is very different from what it was in the early 1990s. Then the Central Asian states urgently required technical assistance and investment. The EU was welcomed as a generous donor. Now, more sources of funding are available, some of which are more in tune with their needs and importantly, more likely to yield results. For example, the EU-CA strategy for 2007-2013 maps out an ambitious vision for activities in the region, but for the entire period, covering five states, a meagre budget of €750 million has been allowed. By contrast, in 2004 China established a credit fund of US\$900 million for its Central Asian partners and in June 2009, made available a loan worth US\$10 billion for members of the Shanghai Cooperation Organisation (SCO). Additionally, China is already involved in a number of major infrastructural projects in the region.

Other regional states such as Russia and Iran, and international financial institutions such as the Asian Development Bank, are also actively involved in strategic infrastructural projects in Central Asia. Transport corridors - air, rail and road - are being developed to create networks that span Eurasia in all directions. Projected routes (already under construction) include the E-40 highway, connecting Western Europe through Russia and Central Asia to China. Transcontinental high speed rail links are also planned. Trade between the Central Asian states and their neighbours, especially China, is growing rapidly.⁴³ Within the

⁴⁰ *Strategy Paper 2002-2006 & Indicative Programme 2002-2004 for Central Asia*, p. 4.

⁴¹ *European Community Regional Strategy Paper for Assistance to Central Asia for the period 2007-2013*, pp. 10-11; *European Union and Central Asia: Strategy for a New Partnership*, p. 11.

⁴² The SCO, for example, has concluded cooperation agreements with CSTO, EEC, ASEAN and several other multilateral bodies. It has submitted a similar draft agreement to the EU, but to date there has been no response (private communications from Central Asian diplomats in February and March 2010).

⁴³ Sébastien Peyrouse, *Business and Trade Relationships between the EU and Central Asia*, EUCAM Working Paper no. 1, June 2009, especially, p. 5 <http://www.eucentralasia.eu/fileadmin/user_upload/PDF/Working_Papers/WP-No.1.pdf> (September 1, 2010); also Sébastien Peyrouse, *Central Asia's Growing Partnership with China*, EUCAM Working Paper no. 4, October 2009 <http://www.eucentralasia.eu/fileadmin/user_upload/PDF/Working_Papers/WP4-EN.pdf> (September 1, 2010).

framework of the SCO there are a wide range of initiatives on cultural and educational exchanges. Several of these, such as the SCO University and the electronic research network, are similar in concept to EU projects.

Developments such as these create a web of physical and cultural ties, thereby giving substance to the concept of a shared “Eurasian space”. By contrast, the boundaries of the EU are very distant from Central Asia. This is merely emphasised by efforts to portray it as the outer rim of an already extensive band of “Eastern Neighbourhood” countries. In an attempt to give more prominence and significance to the region it is sometimes described as a “bridge” on the way to somewhere else. Both formulations are at odds with the Central Asian perception that they constitute a transcontinental pivot, or hub, from which spokes radiate outwards in all directions. In other words, they do not locate themselves on anyone’s periphery, but at the centre of a vital, dynamic region.

Can the EU engage more effectively with Central Asia?

There are conceptual as well as practical issues that need to be resolved if the EU is to achieve a relationship with the Central Asian states that goes beyond good intentions. Strategic engagement requires long-term commitment, driven by a shared vision of mutual benefits. It also needs appropriate structures and instruments, so as to enable interaction to develop into trust and cooperation. At a very basic level, this means knowing who your partners are and understanding their intentions. For the Central Asian states, the EU is an opaque organisation, with fuzzy goals and no clear identity. Up till now, bilateral links with individual EU member states have been far more effective than any relationship with the European body as a whole. This, then, is the first challenge: is the EU able to establish itself as a genuine unitary actor, with a collective strategy, or will it continue to be a group of disparate member states that have different foreign policy stances and different (and sometimes rival) economic interests? This lack of coherence reflects the complex internal dynamics of the EU. The Common Foreign and Security Policy, established almost 20 years ago by the Maastricht Treaty, has not as yet resulted in a coordinated European foreign policy stance. The European External Action Service, a creation of the Lisbon Treaty (2007), is intended to fulfill the functions of a foreign ministry and diplomatic service, but it is still in the process of formation. In the future, it may be able to forge an authentic EU foreign policy, but as of now, the key components are not in place. Thus, it is not surprising that mixed messages emanate at different times from different parts of the EU. This creates an impression of chronic indecisiveness. This does not inspire confidence in potential partners.

Another challenge for the EU is that of collective visibility. Until recently, the only fully fledged Delegation of the European Commission was based in Kazakhstan. By contrast, a number of member states were represented by their national embassies: eighteen in Kazakhstan, ten in Uzbekistan, with several ambassadors holding multiple accreditations to other states in the region. At the time of writing, Germany and France have embassies in all five states, and the UK in four (minus Kyrgyzstan). The need for more collective representation has now been recognised in Brussels and in 2010, EU Delegations were opened in Kyrgyzstan and Tajikistan; in Uzbekistan and Turkmenistan there are “Europe Houses” and it is hoped that they will soon be upgraded to full delegation status.⁴⁴ The delivery of aid is another area in which the EU has not established a strong a profile. This is partly because individual member-state donors are more readily identified and remembered. Germany in particular is at least as well known and respected as the EU for its various projects. Another reason why the EU appears to be “fighting beneath its weight” is that some of its most successful activities are executed by other agencies. Notably, the two major EU programmes in Central Asia, border management (BOMCA) and counter narcotics action (CADAP) have until now been implemented by UNDP.⁴⁵ Consequently, they are often assumed to be UN projects. The intention is that henceforth member states should take over this role. This may heighten awareness of the EU contribution, but it also risks confusion with national bilateral aid and technical assistance programmes. This again raises the question of the image that the EU hopes to project: is it one or many actors?

The third and perhaps most difficult challenge for the EU is to decide what its strategic interests in the region really are. Why should it seek to be present and active? The wish “to do good” is laudable, but it is not a strategy. The priorities and objectives that are set out in the *Regional Strategy Paper for Assistance ... 2007-2013*,⁴⁶ are aspirations, not concrete goals. Moreover, they cover such a wide range of sectors that there is a tendency to concentrate less on results and more on the need to “tick all

⁴⁴ For a survey of EU diplomatic representation (national and collective) in Central Asia, see Michael Emerson and Jos Boonstra (rapporteurs), Nafisa Hasanova, Marlene Laruelle and Sebastien Peyrouse, *Into Eurasia: Monitoring the EU's Central Asia Strategy*, Centre for European Policy Studies (CEPS), Brussels, and Fundación para las Relaciones Internacionales y el Diálogo Exterior (FRIDE), Madrid, 2010, p. 60, Table 9; for assistance projects, see p., 62, Table 10. <http://www.eucentralasia.eu/fileadmin/user_upload/pdf/Final_Report/EUCAM-Final-Report.pdf> (September 1, 2010).

⁴⁵ See further BOMCA and CADAP websites <http://ec.europa.eu/europeaid/where/asia/regional-cooperation-central-asia/border-management-fight-against-drugs/bomca_en.htm> and <http://ec.europa.eu/europeaid/where/asia/regional-cooperation-central-asia/border-management-fight-against-drugs/cadap_en.htm> (September 1, 2010).

⁴⁶ *European Community Regional Strategy Paper for Assistance to Central Asia for the period 2007-2013*, pp. 3-7.

the assistance boxes” that are indicated by the Strategy.⁴⁷ This is inevitable, as it would have been well-nigh impossible to implement this agenda in the most propitious circumstances.

Today, when so many EU member states are in the grip of a severe and possibly long-term economic crisis, it is unrealistic. Clearly, it is time for the EU assistance strategy to “go back to the drawing board”.⁴⁸ A more focused approach is required, based on a pragmatic assessment of capabilities and means to achieve desired goals. There is, too, a need for a more nuanced, country-specific engagement. Doing less, but better, is generally more productive than superficial dabbling in many sectors. Choices must be made so as to gain maximum benefit from limited resources. Above all, it is important to look beyond the façade of political correctness and to focus instead on the actual outcomes on the ground. This is well illustrated by the EU-funded initiatives on law and education. In these areas there is an obvious match between EU capabilities and local demand. Yet so far, these projects have tended to be driven more by political agendas (both local and EU, it should be stressed) rather than by a careful response to specific needs in the relevant sectors. The result is that so far they have been less effective than they ought to have been, given the investment of resources.⁴⁹

To sum up, the chief problem for the EU in its efforts to engage in Central Asia is the lack of a clear, strongly collective vision. Good intentions are undermined by internal divisions, differing foreign policy stances. In these circumstances, it is difficult, if not indeed impossible, to summon up the general political will that is necessary to support a consistent, long-term strategy in the region.

Pressing the “Re-Set Button”: Partnership Not Mentorship

The role that the EU plays in Central Asia in the future will depend very much on two things: firstly, as discussed above, the extent to which it can

⁴⁷ *Into Eurasia: Monitoring the EU’s Central Asia Strategy*, p. 96.

⁴⁸ A perceptive analysis of these issues is provided by Jos Boonstra and Jacqueline Hale, *EU Assistance to Central Asia: Back to the Drawing Board?* EUCAM Working Paper no. 8, January 2010, <http://www.eucentralasia.eu/fileadmin/user_upload/PDF/Working_Papers/WP8-EN.pdf> (September 1, 2010).

⁴⁹ The author has herself taught in universities in Kazakhstan and has seen at first hand the problems with some of these projects, particularly those connected with the phasing in of the Bologna process. The abrupt transition from one system to another has created chaos, with a disastrous plummeting of academic standards. For a broader evaluation of the education initiative see Peter Jones, *The EU-Central Asia Education Initiative*, EUCAM Working Paper no. 9, February 2010 <http://www.eucentralasia.eu/fileadmin/user_upload/PDF/Working_Papers/WP9-EN.pdf> (September 1, 2010). Also Rico Isaacs, *The Rule of law Initiative in Central Asia*, EUCAM Policy Brief no. 9, CEPS and FRIDE, Brussels/Madrid, August 2009 <http://www.eucentralasia.eu/fileadmin/user_upload/PDF/Policy_Briefs/PB9.pdf> (September 1, 2010).

resolve internal weaknesses; secondly, the extent to which the relationship can respond to changing circumstances. Since the early years of EU engagement with the region, the Central Asian states have undergone dramatic transformation. The most fundamental change has been psychological. The confusion and disorientation of the first years of independence has been replaced by a confident assertion of national identity. Consequently, their attitude to foreign partners has changed: they demand equality. Located at the heart of Eurasia, they have re-possessed the centrality of their physical and mental geography. This has become all the more important with the shift in global relations, specifically the rising economic might of Asia. This has given the Central Asians the opportunity to forge new and powerful relationships.

Europe remains important for the Central Asian states. It may not have delivered all that was initially expected of it, but nevertheless it continues to be valued. At the same time, the Central Asians have become more assertive (and some would say more arrogant).⁵⁰ Increasingly, they are putting the “di-” back into “dialogue”, to create a genuine two-way exchange. Thus, for example, Uzbekistan participates in a regular human rights dialogue with the EU, but does not merely listen to the concerns of the Europeans. Instead, it “aggressively” insists that issues such as Islamophobia in Europe should also be on the agenda.⁵¹

This change in attitude suggests that if the EU wants to continue its engagement in Central Asia, it needs to re-think some of its assumptions. This may mean re-calibrating some of its priorities, thinking again about objectives and how best to achieve them. Re-setting of the tenor of the relationship does not, and cannot, mean that the EU should abandon its core values. It does, however, involve the recognition that others may not share the same vision, or that they may espouse the same values, but interpret them differently. Judgements will have to be made regarding both the limits of forbearance and likewise the consequences of a given stance.⁵² The imposition of sanctions on Uzbekistan after the violence in Andijan in May 2005, arguably, on the basis of incomplete and one-sided information, revealed the limits of EU power. Uzbekistan refused to make concessions and the EU was eventually forced to lift the sanctions.⁵³ Within Central Asia, this was seen as a humiliating climb-

⁵⁰ Personal communication from EU official with experience in Central Asian relations.

⁵¹ *Into Eurasia: Monitoring the EU's Central Asia Strategy*, p. 68.

⁵² See, for example, the discussion of this issue at the Krynica 19th Economic Forum, a high-level international meeting held in Poland. Reported by Farangis Najibullah, “Energy Or Values? EU's Central Asia Dilemma Discussed At Polish Forum,” *RFE/RL*, September 10, 2009 <http://www.rferl.org/content/Europe_Central_Asia_Dilemma_Discussed_At_Polish_Forum/1819860.html> (September 1, 2010).

⁵³ On the ineffectiveness of the EU stance over this issue see, for example, Andrea Schmitz, “Whose conditionality? The Failure of EU sanctions on Uzbekistan,” *Central*

down. Moreover the punitive measures adopted towards Uzbekistan provoked comparison with the EU's cautious response to Israel's actions in the Middle East, thereby providing yet another example of European "double standards".

If the EU does succeed in forming partnerships based on mutual trust, respect and common interests, it could become a respected, influential actor in the region. If that does not happen, it will be relegated to the position of a "virtual gaming chip", reserved for tactical use in negotiations with powerful neighbours, when the hint of a counterweight might be a convenient bargaining ploy. The choice is in the hands of the EU: if the relationship with Central Asia matters, then it is worth the effort to build a genuine partnership. Without this, the relationship will be reduced to a formality, devoid of significant substance.

To conclude, if the EU wishes to be engaged in Central Asia it must understand the possibilities of the relationship, but also its limitations. The EU has much to offer and the Central Asian states recognise and appreciate this. However, they have their own vision of their national interests and they will act accordingly, making the policy choices that they believe are most appropriate. Equally, Europe must define its priorities more clearly and make a more critical assessment of its capabilities. The question posed by Dostoevsky as to why Russia needed to be involved in Central Asia is pertinent for the EU today - and it requires a considered answer if EU engagement in the region is to be set on a sound footing.

Asia-Caucasus Analyst, November 11, 2009 <<http://www.cacianalyst.org/?q=node/5216>> (September 1, 2010).

A Nuclear Iran? Failed U.S. Foreign Policy Requires Compromise and Patient Multilateral Dialogue

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ABSTRACT

A nuclear Iran is a concerning prospect. From Iran's perspective, Western powers and U.S. proxies surround it, jeopardizing the security of the regime and its economic prosperity. Thus, the Iranian people support the pursuit of nuclear weapons without restriction. Short of a significant threat of military intervention, or comprehensive multilateral sanctions - extreme options that lack international will - Iran is likely to continue its nuclear development program. We posit that Iran, given the current geopolitical environment, is not ready for direct dialogue with the U.S. and can only be compelled to make behavioral changes and possibly abandon pursuits for a nuclear weapon through multilateral diplomatic and economic dialogue. In the meantime, nations such as the U.S., Saudi Arabia, and Israel must be prepared to deal with a nuclear capable Iran.

Keywords • U.S.-Iran Relations • Nuclear Non-Proliferation • International Atomic Energy Agency • Uranium Enrichment • Sanctions • Multilateral Dialogue

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Introduction

Engagement with Iran is a perplexing notion when faced with the decades of animosity that exist between the U.S. and Iran. From the U.S. perspective, Iran is ruled by a theocratic regime (elected representatives approved by unelected clerics) that calls for the destruction of the U.S. and Israel on a daily basis. They are a people and government motivated by Islamic revolutionary goals, national interests, and factional politics. The current president of Iran Mahmoud Ahmadinejad has publicly stated that Israel should be “wiped off the map” and that the holocaust is exaggerated. Iran has held Americans hostage; is a state sponsor of terrorism; finances and influences Shia militias in Iraq; trains and finances Hezbollah; and provides weapons to U.S. enemies to use on U.S. personnel and allies. Despite Iran’s ratification of the 1970 Nuclear Non-Proliferation Treaty and international condemnation, it is suspected to be pursuing nuclear weapons development, has a poor human rights record, and severely represses political freedoms of its people; and yet, it is a critical component to any enduring Middle East peace agreement.

From Iran’s perspective, Western powers and U.S. proxies surround it, jeopardizing the security of the regime and its economic prosperity. The U.S. has aided their enemies, including Iraq, during the Iran/ Iraq war of the 1980s, has supported the Israelis even when they have violated international agreements, attacked its neighbors, and continually threaten and sanction Iran’s regime. Just recognizing Israel’s right to exist would call the Iranian constitution into question, as opposition to Israel is included in the Iranian constitution.¹

The Iranian people support the pursuit of nuclear weapons and nuclear development without restriction² and see it as a natural right knowing that other regional states - Pakistan and India - are already nuclear powers that enjoy U.S. support. Israel is believed to have had nuclear weapons for decades now, and the Iranians think that it is their right to develop a deterrent against the U.S. and Israeli militaries. The U.S. 1953 coup of Mossadeq in order to install the Shah in Iran was a watershed event, like their Pearl Harbor, whereby the Iranian hardliners remind their people of U.S. regime changing in the past. This resonates and works to bind the people of Iran closer to the government.³ Broadcasts and threats from the U.S. strengthen regime resolve and bolster the ambition for a nuclear deterrent against U.S. and Israel. In the minds of Iranian realists, any sanctions or penalties are bearable in order

¹ Bahman Baktiari, “Iran’s Conservative Revival,” *Current History*, January 2007, p. 197.

² “Iran Poll Shows Public Discontent with Government Policies and System” *Public Diplomacy Website*, June 2007 <www.publicdiplomacy.org/75.htm> (January 27, 2009).

³ Ali M. Ansari, *Confronting Iran: The Failure of American Foreign Policy and the Next Great Crisis in the Middle East* (Perseus Books Group, New York, 2007), p. 234.

to gain the capacity to produce nuclear weapons as a deterrent against the United States.⁴ With such a deterrent, they would be able to conduct more overt actions against the U.S. and Israel without fear of invasion or regime changing reprisal.

When Iran speaks of the “Great Satan” and the U.S. speaks of the “Axis of Evil,” it is difficult to find a middle ground to begin a dialogue. In this paper, we posit that Iran, given the current geopolitical environment, is not ready for direct dialogue with the U.S. and can only be incentivized to make behavioral changes and possibly abandon pursuits for a nuclear weapon through multilateral diplomatic and economic dialogue.

Iranian Nuclear Energy Rationale

Any country could benefit from a nuclear energy program to produce electricity, but Iran is the least logical country to benefit from nuclear energy. Iran has the third largest proven oil and natural gas reserves in the world. Its oil reserves account for roughly 10 percent of the world’s proven reserves. Iran is a member of OPEC, second largest natural gas exporter, and fourth largest oil exporter in the world.⁵ Natural gas accounts for approximately half of Iranian domestic energy consumption, and oil makes up the other half. Very little coal, hydro, or other energy sources are used in Iran. Iran produces 156 Billion Kilowatt Hours (Bkwh) of electricity and consumes 145 Bkwh. Only 11 Bkwh are produced by hydro; the rest is produced from conventional thermal electric power - most likely from natural gas or oil. Energy subsidies account for 12 percent of the country’s GDP, a figure the IMF cites as the highest rate in the world. Internationally, Iran is growing closer to China and attempting closer energy relationships with countries such as India.⁶ Iran contends that it wants to produce nuclear energy to free up more natural gas for export. That may be true, but nations such as, the U.S., the U.K., Israel, and Saudi Arabia, think the real motive is to produce nuclear weapons. The concern is that a civilian program that uses dual-use technologies will lead to a nuclear-armed Iran.

⁴ Kenneth M. Pollack, *The Persian Puzzle: The Conflict between Iran and America* (Random House, New York, 2005), pp. 376-378.

⁵ “BP Statistical Review of World Energy 2008,” British Petroleum, 2008 <<http://www.bp.com/productlanding.do?categoryId=6848&contentId=7033471>> (December 9, 2008).

⁶ “Country Analysis Briefing: Iran,” U.S. Department of Energy, Energy Information Administration 2008 <<http://www.eia.doe.gov/emeu/cabs/Iran/Oil.html>>; <<http://www.eia.doe.gov/emeu/cabs/Iran/Electricity.html>>; <<http://www.eia.doe.gov/emeu/cabs/Iran/NaturalGas.html>> (December 7, 2008).

The U.S. National Security Strategy

The U.S. National Security Strategy (NSS) of 2006⁷ is clear on what the national interests and objectives are regarding WMD proliferation, terrorism, and Iraq. The most empowering and flexible aspects of the NSS are the simple objectives regarding nuclear weapon proliferation. The NSS identifies only two objectives. First, is to close a loophole in the Non-Proliferation Treaty (NPT) that “permits regimes to produce fissile material that can be used to make nuclear weapons under cover of a civilian nuclear power program.” Second, is to keep fissile material from rogue states and terrorists. Recognizing that missiles, guidance systems, high explosives, and nuclear technology and expertise are too difficult to control, these two objectives emphasize combating the development of nuclear weapons inputs.

However, the NSS is limited and even counter-productive in specifically addressing Iranian nuclear weapon proliferation. By stating that the only way that U.S. concerns will be resolved is by Iranians changing their policies, opening their political system, and providing freedom to its people is not helpful and is likely to be seen as unacceptable or an unattainable goal. It goes on to state, “We aim to convince our adversaries that they cannot achieve their goals with WMD, and thus deter and dissuade them from attempting to use or even acquire these weapons in the first place.”

The NSS further mentions Iran by name in this way: “Iran has violated its Non-Proliferation Treaty, safeguards obligations, and refuses to provide objective guarantees that its nuclear program is solely for peaceful purposes.” It mentions Nuclear Proliferation as the “greatest threat to our national security” and that the Iranian regime “sponsors terrorism; threatens Israel; seeks to thwart Middle East peace; disrupts democracy in Iraq; and denies the aspirations of its people for freedom.” Yet, the U.S. NSS further states its strategy towards Iran is to block threats and expand engagement and outreach to the people of Iran. These statements and “Axis of Evil” rhetoric play into the hands of Iranian government hardliners and their justification for a nuclear weapons program, not to mention the continuation of decades of demonizing the United States. Worse yet, any Iranian pragmatists that wish to negotiate with the U.S. lose legitimacy because the U.S. is perceived to be advocating military action rather than negotiation. In sum, antagonizing the Iranian government through public diplomacy or information operations is undoubtedly counter-productive.

⁷ *The National Security Strategy of the United States of America*, U.S. Government, Office of the President of the United States, 2006, pp. 19-23.

U.S. Sanctions against Iran

The U.S. has a long history of sanctions on Iran. In many ways, they have been the centerpiece of American policy for the past thirty years. It began in 1979, when Iranian nationals stormed the American embassy, seizing the 52 diplomats inside and holding them hostage. President Jimmy Carter reacted by banning Americans from buying merchandise directly from Iran and freezing US\$12 billion in Iranian assets. In April 1980, Carter extended sanctions to include all commerce and travel between the U.S. and Iran except for food, medicines, and news people.⁸ After successfully recruiting the European Community and Japan to enlist in many of the sanctions with the U.S., Iran agreed to release the hostages in exchange for normalization of relations and the unfreezing of assets.⁹

The sanctions resumed following the 1983 bombing of the U.S. embassy and Marine Corps barracks in Lebanon. In retaliation for Iran's collaboration in this act, the Reagan Administration on January 20, 1984 declared Iran "a sponsor of international terrorism." This label made Iran ineligible for various forms of U.S. foreign assistance. In 1985, President Ronald Reagan withheld funds from international organizations equal to the amounts allocated by those organizations for Iran. In 1988, U.S. Executive Directors of international financial institutions were required to vote against issuing loans to Iran. In August 1986, the U.S. prohibited Iran from receiving U.S. arms (including spare parts) under the U.S. Arms Export Control Act.¹⁰ Reagan imposed one more round of sanctions in 1987, prohibiting nearly all imports from Iran, also because of its support of terrorism.¹¹

Iranian sanctions were increased during President George H. W. Bush's administration. In 1992, the U.S. Congress implemented, with President Bush's signature, the Iran-Iraq Non-Proliferation Act. In addition to the sanctions already in place, it provided for sanctions against firms or people contributing to Iran's conventional weapons and weapons of mass destruction (WMD) programs. It was amended in 1996 to require mandatory sanctions against any country assisting Iran in acquiring WMD.¹²

⁸ Patrick Clawson, "Iran: Economic Sanctions and American Diplomacy," in Richard N. Haass, ed. (New York: Council on Foreign Relations, 2008), p. 203.

⁹ Meghan L. O'Sullivan, *Shrewd Sanctions: Statecraft and State Sponsors of Terrorism*, (Washington D.C.: Brookings Press, 2003), p. 50.

¹⁰ Herman Franssen & Eliane Morton, "A Review of U.S. Unilateral Sanctions Against Iran," *The Middle East Economic Survey*, XLV, 34 (Ahusut 26, 2002) <<http://www.mafhoum.com/press3/108E16.htm>> (December 4, 2008).

¹¹ O' Sullivan, *Shrewd Sanctions: Statecraft and State Sponsors of Terrorism*, p. 50.

¹² *Ibid.*

During the Clinton presidency, sanctions against Iran were increased numerous times; some were led by his administration while the U.S. Congress led others.¹³ Neither wanted to look weak on terrorism or proliferation, so it became a “sanctions arms race,” with sanctions being imposed on other states besides Iran. Along the way, the U.S. lost much international political capital when it sanctioned third party (other countries) firms doing business with Iran.

Many thought that sanctions might be relaxed with the Bush Administration. Those in the oil industry were optimistic that President George W. Bush would lift, or at least ease, the unilateral U.S. oil sanctions. It was assumed that since Bush and Vice President Dick Cheney were oilmen, they understood that unilateral sanctions were not working and were discriminatory against U.S. companies. Various senior future members of the Bush Administration had previously been outspoken in their opposition to the unilateral Iranian sanctions. For instance, U.S. Secretary of State, Colin Powell stated during his confirmation hearings “differences with Iran need not preclude greater interaction, whether in more normal commerce or increased dialogue. Our national security team will be reviewing such possibilities.” In particular, the oil businesses expected that a Bush Administration would not renew the Iran-Libya Sanctions Act (ILSA), which specifies penalties against foreign firms that make investments larger than US\$20 million in Iranian hydrocarbon development. The ILSA triggered more international controversy than any other Iranian sanction. The EU threatened to sanction U.S. firms and lodged a complaint with the World Trade Organization (WTO). One cannot underestimate the influence of the American Israel Public Affairs Committee (AIPAC). They fought for the continuation of the ILSA because, while spewing harsh rhetoric against Israel, Iran had developed a missile capable of reaching Israel, ten Israelis were arrested in Iran for “spying,” and Iran was still sabotaging the Israeli-Palestinian peace process.¹⁴ Although the exact amount of AIPAC lobbying that took place is unknown, it did come as a surprise to the oil industry and even Iran that the Cheney energy report in the Spring of 2001 favored the use of sanctions as a “tool to advance national and global security objectives.” In August of 2001, President Bush signed the ILSA Extension Act into law.¹⁵

Political wisdom holds that economic sanctions are practical and effective instruments of foreign policy. They provide a method for forcing behavior modification or regime change without having to resort to armed conflict. The conventional wisdom amongst economists and foreign affairs experts is that economic sanctions are ineffectual and very

¹³ *Ibid.*, pp. 50-51.

¹⁴ Franssen and Morton, *A Review of U.S. Unilateral Sanctions Against Iran*.

¹⁵ *Ibid.*

harmful instruments of foreign policy, to the sanctioning state as well as the targeted state. Although there have been a few isolated cases where sanctions were effective, they are usually an abysmal failure. The Institute for International Economics and Center for Global Development states that U.S. sanctions have been effective 38 percent of the time, but that number has been driven higher by American success from 1945-1969¹⁶, when the U.S. was the sole economic power, and globalization as we know it was not even on the horizon. If one measures success since 1970, it drops to 20 percent, and if measured from 1990, it drops to 10 percent.¹⁷ The Peterson Institute for Economics has found similar numbers. Propping these numbers up, in both appraisals, is the fact that a sanction case study was considered successful even when sanctions achieved only partial attainment of the goals.

One major flaw with sanctions is that there are too many economic workarounds with various countries when they are imposed unilaterally. With globalization, tying more and more countries together, even regional sanctions can be circumvented. As countries integrate themselves into the international marketplace, there are too many suppliers and markets with which a targeted country can conduct business. Sanctioning success will become extremely challenging to achieve now that almost every country is tied into the global economic system. There are many gaps to exploit, even if the United Nations mandates sanctions.

U.S. Diplomacy with Iran

Negotiating with Iran is nothing new. In 1979, the Carter administration attempted to secure the hostages seized by Iranian students. The Iranians in the (now infamous) Iran-Contra scandal betrayed the Reagan administration's covert dealings. The Clinton administration saw Iranian President, Mohammed Khatami as a "reformer" and removed restrictions on Iranian caviar and rugs; added the Mujahedin-e Khalq (MEK) to the list of terrorist organizations; sidetracked the investigation into the Khobar towers bombing; waived sanctions for foreign firms to develop the Iranian South Pars natural gas field; dropped opposition to a Iran-India natural gas pipeline; opened high tech exports to go to Iran; and removed Iran from the list of major narcotics producers. U.S. Secretary of State, Madeline Albright further apologized for past U.S. "crimes" against Iran such as removing Mossedeq in 1953 in order to begin a new dialogue with the Iranians. The Supreme Leader Ali Khamenei reacted

¹⁶ Kimberly Elliot, "Economics Sanctions as a Foreign Policy Tool," *Peterson Institute for International Economics*, April 2006, available at <<http://www.iie.com/publications/papers/elliott0406.pdf>> (December 6, 2008).

¹⁷ *Ibid.*, pp. 15-16.

this way to the U.S. position of contrition “What do you think the Iranian nation, faced with this situation and these admissions, feels?... What good will this admission (of supporting Saddam in the war with Iran) - that you acted in that way then - do us now?... Admission years after the crime was committed, while they might be committing similar crimes now, will not do the Iranian nation any good.”¹⁸ For all of the inducements, the Supreme Leader Khamenei denounced rapprochement with the U.S. as “treason.”¹⁹ In May 2006, Iran President Ahmadinejad ridiculed the incentives to stop uranium enrichment by saying, “They think they are facing a four year-old child and that they can take away our gold and give us some nuts and chocolate in exchange.”²⁰

The Iranian regime has indicated some willingness to negotiate now. However, this is only likely to buy time for the development of its nuclear program, knowing they are relatively safe from military action for a number of reasons: The U.S. military is stretched too thin with commitments in Iraq and Afghanistan; international support of a U.S.-Iran intervention is highly unlikely; U.S. public support is being exhausted in Iraq and Afghanistan; and Iranian public opinion will swing to overwhelming support of its government, if attacked. In sum, the Iranians know that the U.S. lacks international support, the will of its people, and possibly the military capacity to strike them. As noted by John Bolton, former U.S. United Nations ambassador, the U.S. has been a victim of repeated disingenuous negotiations with Iran.²¹

International Attempts at Diplomacy with Iran

In January 2003, the U.S. accused the Iranians of developing a nuclear weapon capability, with Iran stating that all their nuclear research and development was for electricity. Tensions mounted as President Mahmoud Ahmadinejad used harsh rhetoric against the U.S., Israel, and the United Nations. In February 2003, the International Atomic Energy Agency (IAEA) Director General, Mohamed el Baradei visited Iran for an inspection and was shown an operating 164-centrifuge cascade and parts to a thousand more on the site. In addition, Iran had received UF₆ gas from China for the enrichment process.²² These were violations of Iran’s Safeguards Agreement, and this was evidence of an entirely

¹⁸ Michael A. Ledeen, “Negotiations Hoax,” *American Enterprise Institute*, March 1, 2007 <http://www.aei.org/publications/pubID.25701/pub_detail.asp>.

¹⁹ Alireza Jafarzadeh, *The Iran Threat: President Ahmadinejad and the Coming Nuclear Crisis* (New York: Palgrave Macmillan, 2007), pp. 211-213.

²⁰ *Ibid.*, p. 234.

²¹ John Bolton, *Surrender is Not an Option: Defending America at the United Nations and Abroad* (New York: Threshold Editions, 2007), pp. 323-325, 340.

²² “Iran’s Nuclear Program,” *Iran Watch*, September 2004 <<http://www.iranwatch.org/wmd/wponac-nuclearhistory-0904.htm>> (January 23, 2009).

different nuclear weapons program where the Iranians may have used “bait and switch” to agree to stop developing a plutonium bomb but continue to develop an undiscovered uranium bomb.²³

Despite these revelations and clear violations and intent to conceal, el Baradei only offered excuses for the Iranians in a March 2003 meeting with U.S. United Nations ambassador, John Bolton, in Vienna, Austria.²⁴ El Baradei has consistently stated that the IAEA has found no evidence that Iran is pursuing nuclear weapons development.²⁵ The U.S. ambassador to the UN then tried to get the groundwork set to address the Iran issue at the quarterly IAEA board of governors (BOG) meeting to move the issue to the security council. The next BOG meeting was set for June 2003, and the Russians were already voicing their distress that Iran was pursuing a nuclear weapon.²⁶ The Russians knew that Iran had little need for nuclear power while they sit on a vast lake of oil and natural gas. (Ambassador Bolton estimated that it would take three BOG meetings to get the Iranian issue to the Security Council, but it took three years).²⁷

In the summer of 2003, IAEA inspectors discovered another Iranian violation at the Natanz enrichment facility, which was further evidence that Iran was lying about its nuclear program.²⁸ Russia responded by temporarily halting its nuclear cooperation with Iran, including the fuel. Despite the evidence - and illustrative of the next three years - the Chinese and Russians balked at pursuing sanctions against Iran because of their own business dealings with Iran, and the Europeans failed due to a lack of will. During these years, the EU-3 (the United Kingdom, France, and Germany) offered differing types of “carrots” to entice the Iranians to stop their nuclear development program. Germany was frequently the lowest common denominator, so all proposals had to be diluted to such a level that they were completely unacceptable to the U.S. The Iranians would stop parts of their program to receive inducements, and then start up again after they received them. Essentially, Iran continued to develop its nuclear program, as well as its expertise in enrichment processes, while gaining concessions from the EU-3. The joke in the U.S. Department of Defense (DOD) at the time was that the EU’s

²³ Sharon Squassoni, “Iran’s Nuclear Program: Recent Developments,” CRS Report for Congress, March 4, 2004.

²⁴ Bolton, *Surrender is Not an Option: Defending America at the United Nations and Abroad*, p. 135.

²⁵ “Timeline: Iran’s Nuclear Programme,” *News Blaze*, November 21 2007
<<http://newsblaze.com/story/20071121132355tsop.nb/topstory.html>> (January 26, 2009).

²⁶ “Iran’s Nuclear Program”.

²⁷ *Ibid.*, p. 136.

²⁸ “Iran’s Nuclear Program.”

new motto was “speak softly and carry a big carrot.”²⁹ The Iranians may have even learned from the North Koreans how to create a few nuclear weapons while conducting endless negotiations for more “carrots” for easily reversible concessions. Iran was at least mindful of the allegations the U.S. made to the IAEA regarding alleged Iraqi nuclear weapons. Since the weapons were never proven to exist, the IAEA has been apprehensive to state anything more than, “Iran is working to develop the capability to enrich uranium to weapons grade, not that they have done so.”³⁰

In the end, UNSC Resolution 1737 passed in 2006 by unanimous consent for Iran’s “failure to halt uranium enrichment.” It was a watered down resolution. The sanctions blocked the import or export of sensitive nuclear material and equipment and froze the financial assets of persons or entities supporting its proliferation of sensitive nuclear activities or the development of nuclear-weapon delivery systems.

In order to garner Russia’s support of resolution 1737, the EU-3 had to distinguish between what were “illicit” nuclear proliferation-related activities and “licit” nonproliferation activities. Having to make this distinction drove a conceptual wedge into the entire rationale for using economic sanctions as a means of discouraging/preventing nuclear proliferation. Not only did it weaken the sanctions against Iran, it brought into question the use of economic sanctions against nations such as North Korea.³¹ Despite the efforts of diplomats to “fix” or “solve” the problem, they made it worse by giving the Iranian regime legitimacy and power over them. At no time did the Iranian government indicate that they would ever halt their program. The diplomats congratulated themselves for an agreement that achieves nothing substantial and Iran continues to openly expand its program. The one thing that Iran may have responded to was military and/or economic sanctions but they were not options.

In March of 2007, the IAEA deemed Iran non-compliant with UNSC Resolution 1737.³² With Ahmedinejad’s rhetoric, it was not a difficult assessment for the Security Council to make. Stricter sanctions were imposed in Resolution 1747, adding an arms embargo and restricting the travel of “individuals engaged in the country’s proliferation-sensitive

²⁹ Bolton, *Surrender is Not an Option: Defending America at the United Nations and Abroad*, p. 329.

³⁰ “IAEA: Iran Nuclear Report Outrageous,” *CBS Evening News*, September 14, 2006 <<http://www.cbsnews.com/stories/2006/09/14/world/main2012368.shtml>> (January 26, 2009).

³¹ *Ibid.*, p. 339.

³² “Security Council/9459,” United Nations Security Council, 2006 <<http://www.un.org/News/Press/docs/2006/sc8928.doc.htm>> (November 20 2008).

nuclear activities.”³³ In September of 2008, the UNSC reaffirmed its earlier resolution on Iran’s uranium enrichment with Resolution 1835 after the IAEA reported that Iran had not halted its uranium-enrichment related activities. However, there were no additional sanctions implemented.³⁴ In November of 2008, the IAEA announced that Iran had developed 3,800 centrifuges running at the Natanz uranium-enrichment facility. Not to be intimidated, Iran announced in late November that they had 5,000 centrifuges operational, while also announcing the successful launch of a space rocket, the Kavosh 2.³⁵

Weighing Other Options

The challenge going forward is how to shape a viable U.S. foreign policy toward Iran. The current policy of heavy unilateral U.S. sanctions, with light and targeted multilateral sanctions against Iran’s nuclear proliferation is not working. In fact, America’s foreign policy toward Iran for the last thirty years has proven ineffective. The three overriding goals of the U.S. sanctions—the most severe sanctions imposed on Iran — were to cause Iran to cease supporting terrorism, disrupting the Middle East peace process, and nuclear proliferation.³⁶ The policy has failed on all three counts.

An invasion of Iran would be problematic. Iran is four times as large as Iraq with three times the population. Its people are prone to xenophobia and insurgency after thirty years of anti-Western propaganda; and the Iranian government is more legitimate and less tyrannical than Saddam Hussein. There would be little international support for such an action if unprovoked.

Counter-proliferation at this point would look like the Israeli strikes into Iraq in June 1981 and Syria in September 2007.³⁷ Only the U.S. and Israel has the resolve and capability to strike Iran effectively. A strike could send the Iranian program back a number of years in order to give more time for the regime change clock to run down. The problem is that Iran would probably retaliate asymmetrically by using terror attacks in Iraq, Afghanistan, the U.S., and Israel. The strike could also backfire on the domestic reform movement and U.S. anti-terrorism efforts by

³³ “Security Council/9459,” United Nations Security Council, 2006
<<http://www.un.org/News/Press/docs/2006/sc8980.doc.htm>> (November 20, 2008).

³⁴ “Security Council/9459,” United Nations Security Council, 2006
<<http://www.un.org/News/Press/docs/2006/sc9459.doc.htm>> (November 20, 2008).

³⁵ “Iran Expands Uranium-Enrichment, Space Work,” Voice of America, November 26, 2008 <<http://www.voanews.com/english/2008-11-26-voa44.cfm>> (December 7, 2008).

³⁶ *The National Security Strategy of the United States of America.*

³⁷ Seymour M. Hersh, “A Strike in the Dark,” *The New Yorker*, February 11, 2008
<http://www.newyorker.com/reporting/2008/02/11/080211fa_fact_hersh> (January 24, 2009).

reinvigorating the jihadist movement. Furthermore, Iran could survive without much damage to the program and accelerate their efforts to acquire a domestic nuclear capability. Strikes should remain an option but not the centerpiece of a strategy on Iran.³⁸

Supporting an Iranian opposition party to disrupt the Iranian regime could destabilize Iran enough to bring them to negotiate. The U.S. currently labels the Mujahedin-e Khalq³⁹ a terrorist organization, but that could be easily changed to garner their support. This group is violently opposed to the Iranian regime and uses the Koran and other Islamic sources to challenge the legitimacy of the theocracy. The MEK circulates publications that challenge the government and are a source of destabilization within Iran. Currently the MEK has sanctuary in Iraq. Former Assistant Vice Chief of Staff of the U.S. Air Force, Lt. General Thomas McInerney (RET.) stated, “Delisting the MEK could unleash the great potential of the younger generation and the most feared Iranian dissident group. Keeping the MEK on the list is limiting U.S. options unnecessarily, while the Ayatollahs are threatening the U.S. with their nuclear bomb-making, violence, and domination in Iraq and terrorism in Lebanon.”⁴⁰ In January of 2009, the EU took the unprecedented step to remove the MEK from its list of terrorist organizations. The group was first blacklisted as a terror group by the EU in 2002.⁴¹ Covert action and overt public diplomacy is a good concept, but cannot work as a stand-alone policy. The Iranian people are young and discontented with their government but not on the brink of revolution. In addition, every time a Western power attempts regime change from the outside, it seems to backfire. Foreign policy should provide hope to the Iranian people but not promote a popular uprising. Reform needs to come from within and with apparent internal support.⁴²

³⁸ Pollack, *The Persian Puzzle: The Conflict Between Iran and America*, pp. 391-395.

³⁹ The People's Mujahedeen, also known as the Mujahedeen-e-Khalq, is the military wing of the National Council of Resistance of Iran, which is based in Paris. The council said it is dedicated to a democratic, secular government in Iran. It was founded in Iran in the 1960s and helped followers of Ayatollah Ruhollah Khomeini overthrow U.S.-backed Shah Mohammed Reza Pahlavi in 1979. But the Mujahedeen-e-Khalq fell out with Khomeini, and thousands of its followers were killed, imprisoned or forced into exile. It launched a campaign of assassinations and bombings against Iran's government as a result. The PMOI has long tried to shed its terrorist tag, despite a series of bloody anti-Western attacks in the 1970s — and nearly 30 years of violent struggle against Iran's Islamic establishment. “E.U. takes Iranian group off terror blacklist,” *USA Today*, January 26, 2009 <http://www.usatoday.com/news/world/2009-01-26-eu-terror-iran_N.htm> (January 26 2009)

⁴⁰ Jafarzadeh, *The Iran Threat: President Ahmadinejad and the Coming Nuclear Crisis*, p. 236.

⁴¹ “E.U. takes Iranian group off terror blacklist,” *USA Today*, January 26 2009 <http://www.usatoday.com/news/world/2009-01-26-eu-terror-iran_N.htm> (January 26, 2009).

⁴² Pollack, *The Persian Puzzle: The Conflict Between Iran and America*, pp. 386-389.

The U.S. approach toward Iran could be more comprehensively multilateral. However, a more robust diplomatic arm would be needed to bring the EU, Russia, and China to subvert their economic interests in favor of strategic goals of non-proliferation and reduction of international terrorism. This would be the most important and most tenuous facet of such a policy toward Iran. In order to gain such support, the U.S. may need to employ tactics such as championing Russia's entrance into the World Trade Organization and releasing the pressure on China to freely float its undervalued currency. Garnering EU, Russian, and Chinese support would provide a united international front that Iran would not ignore. Iran has already provided ample reason for the EU to support comprehensive unilateral sanctions if Iran did not negotiate in good faith. A more indirect way to encourage Iranian dialogue would be to pressure uranium-producing nations, to not sell their uranium products, specifically yellow cake, to Iran.⁴³ A true carrot and stick approach may work. The weakness of a multilateral diplomatic and economic engagement approach is that it is slow and requires a commitment that few U.S. and foreign state administrations have been able to maintain. The U.S. did have a similar and highly successful containment policy toward the Soviet Union that was supported by many nations. It was ultimately successful without the use of direct military force to change the regime. However, it was a bipolar world then. Perhaps Libya's decision in 2003 to denounce and dismantle its nuclear weapons program in cooperation with the IAEA, and its improving relations with the U.S. provides a more fitting example of diplomatic hope for a nuclear issue settlement with Iran.

The Obama administration has plans to promote dialogue with Iran. Not until the summer of 2008 (near the end of his second term as president), did the Bush Administration attempt any dialogue with Iran. That July, President Bush sent a top U.S. Diplomat to meet with Iran's chief nuclear negotiator at the Iran nuclear program talks held in Geneva, Switzerland. It turned out to be a superficial attempt at dialogue, with the U.S. position firmly entrenched. Not surprisingly, no progress resulted from the meeting. There can be little hope for positive reconciliation when the U.S. tells another sovereign state, essentially, "You can talk to us once you fix your behavior."⁴⁴ Modern history shows no example of peaceful settlement without dialogue.

Complicating, or potentially aiding matters, is the Iranian presidential election in June 2009. As the Iranian presidential election nears, President Ahmadinejad is becoming increasingly unpopular. One of the sources of

⁴³ Robin Pagnamenta, Michael Evans and Tony Halpin, "Iran in Scramble for Fresh Uranium Supplies," *London Times*, January 24, 2009

<<http://ebird.osd.mil/ebfiles/e20090124652012.html>> (January 26, 2009).

⁴⁴ *The National Security Strategy of the United States of America*.

his unpopularity is his stance on nuclear proliferation at the expense of economic development. His populist economic promises that highlighted his campaign and presidency have not come to fruition - not even during the hydrocarbon boom. The economy will only get worse now that oil prices have collapsed. Iranian economists have been blasting the president and his policies. In a recent letter, 60 academics charged his administration with “excessive idealism, haste in action... and tension-creating interaction with the outside world.” The letter also stated that Iran has underperformed in growth, lost competitiveness with its neighbors, and failed to adequately confront high unemployment.⁴⁵ Unemployment and inflation are currently calculated at over 25 percent. A significant portion of Ahmadinejad’s support-base has been the poorer families who are now being hit the hardest by inflation.⁴⁶ In addition to growing economic hardships, the crackdown on individual freedoms that had begun to emerge during President Mohammad Khatami’s administration in the late 1990s and early 2000s has also adversely affected his popularity.⁴⁷ It has become apparent that his anti-corruption, transparency, and “economic justice” campaign agenda was empty, populist rhetoric.

U.S. Policy Going Forward

The general position of the U.S. toward Iran going forward should be one of pragmatism and realism. Military action should only remain as a distant threat. The U.S. must remember that “regime change” rhetoric and saber rattling only serve the hardliners within the Iranian government, allowing them to distract the Iranian people from the many domestic problems that are destabilizing Iran and any reform movement that may exist. Currently, the sanctions are affecting the Iranian economy. The indirect affect has been more effective than the sanctions themselves, as it is currently unpopular to invest in Iran.⁴⁸ If the U.S. tightens unilateral sanctions, in light of the global recession, the government will point at the U.S. as a scapegoat. The U.S. may then lose its greatest ally in Iran, the young and more moderate leaning Iranian populace, who are very dissatisfied with the current government, much

⁴⁵ “The Party’s over,” *The Economist*, November 20, 2008

<http://www.economist.com/world/mideast-africa/displaystory.cfm?story_id=12650281>
(December 1, 2008).

⁴⁶ “Iran Country Risk Assessment,” Jane’s Sentinel, Jane’s Sentinel Country Risk Assessment (2008)

<http://sentinel.janes.subscribe/sentinel/country_report_doc.jsp?prod_Name=GULFS>
(November 20, 2008).

⁴⁷ *Ibid.*

⁴⁸ *Ibid.*, p. 22.

more so than Western governments.⁴⁹ History demonstrates that long-term sanctions drive a population toward its government and against the sanctioning country (or countries). This has already taken place with the more traditional leaning segments of the population. The best way to lose the young and moderate Iranian population, other than military intervention, is to tighten unilateral sanctions. With well over half of the population born after the Shah was overthrown, the loss of support of this segment of the population would be disastrous to U.S. negotiation leverage.⁵⁰ As Simon Cox stated, “commercial sanctions are the antibiotics of world statecraft, over-prescribed by lazy doctors.”⁵¹

Regardless, if Ahmadinejad is reelected the U.S. must be prepared for other nations to experience sanctions fatigue - particularly the major trading nations not closely tied to U.S. foreign policy such as those within the EU. Historically, Russia and China have not treated Iran firmly anyway. China and Russia have already blocked western moves in toughening sanctions.⁵² Because sanctions are most effective when they are multilateral - and short, the U.S. must be prepared to reduce sanctions along with the rest of the world. To not do so hurts the American and Iranian businesses and consumers, as well as Iranian attitudes toward the United States.

Moreover, in spite of signing Resolution 1737, China is increasingly energy dependent and sees Iran as a great source of energy supply. Therefore, China will not sanction Iran long-term. To emphasize this point, China recently endorsed a US\$16 billion contract between the China National Offshore Oil Company (CNNOC) and the National Iranian Gas Company to work on the Pars Field in Iran.⁵³ Although this agreement did not break any sanctions, it is easy to see that China is more concerned about its own economic well-being than sanctioning Iran for possible nuclear weapons development. *Jane's Sentinel* assesses that “Beijing is likely to continue this twin track approach, balancing economic and political benefits.”⁵⁴ They also assess that, “Russia is not likely to stop exporting nuclear and military technology to Iran, since it views Iran as a lucrative business partner able to pay for the products.”⁵⁵ As the other countries remove sanctions, it will give the U.S. government some diplomatic cover to lift sanctions. Furthermore, trade

⁴⁹ O'Sullivan, *Shrewd Sanctions: Statecraft and State Sponsors of Terrorism*, pp. 27-28.

⁵⁰ “Iran,” *CIA World Factbook* <<https://www.cia.gov/library/publications/the-world-factbook/geos/ir.html#people>> (December 8, 2008).

⁵¹ Jake Colvin and Simon Cox, “Are Economic Sanctions Good Foreign Policy?” Council of Foreign Relations-Online Debate, 2007 <http://www.cfr.org/publication/13853/are_economic_sanctions_good_foreign_policy.html> (December 3, 2008).

⁵² “The Party's Over”.

⁵³ “Iran Country Risk Assessment,” p. 45.

⁵⁴ *Ibid.*

⁵⁵ *Ibid.*, p. 48.

links with Iran will likely weaken the hold that the mullahs and extremists have on the Iranian people.⁵⁶ A more open Iran weakens the autocratic regime. Given economic freedom, the Iranian people will generally gravitate more towards the West against the theocracy.

Conclusion

Kenneth Pollack⁵⁷ refers to two clocks in Iran. The first is the clock counting down to when Iran will develop nuclear weapons and the second is the clock counting down to when the regime changes for a more democratic, reformist, and reconcilable government. It is likely that the first clock is much closer to winding down than the second clock. Therefore, Iran will not substantively negotiate with the international community (UN) until it becomes very apparent that it will no longer benefit from its current policy track. Short of a significant threat of military intervention, or comprehensive multilateral sanctioning of Iran, substantive negotiations are unlikely to happen. Both of these extreme options would have negative, irreversible, consequential outcomes and lack international will, unless of course Iran commits some egregious act.

Nonetheless, the way ahead has to be international dialogue with Iran. Dialogue will likely be a slow process bearing little fruit along the way, while Iran continues to develop nuclear weapons capabilities. This is a necessary risk to bear in an effort to achieve a mutually acceptable agreement between Iran and the international community. In the end, Iran's demographics are not on the Iranian hard-liners' side. The population that was of age during the Shah will become more and more a minority, and Iran will likely begin to moderate. Primary dialogue objectives should include: (1) Iran does not maintain a nuclear weapon production capability; (2) Iran abandons support for terrorist groups, particularly those operating in Gaza, Lebanon, and Iraq; (3) Any attack that is traced back to Iranian support will result in the international community holding Iran directly responsible; (4) Iran does not hinder the peace process with Israel and the occupied territories. Longer-term objectives should include: (5) Iran eliminates human rights abuses of its people; (6) Iran allows free elections at all levels without interference - such as disqualifying candidates for ideological reasons - and promotes democratic institutions; (7) Iran ends its opposition to peace with Israel and within Iraq and Afghanistan.

In spite of experience in U.S./Iran relations and in the spirit of promoting meaningful dialogue, the U.S. can greatly hasten this process by providing security guarantees and easing sanctions, with the goal of

⁵⁶ Roger Howard, "Time to Lift Iran's Sanctions," *Foreign Policy in Focus*, January 4, 2007 <<http://www.fpif.org/fpiftxt/3867>> (December 2, 2008).

⁵⁷ Pollack, *The Persian Puzzle: The Conflict Between Iran and America*, p. 388.

removing them and restoring normal relations. The international dialogue effort should further emphasize that nuclear weapons are expensive and difficult to maintain, are not a prudent allocation of economic resources, can cause a nation to be less secure, and would likely lead to a nuclear arms race with Israel, Saudi Arabia or other gulf states that may fear Iranian power. Finally, it must be emphasized that Iran's economic problems would greatly dissipate if the government were to give up its nuclear ambitions. Cooperative incentives provided to Iran should include petroleum infrastructure, equipment/extraction technology, foreign economic aid, and acceptance into international organizations that promote trade and development.

Although Iran may want to have nuclear weapons as a strategic threat and a means to promote freedom of action to conduct terrorist operations, Iran is likely to be too rational an international actor to do such a thing. In the meantime, nations such as the U.S., Saudi Arabia, and Israel must be prepared to deal with a nuclear capable Iran.

Identity and Mobilization in Transnational Societies: A Case Study of Uyghur Diasporic Nationalism

Tian Guang and Mahesh Ranjan Debata*

ABSTRACT

This paper discusses the identity, nationalism and transnational mobilization of Uyghur diaspora communities. The authors first introduce a theoretical framework of transnationalism and diaspora, and then discuss the history of Uyghur migration to different parts of the world in general and to the United States of America in particular. This is followed by an analysis of Uyghur settlement patterns and then of the forms of identity that have been mobilized to produce a nationalism movement. This paper suggests that a cultural rather than straightforward political approach is the most practicable current strategy for the attainment of immediate nationalist goals.

Keywords • Cultural Rights • Mobilization • Nationalism • Transnationalism • Uyghur Diaspora

Introduction

The community building efforts of Uyghur migrants who came to the U.S. through various means, along with the identity, nationalism, and

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¹ Robert G. Tian, "Cultural Rights and Uyghur Nationalism Movement", *High Plains Applied Anthropologist* 24, 2 (Fall 2004), pp. 144-157; Robert G. Tian & Mahesh R. Debata, "Cultural Right Approach vs. Nationalism Mobilization: An Applied Anthropological Case Study of Uyghur Diaspora Community", *Practicing Anthropology* 33, 2 (Spring 2011),

transnational mobilization of Uyghur diaspora communities, have been widely studied by scholars.¹ In this paper, based on previous study and fieldwork, we further analyze and discuss the possible solutions to the problems faced by the Uyghur nationalism movement. We will first introduce a theoretical framework of transnationalism and diaspora from anthropological perspective, then we will discuss the historical process of Uyghur migration to different parts of the world in general and to the U.S. in particular, next we will analyze the settlement patterns and the forms of identity that have been mobilized to produce a nationalism movement by the Uyghur diaspora communities. Finally, we will argue that for the benefits of Uyghur diaspora communities a cultural rather than a straightforward political approach is more practicable current strategy for the attainment of immediate nationalist goals.

Anthropologists have noted that immigrants, who live across borders, maintain close ties with their homeland even though their countries of origin and settlement are geographically distant from each other. Forging links at a variety of levels, such as familial, social, organizational, economic, religious and political, immigrants strive to sustain a high level of involvement in both their home and host societies. This relatively new way of life is termed “transnational”, which emerged due to spectacular changes in the global economy, especially the extensive penetration of capital into the Third World countries. In this process, the transnational life of contemporary migrants across the world calls into question the bounded conceptualizations of race, class, ethnicity, and nation and nationalism which pervade both social science and popular thinking.²

The early usage of the terms “immigrants” is not known. The meaning of “immigrants”, which has undergone changes from time to time, is conceptualized as (1) dispersion from one place to another, and (2) permanent settlement in host country by adopting its dialects, culture and life styles. The immigrants have developed different and multiple networks with the countries of their origin and the host countries as well. They have experienced a different life that goes beyond the boundaries of

pp. 7-11; Yitzhak Shichor, “Virtual Transnationalism: Uyghur Communities in Europe and the Quest for Eastern Turkestan Independence”, in Jorgen S. Neilson and Stefano Allievi (eds.) *Muslim Networks and Transnational Communities in and across Europe* (Leiden: Brill, 2003), pp. 281-311.

² M. Kerney, “The Local and the Global: The Anthropology of Globalization and Transnationalism,” *Annual Review Anthropology* 24 (1995), p. 558; Nina Glick Schiller, *Towards a Transnational Perspective on Migration: Race, Class, Ethnicity, and Nationalism Reconsidered* (Baltimore: Johns Hopkins University Press, 1998), p. xiv.

one nation-state and assimilates both the host and mother culture into one single place for interaction and social intercourse.³

Scholars have begun to discuss the construction of transnational identity of immigrants, exploring transformations of class practices and racial categories, as well the restructuring of people's lives in the deployment of cultural capital. They examine the relationship between transnational populations and nation states, as well as the challenges posed to nationalism by the existence of these transnational populations. The new type of migrants is referred to as "transmigrants" and the process in which they are involved is called "transnationalism". The factors behind this sudden transformation are globalization, deterritorialization, intensification of international migration flows, development of communication technology and the internationalization of the nation states.⁴

Transnationalism has wider connotation today within interdisciplinary studies, such as anthropology, sociology, geography and international migration. It is a process by which immigrants forge and sustain multi-standard social relations that link together their societies of origin and settlement. Through constant mobility of people, labor, money and resources, immigrants now actively construct a "transnational social field" that extends beyond the single location. A distinct kind of social field emerges in which immigrants maintain familial, socio-economic, political and cultural ties.⁵

The terms 'transnational communities' and 'diasporas' are now increasingly being used interchangeably. While transnational communities refer to the migrant communities in which ethnic diasporas living abroad in the host countries maintain economic, political, social and emotional ties with their motherland and with other diasporic communities of the same origin, diaspora communities now serve as

³ Stephen Castles and Paul Spoonley, "Migration and Citizenship", 1997 <<http://www.unesco.org/most/aotearoa.htm>> (April 11 2009); Jason Bradley Defay, "The Sociology of International Migration", 2005 <<http://defay.org/jason/academic/IM.pdf>> (December 5 2009); Alejandro Portes, "Transnational Communities: Their Emergence and Significance in the Contemporary World System", Keynote address delivered at the 19th Annual Conference on *Political Economy of the World System: Latin America in the World Economy* (University of Miami, April 21 1995).

⁴ Arjun Appadurai, "Disjuncture and Difference in the Global Cultural Economy", *Public Culture* 2, 2 (1990), pp. 1-24; Thomas Faist, "Transnationalism in International Migration: Implication for the Study of Citizenship and Culture", *COMCAD Working Papers*, 16 (2007), pp. 4-19; Nina G. Schiller, *Towards a Transnational Perspective on Migration: Race, Class, Ethnicity, and Nationalism Reconsidered*, p. xiv.

⁵ Lind Basch, Nina G. Schiller and C. S. Blanc, *Nations Unbound: Transnational Projects, Postcolonial Predicaments and Deterritorialized Nations-States* (Langhorne, PA: Gordon and Breach Science Publishes, 1994), p. 4.

“exemplary communities of the transnational moment.”⁶ Once used as a term saturated with the meanings of exile, loss, dislocation, powerlessness and plain pain, the term “Diaspora” has become a useful, even desirable way to describe a wide range of dispersions.⁷

The word “Diaspora” is derived from two Greek words, “*dia*” which means “through” and “*speiro*” means ‘scatter.’ Steven Vertovec analysed three meanings of diaspora: The first and most common connotation of diaspora is by its social form, with an emphasis on a group’s intra-relationships despite dispersal, whether for voluntary reasons or by forced migration. These social relationships are cemented by ties to history and geography, and play out in political orientations and economic strategies. The second meaning rests in the conception of a diasporic consciousness, a particular kind of awareness said to be generated among contemporary transnational communities. The diasporic consciousness is aware of its multi-locality, constituted by negative experiences of discrimination and exclusion, and positive experiences through identification with one’s heritage. The third understanding of diaspora is through its mode of cultural production, aligned with scholarship in hybridity and new ethnicities.⁸

One western scholar, William Safran addresses transnational issues through his discussion on complex and flexible positions of ethnic diasporas between host countries and their homelands. He lists six basic characteristics of diasporas:

1. Dispersal from an original centre to at least two peripheral places;
2. Maintenance of a memory, vision, or myth about their original homeland;
3. Belief that they cannot be fully accepted by their host country; Longing to return to the ancestral home when the time is right;
4. Commitment to the maintenance and/or restoration of the homeland;
5. Development/construction of a consciousness and solidarity as a group defined largely around the continued relationship with the homeland.⁹

The term Diaspora which has expanded considerably in recent years from its original use in the Jewish Diaspora to describe all kinds of trade,

⁶ Khachig Tölölyan, “The Nation State and Others: In Lieu of a Preface,” *Diaspora* 1, 1 (1991), pp. 3-7.

⁷ Khachig Tölölyan, “Rethinking Diaspora(s): Stateless Power in the Transnational Moment,” *Diaspora* 5, 1 (1996), p. 9.

⁸ Steven Vertovec, “Three Meanings of ‘Diaspora,’ Exemplified Among South Asian Religions,” *Diaspora* 6, 3 (1997), pp. 277-290.

⁹ For details see, William Safran, “Diasporas in Modern Societies: Myths of Homeland and Return,” *Diaspora* 1, 1 (Spring 1991), pp. 83-84.

migrant/workers, cultural and ethnic diasporas, received comprehensive and theoretical treatment at the hands of Robin Cohen.¹⁰ The common features of diaspora, according to Cohen, are:

1. Dispersal from an original homeland, often traumatically, to two or more foreign regions;
2. Alternatively or additionally, the expansion from a homeland in search of work, in pursuit of trade or to further colonial ambitions;
3. A collective memory and myth about the homeland, including its location, history, suffering and achievements;
4. An idealization of the real or imagined ancestral home and a collective commitment to its maintenance, restoration, safety and prosperity, even to its creation;
5. The frequent development of a return movement to the homeland that gains collective approbation even if many in the group are satisfied with only a vicarious relationship or intermittent visits to the homeland;
6. A strong ethnic group consciousness sustained over a long time and based on a sense of distinctiveness, a common history, the transmission of a common cultural and religious heritage and the belief in a common fate;
7. A troubled relationship with host societies, suggesting a lack of acceptance or the possibility that another calamity might befall the group;
8. A sense of empathy and co-responsibility with co-ethnic members in other countries of settlement even where home has become more vestigial; and
9. The possibility of a distinctive creative, enriching life in host countries with a tolerance for pluralism.

Cohen categorizes diasporas using a five-fold classification with specific examples: victim diasporas (Jews, Armenians, slave diasporas), labor diasporas (Indian indentured labour, Italians, Filipinos), imperial/colonial diasporas (ancient Greeks, British, Portuguese), trade diasporas (Lebanese, Chinese) and cultural diasporas (Caribbean).¹¹ On the line of this classification, the Uyghur diaspora seeking to establish their own republic, can be categorized under cultural diaspora, despite being dubbed as separatists by the Chinese authorities.

In recent years, large-scale international migration has given rise to interdisciplinary discussion on the production and maintenance of culture beyond the limits of locally defined boundaries. Concepts like

¹⁰ Robin Cohen, *Global Diaspora: An Introduction* (London: UCL Press, 1999), p. xi.

¹¹ *Ibid.*

“inter-ethnic relations”, “border culture” and especially “diaspora” have acquired considerable significance in the analysis of the emerging processes in societies where immigrants are allowed to settle. Transnational relations have important implications for both the sending and receiving society. According to Stanley J. Tambiah, there are two types of transnational relations, i.e., vertical and lateral. Vertical transnational relations refer to the participation of immigrants in the host country to improve and impact the host nation. In this form of transnational relations, the diaspora actively participates in the social, economic and political domains of the country, thus becoming an important social and economic force in the host country. On the other hand, lateral transnational relations are manifested in the form of maintaining, reinforcing and extending the relation between the emigrant communities and their places of origin.¹² Under this type of transnational relations, immigrants send remittances to their families back home, arrange and participate in marriage and other ceremonies and rituals, sponsor home festivals and other cultural events. The exponents of such a transnational approach call this “Transnational Global Networks”, which simply refers to the relationship between the diaspora and home state, as well as between members of the other diasporic community in other countries.¹³

When the issue of transnationalism or transnational social network arises, it generally refers to the sustained ties of persons, networks and organizations across the borders of the multiple nation-states, ranging from weak to strong institutionalized forms. The most significant relation here is not with the country of settlement, but rather, the deteriorating social relation with the country of origin, which has been maintained through transnational contacts.¹⁴ The Uyghurs are not only successful in maintaining close contacts with the families and relatives back home, but are also very much successful in maintaining the transnational networks with their kith and kin in different parts of the globe, particularly in the Central Asian region and Turkey.

One of the factors leading to the emergence of this transnational network is the ease and speed of communication network and travel. As compared to earlier dispersions, where immigration often led to isolation from homeland and kin, the contemporary immigrants can easily sustain their kinship network globally. The emergence of transnational networks

¹² For details, see Stanley J. Tambiah, “Transnational Movements, Diaspora, and Multiple Modernities, *Daedalus* 129, 1 (2000), pp. 163-194.

¹³ For a detailed analysis, see Anna Amelina, “A Civilizational Perspective on the Research of Transnational Formations: A Methodological Proposal”, *COMCAD Working Papers*, 18 (2007), pp. 3-16; Thomas Faist, “Transnationalism in International Migration: Implication for the Study of Citizenship and Culture”, pp. 4-19.

¹⁴ Mike Featherstone, *Global Culture: Nationalism, Globalization and Modernity* (New Delhi: Sage Publication, 1997), pp. 1, 14.

is also the result of the rise in the activities of a number of International Non-Governmental Organizations (INGOs). Accordingly, the dispersed migrants across the globe can easily interact with their families as well as promote social, religious, economic and political activities on a transnational space. They also maintain their cultural identity and linkages with the places and countries of their origin.¹⁵

Development in the field of transportation and communication technology, which has brought about spectacular changes in transnational linkages, has enabled immigrants to network with each other while simultaneously staying at different places or any part of the world. Along with the modern means of transportation and communication, the processes of globalization, deterritorialization and the flow of capital have accelerated transnational social formation.¹⁶ Further, the continuous circulation of people, money, goods and information between various settlements of immigrant population has given rise to the formation of a “single community”, such as an “imagined community”¹⁷ or a “virtual community”.¹⁸ A person can now feel nostalgic to talk in his/her mother tongue wherever and whenever he/she meets people from his/her community, and in the process the whole community becomes a global village.¹⁹ The Uyghurs continue to keep in touch with their relatives and old friends in Xinjiang and in other countries through the telephone, letters, newsletters, Internet, email, satellite television, fax machine, etc. in addition to personal home visits. The socio-economic linkages are manifested in the form of matrimonial relations, kinship networks, remittances and religious ceremonies. Digital and online banking systems have given impetus to socio-economic linkages. They have also succeeded in reviving some of the traditional ideas and values. Furthermore, due to the development of Internet, it has now become possible to create a Uyghur “virtual community” or “cyber community”, where the people of Uyghur community all over the world can participate.²⁰

¹⁵ P. F. Kelly, “Canadian-Asian Transnationalism”, *Canadian Geographer* 47, 3 (2003), pp.1-5; Thomas Richard Davies, “The Rise and Fall of Transnational Civil Society: The Evolution of International Non-Governmental Organizations since 1839”, *Working Paper CUTP* 3 (April 2008), p. 3.

¹⁶ Michael P. Hanagan, “An Agenda for Transnational Labor History”, *International Review of Social History* 49, 3 (December 2004), pp. 455-474.

¹⁷ Benedict R. Anderson, *Imagined Communities: Reflections on the Origin and Spread of Nationalism* (London and New York: Verso, 1991), p. 6.

¹⁸ Robert G. Tian and Y. Wu, “Crafting Self Identity in a Virtual Community: A Case Study of Chinese Internet Users and their Political Sense Formation”, *Multicultural Education and Technology Journal* 1, 4 (2007), pp. 238-258.

¹⁹ Kelly, “Canadian-Asian Transnationalism”, pp. 1-5.

²⁰ Dru C. Gladney, “China’s Minorities: The Case of Xinjiang and the Uyghur People”, May 3, 2005 <[http://www.unhchr.ch/Huridocda/Huridoca.nsf/o/aoda2b54fc3b22e7c1256d25004c086d/\\$FILE/Go314169.pdf](http://www.unhchr.ch/Huridocda/Huridoca.nsf/o/aoda2b54fc3b22e7c1256d25004c086d/$FILE/Go314169.pdf)> (November 19 2008); Yitzhak Shichor, “Virtual Transnationalism: Uyghur Communities in Europe and the Quest for Eastern Turkestan

Uyghur Diaspora and their Transnational Networks

The Uyghur diaspora constitutes a sizeable population in several countries around the world. They are significant in size in countries such as the newly independent Central Asian republics, Turkey, United States, Canada, Australia, and European countries like Germany and England. They maintain close contact among themselves, with the kith and kin around the world including relatives back home in the Xinjiang Uyghur Autonomous Region. It is believed that approximately 500,000 live abroad, amounting to about 5-6 percent of the total world Uyghur population of 15 million. Most Uyghurs outside China settled in Central Asia, the majority in Kazakhstan (some 370,000), but also in Kyrgyzstan and Uzbekistan (around 50,000 each). The language spoken by Uyghurs is called “Uyghur”, which is one of the official languages of Xinjiang and the major language of the Uyghur community.

Table 1. Uyghur Population Worldwide.

COUNTRY	UYGHUR POPULATION
China	10,833,000
Kazakhstan	372,000
Kyrgyzstan	53,000
Uzbekistan	50,000
Saudi Arabia	7,000
Iran	5,600
Afghanistan	3,700
Russia	2,900
Turkmenistan	2,100
United States	1,000
Turkey	800
Tajikistan	800
Mongolia	300
Taiwan	200
Ukraine	200

Source: Joshua Project <<http://www.joshuaproject.net>> (July 13, 2010).

The Uyghurs who have settled abroad, migrated from the northwest region of Xinjiang in the People’s Republic of China. The Uyghurs’ migration from Xinjiang has a long history. Uyghurs have migrated from China in waves, usually following deteriorating conditions or, conversely, when the doors were opened. Some left by the mid-1930s after the first - and short-lived - Eastern Turkestan Republic collapsed, mostly to Turkey and to Saudi Arabia. Several hundred Uyghurs, who left

Independence”, in Jorgen S. Neilson and Stefano Allievi (eds.) *Muslim Networks and Transnational Communities in and across Europe* (Leiden: Brill, 2003), pp. 281-311.

Xinjiang in late 1949 after the communists took over China first settled in the Indian State of Jammu and Kashmir and then moved to Turkey where they established Uyghur Diaspora organizations with Ankara's support. The prominent Uyghurs who came to India were Isa Yusuf Alptekin²¹ and Mohammad Amin Bughra.²² Both Alptekin and Bughra later went to Turkey, where they spearheaded the Uyghur movement for a separate homeland. In 1962, driven by the hardships related to the Great Leap Forward, over 60,000 residents in the Ili region of Xinjiang - many of them Uyghurs - fled China to the Soviet Union (Kazakhstan).²³ After Deng Xiaoping launched reforms and the Open Door Policy in the late 1970s, more Uyghurs were able to leave Xinjiang and, since the 1980s, a few thousands of them settled in different parts of the world, some with the help of the United Nations High Commissioner for Refugees (UNHCR). Uyghurs started migrating to developed countries in Europe and America in the early 1990s. Due to the restrictions imposed by the Chinese authorities, the Uyghurs now first go to the Central Asian countries, Turkey, Germany and from there, they move to United States of America. Uyghurs living abroad are now proud of their social, cultural and historical heritage. They are not only pursuing business activities, but also are highly educated, having gained professional qualifications in fields such as science, technology, medicine, economics, law, business management etc.²⁴

Uyghur Diaspora in the United States

The activities of Uyghur diaspora organizations overseas in the last decade,²⁵ and the Chinese government's accusations of some Uyghur

²¹ Isa Yusuf Alptekin (1901-1995) was a principal political figure of pre-1949 Xinjiang, who fled to Turkey in 1949 just after the independence of China and took political asylum there. He and his son Erkin Alptekin took the anti-Chinese Uyghur movement forward from Turkey. His son founded the Eastern Turkistan Cultural and Social Association in 1991. Isa died in 1995 after a prolonged illness.

²² Muhammad Amin Bughra (1901-1965) was the most influential of the Turkish Islamic Republic of Eastern Turkestan (TIRET) leadership (in 1933 in Kashgar). After the collapse of the TIRET, he fled to Afghanistan and then to India where he published his book *A History of East Turkistan*. He went back to Xinjiang in the 1940s as a senior KMT officer and became part of the coalition government in 1946. He was also a close colleague of Isa Yusuf Alptekin. Finally he fled to Turkey in 1949, where he fought for the cause of East Turkistan until his death.

²³ Michael Dillon, *Xinjiang - China's Muslim Far Northwest* (London & New York: Routledge Curzon, 2004), p. 57.

²⁴ Jay Dautcher, "Public Health and Social Pathologies in Xinjiang" in S. Frederick Starr (ed.), *Xinjiang: China's Muslim Borderland* (London and New York: M. E. Sharpe, 2003), pp. 276-295; Shichor, "Virtual Transnationalism: Uyghur Communities in Europe and the Quest for Eastern Turkestan Independence", pp. 294-295.

²⁵ Shichor, "Virtual Transnationalism: Uyghur Communities in Europe and the Quest for Eastern Turkestan Independence", p. 294; Yitzhak Shichor, "Lost Nation: Stories from the

overseas organizations being terrorist organizations²⁶ triggered the interests of both authors to study the Uyghur diaspora community in the United States. The authors had been involved with this particular group between 2004 and 2008 as applied anthropologists. The data collected for this study include participant observations, personal interviews, newspapers and online discussions. Due to the sensitivity of the study, the Uyghur names of those interviewed and cited in this paper are pseudonyms.

During the 1990s, a number of Uyghurs migrated to the United States, mostly as political refugees,²⁷ fearing prolonged and ruthless Chinese suppression. The Uyghurs from Central Asian region also fled to safer countries like the United States for asylum. Though they are regarded as a small diasporic group, the ethnic consciousness of being a Uyghur has made them one of the successful diasporic communities in the United States. Uyghurs in America have particularly distinguished themselves in a wide range of industries and services such as journalism, law, electronics, telecommunication, and computers, power production and banking. Currently, their number is approximately one thousand and the population is expected to grow. They are concentrated mostly in such places such as Washington D.C., Virginia, Maryland and Los Angeles city of California State.

The Uyghur immigrants in the United States have remained attached to their invaluable culture, which finds expression in the traditional festivals and ceremonies and other socio-cultural activities. They celebrate the Uyghur foundation day and the New Year's Day of their calendar in addition to Muslim festivals like Ramadan and Eid in which large number of Uyghurs also participate in. They engage in traditional Uyghur dance theatre, drama, stage shows, etc. Professional dance troupes have been invited from Xinjiang to perform on several special occasions. While watching these performances, the Uyghurs feel a sense of nostalgia on being a member of a great civilization. It is those Uyghurs outside China who have played an important role by raising the voice for independent nationhood. Besides Uyghur magazines, newspapers and literatures, there are certain Internet web sites exclusively made for Uyghurs, which have also contributed to their cause - an independent homeland separate from China.

The strength and presence of Uyghurs in the host society is also discernible through the ethnic associations they have formed in the

Uyghur Diaspora", 2007 <<http://www.forcedmigration.org/video/uyghur/>> (May 1, 2009).

²⁶ Colin Mackerras, "Pivot Of Asia' Sees China-Pakistan Maneuvers", *Asia Times Online*, August 13, 2004 <<http://www.atimes.com/atimes/China/FH13A001.html>> (July 9, 2010)

²⁷ Robert G. Tian, "Cultural Rights and Uyghur Nationalism Movement", *High Plains Applied Anthropologist* 24, 2 (Fall 2004), pp. 144-157.

countries of their residence now. Through associations, they retain their familial and socio-economic networks with the homeland and other Uyghurs around the world.

*The Uyghur American Association (UAA)*²⁸

As a prominent cultural association of Uyghurs in the United States, this Washington-based association works as an umbrella organization for the Uyghurs, who reside in different parts of the United States and Canada. It arranges religious festivals, social get togethers, cultural events and participates in the cultural life of the local community as representative of the Uyghur culture. The main aims of the UAA include the following:

- Promoting activities for a better understanding of Uyghur culture and exchange of information between Uyghurs of America and Uyghurs in other parts of the world;
- Bringing all Uyghurs from around the world together under one roof to fight for their cause - an independent East Turkistan Republic.

The UAA works to promote the preservation of a rich, humanistic and diverse Uyghur culture, and to support the rights of the Uyghur people living in different parts of the world including China's northwest region of Xinjiang to determine their own political future through peaceful and democratic means. The UAA has undertaken the Uyghur Human Rights Project²⁹ since 2004 to discuss the human rights of Uyghurs in Xinjiang and to explore measures towards improving their human rights. The main agendas of the Project include:

- Putting pressure on China to stop the prosecution of Uyghurs and political prisoners;
- Monitoring and exposing harmful development projects in Uyghur-dominated regions in Xinjiang;
- Collecting information about Uyghurs who were killed, jailed and prosecuted in China for political and religious beliefs;
- Working with the U.S. and other world powers such as Germany and England and sharing critical information about Uyghurs.

UAA continues to strive to be a focal point for all Uyghurs in nurturing and promoting the Uyghur cause, their heritage and culture through conferences and Congresses. UAA was very much instrumental

²⁸ See Uyghur American Association's home page for more detailed information <<http://www.uyghuramerican.org/>> (August 15, 2009).

²⁹ See Uyghur Human Rights Project homepage for more detailed information <<http://www.uhrp.org/>> (August 15, 2009).

in internationalizing the Rebiya Kadeer³⁰ issue. Under the intense lobbying of the UAA, the appeal of Uyghur diasporic organizations and human rights groups like Amnesty International and Human Rights Watch, and pressure from the U.S. government, the Chinese authorities released Kadeer in April 2005 on the eve of U.S. Secretary of State Condoleezza Rice's visit to China.

The Rebiya Kadeer issue brought together all the Uyghurs across the world. Kadeer, a successful Uyghur businesswoman, was incarcerated by the Chinese authorities in 1997 for alleged anti-state activities. The Uyghurs consider Rebiya, who is currently President of both the UAA and the World Uyghur Congress³¹, as a living example of Uyghur nationalism who vowed to fight against the Chinese authorities' perceived discrimination against the Uyghur community in China. In 2009, a small group of young Uyghur professionals organized a business symposium in the U.S. where they put forth their grievances before American Congressmen, as well as human rights activists from Amnesty International and Human Rights Watch.

UAA supports Uyghur cultural artistes to visit and perform in the U.S. and helps in organizing workshops and events in association with other sponsoring organizations. Through festivals, UAA participates in ethnic celebrations in various communities in the United States. The UAA, through its newsletter and various educational programs, has been trying to improve communication and interaction between Uyghur folks in Xinjiang and America.

*The Government-in-Exile of East Turkistan Republic*³²

The Government-in-Exile of East Turkistan Republic is a Washington-based organization of the Uyghurs set up to educate the American public on the history, culture and current political situation of the Uyghur people in East Turkistan (Xinjiang). Anwar Yusuf Turani, who now

³⁰ Rebiya Kadeer is the current President of the Munich-based Uyghur organization World Uyghur Congress as well as the head of Uyghur American Association based on Washington DC. She founded the "Uyghur Human Rights and Democracy Foundation". She was also the winner of Rafto Prize and was nominated for Nobel Peace Prize for the years 2005-2006-2007-2008. She is known among Uyghurs as "The Leader and the Spiritual Mother of Uyghurs".

³¹ The World Uyghur Congress (WUC) is a Munich-based international organization that represents the collective interest of the Uyghur people both in East Turkestan (Xinjiang) and abroad. WUC was established in Munich (Germany) on April 16 2004 after the East Turkestan National Congress and the World Uyghur Youth Congress merged into one united organization. The main objective of WUC is to promote the rights of the Uyghur people to use peaceful, non-violent, and democratic means to determine the political future of East Turkestan. For details, see <<http://www.uyghurcongress.org/en/?cat=149>> (April 22, 2010).

³² Website of the Government-in-Exile of East Turkistan Republic: <<http://eastturkistangovernmentinexile.us/>> (March 1, 2010).

serves as Prime Minister of this organization, established it on September 14, 2004. It has a constitution composed of 14 parts and as many as 70 articles. Turani writes newsletters, press releases, and letters that generate news coverage and national and international publicity on the plight of the Uyghur people in East Turkistan. In addition, he briefs U.S. State Department officials, members of the Congress, national and international dignitaries, various organizations, media persons and human rights activists at regular intervals, providing them information on the “Chinese occupation” of his homeland, human rights violations and “Chinese repression” in East Turkistan. As a talented master musician and singer, he has been making relentless efforts to educate the American public about the culture of his nation by giving many musical performances in the United States.

The East Turkistan National Freedom Center (ETNFC)³³ was established in 1996 by the Government-in-Exile. The Center seeks to tell the world about East Turkistan and raise the cause of freedom and independence by: (1) providing information to U.S. government officials and policymakers; (2) developing contacts with the press to tell their story; (3) fostering alliance with like-minded groups and individuals, and (4) sharing their culture with all who may enjoy it. They believe that the U.S. will support the cause of millions of Uyghurs and put an end to what they consider as the untold misery of many innocent Uyghurs under the oppression of China.

Uyghur Diaspora Nationalism Movement and Cultural Right Approach

It is a common sense that the activities of the diaspora is associated with population movement, the expansion of world markets, advances in communications technology, and flow of capital and labor. Accordingly, the diasporic spread of people tends to migrate with the decline of their original or imagined nation-state as a dominant political system.³⁴ As such, any diaspora communities would try to keep their various political connections for their nationalism mobilization and movement. Uyghur diaspora communities are not exceptional. According to Yitzhak Shichor, Uyghur diaspora communities have formed their own associations, occasionally more than one, aimed at preserving Uyghur collective identity (i.e. culture and language), as well as sustaining and promoting

³³ East Turkistan National Freedom Center website: <http://www.etnfc.org/> (March 1, 2010).

³⁴ For details, see Ban Wang, “Reimagining Political Community: Diaspora, Nation-State, and the Struggle for Recognition”, *Modern Drama* 48, 2 (2005), pp. 249-271.

shared national aspirations and, in the end to re-establish the Eastern Turkestan Republic, their national state.³⁵

Although the ultimate objective is the same, there are some differences among various Uyghur diaspora communities. The most unsolvable conflicts or disagreements among different Uyghur diaspora groups are the strategies to be adopted in their mobilization and the nationalism movement overseas connected with their homeland.³⁶ In trying to overcome the fragmentation and disagreements that characterized these Uyghur diaspora organizations, attempts have been made to set up international Uyghur umbrella organizations, such as the Eastern Turkestan National Congress, which was established in Turkey in 1992, and the East Turkestan Government-in-Exile.³⁷ However, most of these attempts were in vain.

Apparently, the ultimate aim of Uyghurs is independence from China under the name of East Turkistan or Uyghurstan. Some Uyghurs perceive separation from China as the only way to do away with Chinese oppression and discrimination. Duorike, one of the Uyghur activists in Washington D.C., told the authors: “We have been long oppressed by the Han Chinese. It is the right time that we claim our own rights. To establish our own nation is the best way to get rid of Han oppression.”³⁸ Alimuzi, one of the key leadership persons of the Uyghur American Association, was quoted as saying:

“Our fundamental goal is to have our own nation-state, the Uyghur people have been suffering from the Chinese dictatorship for so many years. We realize that there is no hope for the Uyghur people if we do not fight for our own rights to be independent from China. We have the right to have our own nation-state. The Chinese are Chinese, and the Uyghurs are Uyghurs, they are two different two nations, why should they be bonded together? The Chinese authorities should realize that a friendly separate Uyghur nation-state will be beneficial to China in long run.”³⁹

³⁵ Shichor, “Lost Nation: Stories from the Uyghur Diaspora”.

³⁶ Dru C. Gladney, “Responses to Chinese Rule: Patterns of Cooperation and Opposition”, in Starr (ed.), *Xinjiang: China’s Muslim Borderland*, pp. 375-396; James A. Millward, “Violent Separatism in Xinjiang: A Critical Assessment”, *Policy Studies 6* (Washington DC: East-West Center, 2004), pp. 1-54; Justin Rudelson and William Jankowiak, “Acculturation and Resistance: Xinjiang Identities in Flux”, in Starr (ed.), *Xinjiang: China’s Muslim Borderland*, pp. 299-319.

³⁷ Shichor, “Lost Nation: Stories from the Uyghur Diaspora”.

³⁸ Interview of authors (April 27, 2005).

³⁹ Interview of authors (August 5, 2008).

The statements made by Duorike and Alimuza reflect the views of the hardliners of the Uyghur nationalist movement. Their underlining principle is national self-determination be it through peaceful or violent means. They believe that Xinjiang's rich natural resources, including the huge amount of oil and natural gas reserves and its tourism potential, could easily support and shape an independent Xinjiang's economy. So far, various factions of the movements are unanimous on the aim of independence from China. However they differ on their approaches to achieve this objective and their thinking on what the newly independent Uyghur state should be like.

At the same time, the Uyghur nationalist movement was dealt a fatal blow in recent years when the Chinese government publicly and severely suppressed the Uyghur national movement under the name of anti-terrorism after the 9/11 terrorist attack on U.S. soil and the subsequent war on terror in Afghanistan. It is, therefore, imperative to gain international understanding, sympathy and support for the Uyghur nationalist movement in terms of the current and future international situations.⁴⁰

For the Uyghur nationalists, one of the choices is to break away from the current Chinese communist regime in favor of the establishment of a separate culturally homogeneous sovereign political unit completely detached from China. However, it seems that this choice is impractical and too costly to bear. First, the creation of a new nation-state would unavoidably involve violence and conflicts. China would by no means be willing to compromise its sovereignty, territorial integrity, and national interests in this case. It would be impossible to separate from China peacefully. Unless immense changes take place at the global level and inside China concurrently, for example, the total disintegration of current Chinese communist regime, or "a fundamental breakdown in China,"⁴¹ attempts at separatism will surely lead to violence and war. This would be a disaster for Uyghur nationalism. Just as Holsti put it, if war creates nation, it destroys nation too.⁴²

⁴⁰ Graham E. Fuller and S. Frederick Starr, *The Xinjiang Problem* (Washington DC: Central Asia-Caucasus Institute, the Johns Hopkins University, 2003), pp.1-79; Gladney, "China's Minorities: The Case of Xinjiang and the Uyghur People"; Caroline Hoy and Ren Qiang, "Socio-Economic Impacts of Uyghur Movement to Beijing" in Robyn Iredale, Naran Bilik and Fei Guo (Eds.), *China's Minorities on the Move: Selected Case Studies* (London & New York: M. E. Sharpe, 2003), pp. 155-174; Tsui Yen Hu, "Uyghur Movement within Xinjiang and its Ethnic Identity and Cultural Implications" in Iredale, Bilik and Guo (Eds.), *China's Minorities on the Move: Selected Case Studies*, pp. 123-138; Tian, "Cultural Rights and Uyghur Nationalism Movement", pp. 144-157.

⁴¹ Thomas Heberer, *China and its National Minorities: Autonomy or Assimilation* (Armonk, NY: M.E. Sharpe, 1989), p. 126.

⁴² K. J. Holsti, *Peace and War: Armed Conflicts and International Order, 1648-1989* (Cambridge: Cambridge University Press, 1991), p. 324.

The international community cannot provide any definite support to Uyghur separatism in the foreseeable future. This is especially after the East Turkestan Islamic Movement (ETIM) was labeled by the United Nations in October 2002 as an international terrorist organization for having links with Al Qaeda, Taliban and Islamic Movement of Uzbekistan (IMU), besides being involved in several terrorists activities in Xinjiang in recent years,⁴³ including the attacks in Kashgar in August 2008 and the Urumqi riots in July 2009. While the international community acknowledges and supports self-determination, it too would prefer the existing international order and de facto stability to avoid international conflicts stemming from pro-separatism nationalist movements. Second, since the sovereignty principle is universally recognized, the majority of countries would prefer to sustain the de facto sovereignty of existing countries rather than self-determination aspirations of separatist movements, unless there are sufficient reasons to justify humanitarian intervention in this direction. Finally, the Uyghur separatist movement must also take into consideration the interests of the other ethnic groups that live within Xinjiang since not all minority groups in the region would support separatism from China.

Moreover, the authors of this paper believe it is important for the leaders of Uyghur diaspora communities to realize that the national separatism might not be the best choice for Uyghur nation itself. As separation through self-determination becomes the unique end of nationalists, they must convince their members to believe that the only way to end the suffering and injustice is to fight for a new nation-state. Here, the nationalists must afford guidance to their utopia, that is, a nation-state without oppression or torture through separation. As argued before elsewhere, the cultural nation and political state is not the same thing. The former stresses culture, while the later emphasizes politics and law. If nation is identified with state, the nationalist would certainly require all members of a state to bear the same language, culture, religion and even the same ethnicity, besides being of the same political-legal characteristics. This ideology will surely induce extremist nationalism and even racial cleansing.

Graham Fuller and S. Frederick Starr have suggested that the Uyghur nationalists should recognize the fact that the full independence of Xinjiang is extremely unlikely, and that it would only come about at the price of great bloodshed, with little, if any, international support among countries. They suggest that the Uyghur nationalists should focus on attaining meaningful autonomy for the Xinjiang Uyghur Autonomous Region within the People's Republic of China, in such a way as to provide

⁴³ Mahesh Ranjan Debata, *China's Minorities: Ethnic-Religious Separatism in Xinjiang* (New Delhi: Pentagon Press, 2007), pp. 212-213.

cultural security and preservation of the Uyghur homeland and a major local voice in all policies affecting the region.⁴⁴

While subscribing to Fuller and Starr's position, the authors of this paper would further argue that separation from China will not automatically assure the creation of liberal democracy protecting the uniqueness of national culture and individual rights, nor will it benefit the Uyghur people economically. Fierce political and violent conflicts may even occur among competing Uyghur factions who have different visions of what their new country should be like. Under such circumstances, the nationalists would mobilize their supporters through emotional beliefs and slogans instead of prudent rationality. During this process, certain individual rights and values would likely be ignored or abandoned because they may not be consistent with the group interests. Moreover, the economic welfare of Uyghur people could be seriously damaged due to the separation from China.

The authors, therefore, propose a cultural rights approach for the Uyghur diaspora communities to consider - in terms of Uyghur political mobilization and nationalism movement. The culture rights-based nationalism requires that national self-determination be based on individual self-determination by legal, peaceful and rational measures at its best. Cultural rights-based nationalism consists of special national rights and national cultural developing rights in terms of national identity. This demands that nationalism must take individual rights as its core value, and regard individual liberation as its end. Collective rights should not displace individual rights.

Hence Uyghur nationalists need not only the task of protecting their traditional culture but also to develop it, which is much more crucial. The uniqueness of the Uyghur national culture should not only be dug out and preserved, but also be promoted to a higher level of cultural identity and refreshment. Thus, it could serve as the basis for the Uyghur nation to get a deal with China. At the same time, Uyghur nationalists should use every opportunity to appeal for cultural rights peacefully, to demand for true national autonomy, and to share the benefits of Chinese progress and prosperity. Both the authors believe that such a cultural-nationalist approach would surely win international sympathy and support. This is provided the Uyghur diaspora nationalists struggle peacefully together with their fellow citizens in Xinjiang itself; because the core value of cultural-nationalism stands in line with the universal norms such as protecting diversity and individualism. In turn, on the basis of cultural rights, the Uyghur nation should promote "cultural development" and "political development" in order to realize new identities based on nation and the state.

⁴⁴ Fuller and Starr, *The Xinjiang Problem*, p. 72.

Development itself serves as a standard to measure progress and this standard can only grow from universal rights. In Europe and North America, nationalism goes together with the changing social, economic and political reality. It takes rationality and general humanism as its theoretical base, relates itself closely with democracy, liberalism and constitutionality, and aims at individual liberation. The protection of cultural characteristics, including religion, language and living norms, should go in accordance with cultural innovation such as the pursuit of universal cultural rights to realize its political, economic and cultural self-determination. The protection of culture should not be identified with cultural conservatism. Cultural-nationalism should take individualism as its root to achieve a new association among individuals. Its core is to refresh the common dominant ideal of the nation. This ideal determines, in a large sense, the features of the given nationalism. The rational, liberal nationalism argues for free constitutionality or pluralism and against authoritarianism. The formation of a rational nation is the result of a rational mass based on an educated population. Education enables the population to form and assess independent criticisms and judgments among various contradictory arguments, and also helps defeat cultural bigotry. Language and letter are the important carriers of culture. It reflects the cultural contents of a given nation and it is also the symbol of historical continuity and cultural independence. Language is not the culture in itself; however is a communication tool used to convey values and thoughts. Uyghur nationalists should work to expand Uyghur culture by absorbing modern civilization in order to educate modern Uyghur elites. Modern history proves that colonial education incited the awakening of nationalism and intellectuals who had modern education are the pioneers and nucleus of nationalist movement.

On the issue of state identity, the Uyghur nation faces a transition from tradition to modernity. Modernity refers to the cultural phenomenon connected with modernization. It resembles the new appearance of the former authoritarian structure and the birth of the modern state. In pre-modern countries, religion assumes the function of morality, economy, politics and education. The mysterious legitimacy supported social morality and political beliefs. Modern countries are totally different from the pre-modern countries in social, cultural and legal terms. It destroys the legitimacy of power and authority in traditional society and creates diversities in religion, values, political parties and interests groups. Self-government to limit conflicts between social members displaced the formerly held absolutism. Rationality replaces mythology; self-restraints replace supernatural constraints; history relativity replaces absolute theology. The legitimacy of state comes from the permit of the people instead of the gods. Individualism,

natural rights, equality before the law, power distribution between central and local governments under the direction of federalism.

The Uyghur diaspora nationalism leaders should be aware that individual rights are more basic, absolute and non-volatile in comparison with state power. The pursuit of nation-state independence should promote rather than violate individualism. In any case, there should be no illusion of an omnipotent nation-state during their struggle for national independence. It is dangerous to think that an independent nation-state can resolve every problem. It is imperative to keep vigil on state power, not only to prevent it from doing harm, but also to ensure that it does good as well.⁴⁵

For the Uyghur diaspora nationalists, another important and practical task is to cultivate an independent, diversified, vivid and powerful civil society. This is to uphold a new identity, a new devotion to an integer that unifies various races and cultures, a devotion to an integer that can be identified and loved by the masses, a devotion beyond races and ethnicities. This common identity will exceed narrow racial or religious identities. It is independent from the ethnic sense of belonging, religion, culture and race. It is a concept, a sort of systems in connection with every individual rights and freedom. This higher identity is based on the universal and essential values shared by all nations. It is these basic and essential values that consolidate the foundation of liberal democratic states.

Conclusion

Various approaches, such as political rights, economic rights, ethnic identity power, etc. have been used to understand nationalism and nationalist movement. Cultural rights approach is viewed as the most important foundation for nationalism in the post-modern era. As applied anthropologists, the authors of this paper suggest that Uyghur nationalist movement leadership should adjust their objectives given the current international situation and their limited resources. To fight for cultural rights in current circumstances would be more reasonable and attainable for the Uyghur nationalists than the struggle for immediate nation-state independence. The Uyghur diaspora communities living in different parts of the world and those residing in the U.S. in particular should give serious thought to this. Since any violent activity by the Uyghurs to achieve their goal would incur the wrath of the central authorities in China and perhaps the international community, the traditionally peace loving Uyghurs should press for the fulfillment of their cultural rights as

⁴⁵ Robert Nozick, *Anarchy, State and Utopia* (West Sussex, UK: Blackwell Publishers, 1978), pp. 6-9.

well as maximum autonomy within China instead. The Chinese central government, in turn, should be tolerant and flexible in dealing with Uyghur nationalists advocating cultural rights. The central authorities of China should make an all their effort to help integrate the hapless and hopeless Uyghur minorities into the national mainstream, putting an end to all forms of discrimination against Uyghurs and enabling maximum autonomy. This way, the Uyghur goal for achieving cultural rights and Beijing's aim at securing unity, territorial integrity and stability in Xinjiang can be realized. As long as both sides are willing to enhance cultural rights of the Uyghurs, a win-win situation will definitely emerge.

Playing Chess on the Eurasia Steppe: The State of the Energy “Game” 10 Years into the New Millennium in Russia and the Near Abroad

*Daniel Burghart**

ABSTRACT

Following the breakup of the Soviet Union in 1991, many commentators started talking about the “New Great Game”. This article seeks to understand one small portion of this game, the part that relates to Eurasia, including Central Asia and the Caspian Sea Basin, and within the context of energy security. The focus of this piece is on events that have occurred in the past 18 or so months. During this period, there have been significant changes in world energy markets, brought about by the global economic downturn, the opening of new reserves of natural gas through the process of fracturing or “fracking”, and growing concern over the effects of climate change. These and other considerations may be changing the nature of the “game” being played in global energy markets, with significant consequences for all of the players, especially those in Eurasia. This article is an attempt to identify what those changes may be, and the impacts they may have.

Keywords • New Great Game • Energy Policy in Eurasia • Oil and Gas Pipelines • Russia • Near Abroad • Climate Change • Shale Gas

Introduction

Anyone familiar with world history in the 19th Century will recognize the term “The Great Game”, used to describe the relations between the

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British and the Russian Empires.¹ Though primarily associated with Central Asia and the Indian Sub-continent, it can also be considered to reflect the general state of relations between the two, as they jostled with each other for position as two of the leading Imperial powers for the better part of the century. While Central Asia was the place where the two were most likely to come in physical contact with one another, it was not the only area where competition presented itself. From rivalries in the Black Sea that would eventually lead to the Crimean War, to alliance politics in Europe, to the accidental firing on British fishing vessels in the North Atlantic that almost led to war in the Dogger Bay incident,² the interests of big and not so big powers led to continual friction and intrigue, punctuated by an occasional war or other type of armed conflict. And high among these interests was the desire to secure the resources to support these powers.

Fast forward 100 or so years to the breakup of the Soviet Union, and the scene remained eerily the same; so much so that many commentators began to talk about “the New Great Game”.³ While the end of the Cold War had done much to remove the old political structure that maintained relative stability in the world for almost half a century, the physical geography remained the same, as did many of the actors. Countries still tried to protect their interests, including preserving their access to resources; large countries still attempted to impose their will on smaller ones, at the same time smaller countries attempted to preserve their independence by allying themselves with larger ones, or balancing the demands placed on them in such a way as to allow them the freedom to choose who their friends were, and who they would do business with.

One thing that has changed over the past two centuries is the nature of the world, in terms of economic relations and technology. Just as the 19th Century had been shaped by the industrial revolution, the 20th Century was dominated by a transportation revolution that allowed commerce to proceed around the globe at increasingly rapid rates, and an information revolution that began at the end of the last century and whose effects will be felt well into the present one. Advances in technology have gone hand in hand with the development of what we

¹ Various sources are given credit for the term. It was widely popularized by Kipling’s Kim, however it was probably originally used by Captain Arthur Connolly, a British Officer who was one of the key players.

² This occurred when the Russian Baltic Fleet, steaming to the Far East to support Russian forces during the Russo-Japanese War accidentally fired on a British fishing vessel.

³ For example, see Martha Brill Olcott, “The Great Powers in Central Asia,” *Current History*, (October 2005), pp. 331-335, and Subodh Atal, “The New Great Game” *National Interest* 81 (2005), pp. 101-105.

now have come to recognize as the phenomenon of “globalization”, where events and actions in one part of the world can almost instantaneously be known and felt around the globe. To a large degree, advances in technology brought with them the capabilities that allowed this to occur. Yet at the same time, it must be remembered that in many cases, the increasing demands of a globalized economy have driven advances in technology, as well as providing the conditions, in terms of higher levels of education, the ability to share knowledge and know-how, and access to resources that support technological development.

Perhaps no other resource has affected the development of the 20th Century more than hydrocarbon energy, and specifically oil and natural gas.⁴ While its exploitation as a fuel began in the 19th Century, these two forms of hydrocarbons came into their own in the past century, affecting not only industrial development but security affairs, and with this, geopolitics. The decision by Winston Churchill, then head of the British Admiralty, to convert the Great Britain’s fleet from coal to oil was to have profound consequences for all nations and the way that they looked at the world.⁵ Originally done to free countries from the need to insure access to coaling stations along the world’s waterways, this decision set off a rush to guarantee supplies of this new fuel. Developments in technology not only brought with them greater use of these new fuels, but enabled still other technologies to become realities. The trajectory of this technological development was such that by the time of the Second World War, the major combatants were all dependent on these hydrocarbons, and in fact the denial of them led to the defeat of Germany and the crippling of Japan.⁶ In the post-war era, regions such as the Middle East, which had ample supplies of these resources, became contested centers for the major powers in the Cold War. In its aftermath, these areas continue to be of intense interest and a source of rivalry among the industrialized nations of the world.

Thus, the start of the new millennium finds the world scrambling to secure adequate supplies of liquid and gaseous forms of hydrocarbons, to satisfy an ever growing demand. While other forms of energy have been found and are being developed, including nuclear, solar, and other types

⁴ For the best work documenting the rise of hydrocarbon energy, see: Daniel Yergin, *The Prize: The Epic Quest for Oil, Money & Power* (New York: Simon and Schuster, 1992).

⁵ This decision by Churchill was designed to free the fleet, and thus the British Empire, from securing territory that could be used as coaling stations. While deemed a visionary and revolutionary in terms of naval operations, it would also lead to a scramble to ensure access to sufficient supplies of oil, which continues to this day.

⁶ Lacking oil supplies of its own, Germany actually pioneered in creating synthetic fuels from coal, though these were expensive and never really sufficient to supply their needs in the later part of the war. Faced with the same lack of oil, Japan was forced to defend areas that it had taken during the earlier parts of the war, adding an extra burden on a country already taxed by the conflict.

of “renewables”, no other type of energy has been found yet that can take the place of natural gas and oil.⁷ Because of its importance, countries have gone to extraordinary lengths to insure their continued supplies of these hydrocarbons, while those who possess these supplies often find themselves in what would appear to be the enviable position of being able to heavily influence the terms for providing them. Still, other factors have come into play that affect world markets for this “good”. A major concern is that, as a natural resource, there may be finite supplies of this energy source, and with growing demand comes the fear that at some point in the not so distant future, available resources will not be able to meet world market needs. This could create a situation that would have grave consequences for world stability. Another concern is that, based on both scientific measurements and anecdotal evidence, it appears the continued use of hydrocarbons may be affecting the climate in ways that will have dire consequences for all mankind. Both concerns would argue for the need to conserve and restrict the use of these fuels, and yet there appears to be only slow movement toward conservation or a shift to other types of energy. Whether valid or not, all of these considerations form a complex web of interests or concerns, with variables not unlike those presented by the game of chess.

This article seeks to understand one small portion of this game, the part that relates to Eurasia, including Central Asia and the Caspian Sea Basin. As home to the second largest known reserves of natural gas and oil in the world behind the Middle East, much has already been written on the topic of energy in this part of the world, and it is not the intent of this paper to try to summarize all that had gone before. However, the past 18 or so months have seen some significant changes in world energy markets, brought about by the global economic downturn, the opening of new reserves of natural gas through the process of fracturing or “fracking”, and growing concern over the effects of climate change. These and other considerations may be changing the nature of the “game” being played in global energy markets, with significant consequences for all of the players, especially those in Eurasia. Thus, this is an attempt to identify what those changes may be, and the impacts they may have.

Background

Having just said that this article would focus on the present and not dwell on the past, it is still necessary to look back and cover a certain amount of background, if for no other reason than to show how the

⁷ For a concise summary of energy values, see listings from DOE Pacific Northwest National Laboratory, (updated June 2010) at <<http://www.pnl.gov/missions/energy.asp>> (July 14, 2010).

“chessboard” got to its current state. During the Cold War era, energy policy in Eurasia was dictated by Moscow, and was subject to several strategic decisions, the consequences of which can still be seen today. One was the decision to concentrate on developing the Western Siberian fields, rather than those on the periphery, either in Eastern Siberia or in the republics.⁸ Another was to provide energy to the republics and Eastern European allies at extremely low costs.⁹ However, the major decision which shapes the nature of European energy markets to this day, was when the Soviet Union decided to sell oil and natural gas to Europe.

The story behind this decision is long and complex, and can be found related in detail in a number of texts.¹⁰ Interesting highlights include the debate that it created between the United States and its European allies, as to whether it was good idea to become dependent on a supplier that was on the other side of the world’s ideological divide.¹¹ Another was that to provide these supplies of gas and oil, pipelines and refinery networks were created that, while they made sense at the time, were to come back and haunt both the suppliers and the countries they were supplying. Finally, while it can be argued that sales of energy to the West by the Soviet Union prolonged the latter’s existence by providing a source of hard currency that allowed it to buy those things that it could not produce on its own, including sufficient food to feed its people, a counter argument can also be made. In his 2005 book *Collapse of an Empire*, former Soviet official and later economic reformer Yegor Gaidar makes the case that the United States, by getting Saudi Arabia to over-produce and depress world oil prices, actually hastened the demise of the Soviet Union. With world oil prices low and ample quantities available, the Soviet Union, which had become dependent on these sales, now found itself in a cash crunch from which it could not extract itself.¹² This, he

⁸ Yegor Gaidar, *Collapse of an Empire: Lessons for Modern Russia* (Washington: Brookings Institute, 2007), pp. 100-105.

⁹ One of the ways of supporting and ensuring the loyalty of both the republics and the members of the Warsaw Pact was to provide essential commodities, such as energy, at extremely low cost. Since the Soviet Union and the Eastern Bloc were essentially a closed economic system, where price had little relevance, this was easily done, since it was a political rather than an economic decision.

¹⁰ In addition to Gaidar, see Marshall Goldman, *Petrostate: Putin, Power, and the New Russia*, (Oxford, Oxford University Press, 2008), and Adam Stulberg, *Well-Oiled Diplomacy: Strategic Manipulation and Russia’s Energy Statecraft in Eurasia* (Albany, State University of New York Press, 2007). For an excellent general history of the Cold War era, see John Lewis Gaddis, *The Cold War: A New History* (London, The Penguin Press, 2007).

¹¹ Anyone who lived through this period in the West will remember these debates—See Goldman, *Petrostate: Putin, Power, and the New Russia*, pp. 45-49.

¹² Gaidar, *Collapse of an Empire: Lessons for Modern Russia*, pp. 71-114.

argues, led to Gorbachev's attempts to save the Soviet system through radical economic reform, and with this its rapid demise.¹³

While the specifics and even the validity of this thesis will be the topic of debate for years to come, the end result was that on December 25, 1991, the Soviet Union ceased to exist. With this, the nature of the world and world energy markets changed. True, the sources of the energy and networks that processed and delivered it were still all there, but the people, institutions, and in many cases, the countries that had been there were no longer present and/or in charge. Some changes came rapidly, as a rush of foreign investors and oil companies arrived in the newly independent Eurasian states to help them develop (or as many would claim-exploit) those reserves that they now found themselves in charge of.¹⁴ Some changes came more slowly, as the renegotiation of transit rights and fees, now complicated by the fact that pipelines that formerly traversed a single entity (the Soviet Union and its allies) now passed through several states. Some changes came as shocks, as when the previously discounted and subsidized cost of energy in the East began to acquire real world market prices. Underlying all of this was the gradual increase in demand for energy driven by a rapidly globalizing world, and with this increase in demand a comparable increase in cost.

The New Millennium

As significant as the changes at the end of 1991 were, an argument can be made that 2000 brought almost as much of a change, at least with regard to Eurasia and more specifically Russia. After suffering through the 1990's, marked by chaotic economic conditions brought about by the attempted transition to a market economy, uncertain and unsteady political leadership, and a security situation marked by the first Chechen War, President Yeltsin stepped down as President of Russia and passed control of the country to his fifth and little known Prime Minister, Vladimir Putin.¹⁵ Putin began his term of office by putting forward his Millennium Manifesto, in which he laid out three goals: (1) to recentralize power in the country under Moscow (and more specifically the Kremlin that he now administered); (2) to continue the transition to a market based system, but one in which the government played a large role, to insure the best interests of the country (as he saw it) were preserved; and (3) to return Russia to what he viewed as its rightful place

¹³ *Ibid.*, pp. 162-200.

¹⁴ For the best description of this process, see Steve LeVine, *The Oil and the Glory: The Pursuit of Empire and Fortune on the Caspian Sea* (New York, Random House, 2007).

¹⁵ The best biographer of Putin is Lilia Shevtsova, *Putin's Russia* (Washington D.C.: Carnegie Endowment for International Peace, 2005), and Lilia Shevtsova, *Russia: Lost in Transition* (Washington D.C.: Carnegie Endowment for International Peace, 2007).

as one of the leading nations of the world.¹⁶ While the actions he took to accomplish these goals often raised eyebrows, if not controversy, eight years later when he left office and reclaimed his previous post of Prime Minister, it could be argued that he had achieved all three of these objectives, to one degree or another.¹⁷

The way that he was able to do this was closely tied to Russia's energy holdings. It was little noticed at the time of his ascendancy in Kremlin politics, but Putin's resume' showed that he held a PhD in Economics, earned while he was in St. Petersburg.¹⁸ The title of his dissertation was “The Strategic Planning of Regional Resources under the Formation of Market Relations”, and reflected how Russia's resources in hydrocarbon energy could be used to the country's geopolitical advantage. As part of his recentralization policy, Putin brought control of a majority of Russia's energy holdings back under government control through various mechanisms, some more questionable than others, but all effective.¹⁹ The result was that the Russian government now had a large say in development and distribution decisions with regard to energy, as well as receiving a lion's share of the revenues that came from the sale of these resources. This last was of particular importance, because world energy consumption grew substantially during this period, and with growing demand came higher prices. In the period from 2000 to 2008, the price of oil went from US\$30 per barrel to a high of US\$147.27 per barrel.²⁰ At the same time, Russian production of oil increased and at certain peak periods, Russia surpassed Saudi Arabia as the number one producer of oil in the world.²¹ A similar trend was reflected in natural gas, with GAZPROM, the state owned natural gas company, becoming the largest company in Russia and one of the largest energy companies in the world.²² The revenue from these holdings filled the Kremlin's coffers; not

¹⁶ Putin's “Millennium Manifesto”, in V.V. Putin, *Vital Speeches of the Day* LXVI, 8 (February 1, 2000).

¹⁷ It is not the author's intention to make any judgments as to the means Putin employed to do this.

¹⁸ “Researchers peg Putin as a plagiarist over thesis”, *Washington Times*, March, 24, 2006 <<http://www.washingtontimes.com/news/2006/mar/24/20060324-104106-99711/>> (July 15, 2010).

¹⁹ The most famous example is the case of the head of Yukos, Mikhail Khodorkovski. See Goldman, *Petrostate: Putin, Power, and the New Russia*, pp. 105-123.

²⁰ For a comprehensive listing of world oil prices, *World Crude Oil Prices*, U.S. Energy Information Administration <http://www.eia.doe.gov/dnav/pet/pet_pri_wco_k_w.htm> (December 10, 2010).

²¹ For a summary of Russian Energy, including a graph of oil production since 1999, see *Country Analysis Brief - Russia*, U.S. Energy Information Administration <<http://www.eia.doe.gov/emeu/cabs/Russia/Full.html>> (December 10, 2010).

. For a chart with actual production figures, see Goldman, *Petrostate: Putin, Power, and the New Russia*, pp. 35-37.

²² The Forbes' list of the 200 largest companies in the world, released April 21, 2010, ranks GAZPROM as number 16, behind Exxon Mobil (4), Royal Dutch Shell (8), BP (10) and

only was Russia able to balance its budget, it also retired a large portion of its international debt and was able to build up significant currency reserves.²³ With wealth came influence, and Russia indeed began to be viewed as regaining some of the stature that had previously been held by its Soviet predecessor.

The Near Abroad

Russia's rise, however, was not necessarily mirrored by the other states of the former Soviet Union. Those states which had hydrocarbon reserves, primarily Kazakhstan, Azerbaijan, and to a lesser degree Turkmenistan, tended to be better off, especially if they were willing to let western investors and energy companies come in with needed finance and technology.²⁴ Yet not all went as well as many had expected in these countries. First, corruption and lack of transparency often meant that only a few benefited from these new sources of revenue, and that not all of the revenue ended up supporting the development of these energy reserves. Second, even if the energy was developed, the matter of selling this energy still remained. As noted earlier, most of the routes needed to bring this energy to western markets either went through Russia or were controlled in some form by Russia.²⁵ Third, when these reserves were brought to market through newly established routes, as in the case of Azerbaijan and the Baku-Tbilisi-Ceyhan (BTC) pipeline, these countries put themselves at risk of developing some form of Dutch disease, which would then strike at other parts of their fragile economies.²⁶

A second category of countries in the Near Abroad with regard to energy, were those that acted as transit states (see Map 1). Ukraine, Belarus, and to a lesser degree the Baltic States all lacked hydrocarbons of their own, but they had on their territory portions of the old Soviet pipeline system that not only supplied their needs, but were necessary to get Russian production to market. When these pipelines were constructed in Soviet times, it was never envisioned that they would be out of Moscow's control; now, however, tariffs, transit fees, and the use of refining facilities all came into play. During the 1990s, this was less of an

PetroChina (12). For the full list, see "The Global 200," *Forbes*, April 21, 2010 <http://www.forbes.com/lists/2010/18/global-2000-10_The-Global-2000_Rank.html> (July 20, 2010).

²³ Anders Asland and Andrew Kuchins, *The Russia Balance Sheet* (Washington D.C.: Peterson Institute for International Economics, 2009), pp. 44-45.

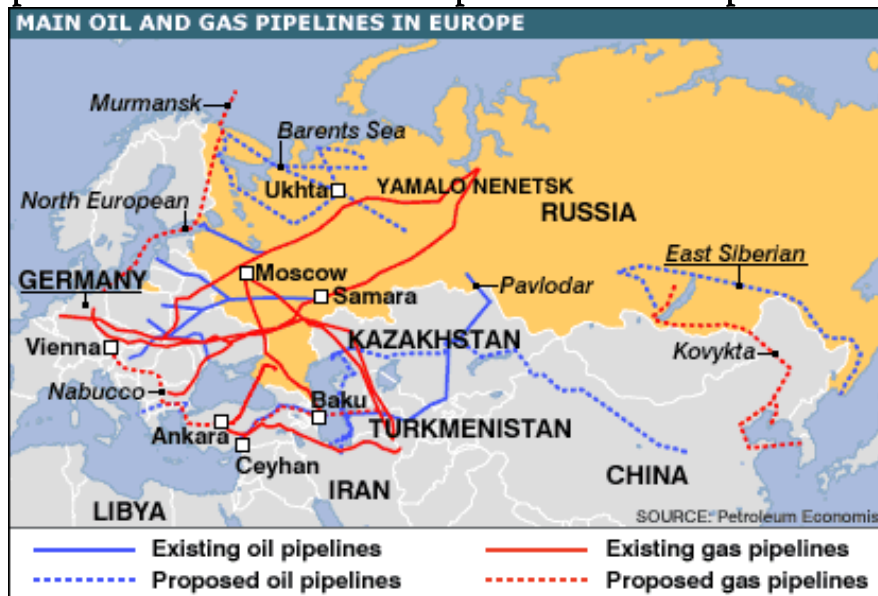
²⁴ LeVine, *The Oil and the Glory: The Pursuit of Empire and Fortune on the Caspian Sea*, pp. 128-216.

²⁵ See maps in *Country Analysis Brief - Russia*.

²⁶ Dutch Disease is the term used to describe the phenomenon where a state becomes over dependent on the sale of one commodity, typically energy. It refers to the situation in the Netherlands in the 1950s after natural gas was discovered in Dutch waters on the North Sea.

issue as agreements were struck for the sale of energy at lower than world market prices, in return for the needed transit agreements. However, as the price of energy increased, that meant that these types of deals became less attractive, and Russia under President Putin began to use energy as a means of exerting influence. The reduction of gas shipped to Ukraine in January 2006 over alleged energy debts was a jarring wakeup call, not only to the transit states but to European markets, which began to look at alternate sources for the energy that they needed, “just in case” such actions would be repeated.²⁷ This behavior reinforced the desire to have pipelines, such as Nabucco, that were not under Russian control.²⁸

Map 1. Main Oil and Gas Pipelines in Europe.



Source: Russia: Key Facts, BBC, <<http://news.bbc.co.uk/2/shared/spl/hi/guides/456900/456974/html/nn4page1.stm>> (December 15, 2010).

Finally, there was a third category of states in the Near Abroad - those that had neither hydrocarbon energy nor strategic pipelines. These countries found themselves dependent on Russia and the old energy systems to continue to provide their needs in natural gas and oil; Armenia, Moldova, Kyrgyzstan and Tajikistan all fell in this category. While Armenia did have nuclear energy from its Metsamor Reactor, and both Kyrgyzstan and Tajikistan had some energy produced by hydro, none of these were developed sufficiently to provide for their respective needs in this area. In addition, developing alternate resources required tremendous amounts of capital, something that was in short supply

²⁷ Jim Nichol, Steven Woehrel, and Bernard Gelb “Russia’s Cutoff of Natural Gas to Ukraine: Contest and Implications,” *Congressional Research Service Report for Congress* (February 15, 2006), pp. 7-10.

²⁸ Nabucco was envisioned as offering Europe an alternative to being dependent both on pipelines carrying Russian gas through Ukraine.

throughout the Near Abroad, unless you had hydrocarbon energy to begin with.

Pipeline Wars and Infrastructure Woes

Looking at the energy landscape in Eurasia in 2007 provided a crazy quilt of resources and situations. The Russian government, often acting through parastatals such as Gazprom, was pursuing policies designed not only to preserve and protect their energy markets and means of transport, but appeared to have made a fundamental shift in their attitude towards energy resources, treating it as a “strategic resource” rather than a mere commodity.²⁹ The most glaring example of this was in the competition between Nabucco and the Russian alternative, South Stream. This pipeline had been proposed as a solution to European fears about the reliability of Russian gas supplies coming through Ukraine. Nabucco was seen as a way of securing gas supplies from the Caspian/Black Sea area, without Russia having a say either in the supplies or the route. To avoid an option that excluded them and offered competition to Russian-supplied energy, Russia proposed South Stream, which in many ways mirrored Nabucco, with the key difference being that Russia kept control of both the supplies and the routing, which meant there was still no real alternative to Russian-provided energy.³⁰

Not only did Russia propose the alternate route, it did everything in its power to stop Nabucco from becoming a reality, from offering “incentives” so that countries would support their option, to upping the ante every time Nabucco seemed to take a step toward reality, to buying up gas from Central Asia which would be needed to “fill” the competing pipeline.³¹ Russia also took steps to ensure that if and when South Stream was built, Moscow would have control of its infrastructure. In one notable case, the same day that Russia came out in support of Serbia’s claim to Kosovo, Serbia sold Gazprom a controlling share of the Serbian National Energy Company, which would provide a key part of the South Stream network.³² In one form or another, Russia launched initiatives with all of the countries it needed either for South Stream, or who had indicated an interest in Nabucco.³³

²⁹ Those who favor free market economies tend to oppose the idea that trade of certain commodities should be regulated by governments, under the rationale that certain items are vital to the survival of the state, and thus should not be left to the whims of the market.

³⁰ “Russia: Pipeline overkill?” *The Economist*, Economist Intelligence Unit - Business Eastern Europe, May 11, 2009, pp. 1-2.

³¹ *Ibid.*

³² “Serbia and Russia conclude a major energy agreement”, *The Economist*, Economist Intelligence Unit, *Country Report - Serbia & Montenegro*, February 2008, p. 14.

³³ *Ibid.*

Russia also saw both South Stream and its cousin project Nord Stream as a way to get around the situation in which it found itself with Ukraine. As long as Ukraine controlled the major pipeline route for Russian gas traveling to Europe, Ukraine held a not-insignificant lever against Russia. By building either or both Nord and South Stream, the Russians gave themselves alternative routes to get their product to market. With these, Ukraine could no longer hold Russia hostage in a dispute by shutting off the flow of Russian gas across the country.³⁴ In the case of Nord Stream, not only did Russia seek to lock in Germany as a market for its gas, it did so by proposing a route that went directly from Russia to Germany through the Baltic Sea. Thus, it avoided a land route that, while cheaper to build, would require Russia to negotiate with other transit countries, in this case Poland and the Baltic states, and be subject to the same type of situation as it faced with Ukraine.

The Wind Blows East

At the same time that Russia has been trying to fortify its position in the energy markets in the West, it had also been engaged in energy negotiations in the East. With China representing the fastest growing energy market in the world, corresponding to the growth of its industrial sector, it would appear that this would be a perfect fit, especially as the two share a long contiguous border. As too often happens in international politics, however, appearances can be and are deceiving. While China has bought and continues to buy Russian energy, the terms and methods of delivery have been a sticking point.³⁵ Russia's oil deliveries to China are primarily by rail car tanker, a method that is both costly and inefficient, but which provides the Russians with the greatest flexibility in terms of redirecting their product if they feel the need. For their part, the Chinese have long argued that a pipeline from Russia to China be built; however, the Russians had balked at such an undertaking, arguing the cost, but leaving unsaid the reality that once a pipeline is built, it commits both the seller and buyer to a relationship about which, at some point in the future, either party might have second thoughts.³⁶ With regard to natural gas, a similar situation existed. The Russians had long stated their intent to build a pipeline east, and the Chinese argued that the terminus should be China. The Russians, however, argued for a pipeline that traveled

³⁴ While the focus of this relationship is often on Ukraine needing Russian gas supplies, it should not be forgotten that Russia is just as dependent on Ukraine allowing gas to pass through its territory to reach European markets.

³⁵ For a brief summary of energy issues in the region, see Anthony Bubalo, "New Rules for a New 'Great Game': Northeast Asian Energy Insecurity and the G-20," *Lowy Institute for International Policy*, Policy Brief, November 2006.

³⁶ The relationship between Russia and China has always been a difficult one and filled with distrust, even when they were both communist states during the Cold War.

through Russia to the Pacific, where the gas could then be liquefied and shipped to any number of markets in the Far East, thus preserving their flexibility and diversity of customers, “just in case” they decided that it was no longer in their interest to provide energy to China.

This dispute highlighted one other area that Russia had yet to come to grips with - the ownership of and investment in its own energy infrastructure. The early 1990s had seen state owned energy holdings pass into private, and in some case foreign hands.³⁷ Under Putin, the trend had reversed, most notably in the case of Mikhail Khordokovsky and Yukos.³⁸ Joint Ventures with foreign partners came under increasing pressure to revert to Russian government control. In terms of transport, the Russian pipeline system remained almost entirely in the hands of Transneft, which in turn remained under the control of the Russian government and meant that even if oil and gas were produced by a private company, that company was dependent on the leaders in the Kremlin and whatever criteria they wanted to impose on getting its product to market.³⁹ The one major exception to this was the Caspian Pipeline Consortium (CPC) which was built in the 1990s to move energy from newly developed holdings in the Caspian Sea region.⁴⁰ While seen at the time as a major step in allowing private firms to develop and transport Russian energy without governmental control, attempts to expand the capacity of this pipeline in the 2000s have encountered heavy governmental opposition.⁴¹

While all of this seemed to fall in line with the Putin philosophy of energy being a strategic resource that should remain under governmental control, it created, or more accurately recreated, a problem that had plagued the Russian energy business since Soviet times. Russia badly needed both Western capital, and more important, Western technology, to help develop the energy sector’s infrastructure and resources. The best way to do this was to open Russian energy enterprises to Western energy companies and Western investors; however, there was little incentive for either to do this when legal protections were not in place that would guarantee those investments and insure the right/ability to achieve a return on these investments.

While in the 1990s joint ventures such as TNK-BP had been allowed, and foreign companies had been encouraged to bid on the development of Russian energy reserves such as the gas fields in Sakhalin, barriers and bureaucratic procedures were put in place that made the operating

³⁷ Goldman, *Petrostate: Putin, Power, and the New Russia*, pp. 55-73.

³⁸ Marshall Goldman, “The Yukos Affair”, *Current History* (October 2004), pp. 319-323.

³⁹ For a concise discussion of “pipeline politics”, see Jeffery Mankoff, *Eurasian Energy*, Council on Foreign Relations Special Report, No. 43 (February 2009).

⁴⁰ LeVine, *The Oil and the Glory: The Pursuit of Empire and Fortune on the Caspian Sea*, pp. 237-240.

⁴¹ This again refers back to Putin’s thesis and idea of using control of energy to ensure a geostrategic advantage for Russia.

environment so difficult so as to dissuade the very type of partnerships that Russia needed to upgrade its energy infrastructure.⁴² In order to develop the reserves in the demanding conditions of eastern Siberia, Western technology and know-how was needed, but few were able or willing to provide either under the terms that the Russian government was willing to offer.⁴³

When oil prices were hitting record highs and demand for energy seemed unquenchable, this seemed less of a problem to the Russians who, swimming in petro-dollars, felt that they could buy whatever they needed, and somebody would always be willing to sell if the price was high enough. Some Russians even began making the argument that it made little sense to rush to develop new reserves. It was better to let those reserves remain in the ground, since the price of energy would only go up, increasing the value of these reserves in the future.⁴⁴ Swept away in the jubilation caused by record energy prices, the general trend was not to make those investments necessary to insure that energy would continue to flow in the future.⁴⁵

Comes the Fall

The world economic crisis that began in 2007 has been the source of millions of words and arguments as to its causes, effects, and long term ramifications, and it is not the intent to summarize these here. What it meant for world energy markets, in very basic terms, is that demand for energy plummeted, and with it the prices paid for oil and natural gas. Not only did this have the direct effect of reducing revenues, but it created the need to tap into those reserves that had been built up when energy prices were high. One of the points of pride in Russia had been that not only had most of the country's debts been paid off in the early 2000s, but it had run a budget surplus and set aside substantial foreign capital reserves, all based on energy revenues.⁴⁶ Now, in an effort to keep the value of the rouble from plummeting and to maintain social stability, the Russian Government was forced to draw on those reserves. In a matter of nine months, it was estimated that Russia went through one third of its

⁴² The saga of Sakhalin is especially instructive. See Goldman, *Petrostate: Putin, Power, and the New Russia*, pp. 128-133.

⁴³ Any Western investors wanted to insure that they had or could obtain a controlling interest in such a venture to protect their investment, something the Russian government under its policy of controlling commodities it considers "strategic resources" steadfastly refuses to do.

⁴⁴ Personal discussions with the author.

⁴⁵ It should be admitted that the Russians are not the only country guilty of failing to invest in the future.

⁴⁶ Asland and Kuchins, *The Russia Balance Sheet*, pp. 44-45.

foreign reserve fund, and that if the situation did not improve, the reserves could be exhausted in a few years.⁴⁷

If the situation in Russia was bad, the situation in the other countries of the Near Abroad was definitely worse. All suffered significant declines in their GDP; all suffered budgetary problems, and many suffered social unrest. For those producing energy, their revenue streams were down, both because of falling prices and reduced demand. For those less dependent on energy, the situation was hardly better. While falling energy costs meant some relief in the prices they had to pay, their worsening economic situation meant that they had less to spend on a commodity that was still essential for maintaining the well-being of their populations. Meanwhile, the transit nations were hit from both sides - not only did they need to meet the energy demands of their populations, but the revenues they received from transit fees were reduced. Finally, in what may have seemed a “perfect storm”, in an effort to recover some of their lost revenues, Russia began to withdraw the subsidies it had traditionally provided and demanded market prices for its product, something to which the transit countries were in no position to accede.

Perhaps the best example of this type of “kabuki dance” was the drama played out at the end 2009 between Russia and Ukraine. Often tied to the general revulsion of the Kremlin for anything that even remotely resembled a “color” revolution, and seen in the personal enmity between Putin and Yushchenko, Russian-Ukrainian relations had been in a downward spiral since 2005, marked along the way by several disputes about energy pricing and deliveries.⁴⁸ The last major dust up occurred in January 2009, when Russia claimed that Ukraine was not paying what it owed for gas; it cut deliveries by the volume that would normally go to Ukraine, while insisting that Ukraine continue to transit the remaining gas in its pipelines to its European customers. The Ukrainians, who had a history of diverting more than their share of the gas, continued to do so, leading Russia to totally shut off supplies - both to Ukraine and to their paying customers to Ukraine’s west. This hardly sat well with the Europeans, in the middle of one of the coldest winters in recent memory; nor did they warm to Russian explanation that shutting off the gas was the Ukrainian’s fault, and not theirs.⁴⁹ While the gas was turned back on in a matter of days with the promise by Ukraine to pay what it owed, negotiations continued for another ten months, and in truth, the issue

⁴⁷ *Ibid.*, pp. 52-53.

⁴⁸ While energy is the most visible example of this, it should be noted that the differences between Ukraine and Russia can betide to the reluctance of leaders in Russia to accept Ukraine as an independent state, and the personal enmity between Putin and former President Yushenko. Putin did not want a Ukraine-type “color revolution” take place in Russia.

⁴⁹ Steven Woehrel, “Russian Energy Policy Toward Neighboring Countries”, *Congressional Research Service Report for Congress* (September 2, 2009), pp. 7-10

was only really resolved with the victory of Victor Yanukovich, the Russian favored candidate in the Ukrainian Presidential elections in February 2010.⁵⁰ Shortly after, with the extension of the lease on the Russian Naval base at Sevastopol in Crimea, a long-term agreement was reached that would continue to provide natural gas to Ukraine at a subsidized price for multiple years to come.⁵¹ While much has been made of the political implications and precedent that this sets, in another respect, it was unsurprising, and nothing more than what Putin laid out in his dissertation as to the use of energy to achieve the geopolitical goals of the Russian state.

Other Actors - Other Factors

Europe

While the economic collapse has affected every country in the world in one way or another, several of them are worth noting with regard to energy, and especially energy in Eurasia. In general, the downturn has suppressed demand, making it a buyer's market as opposed to the situation as little as two years ago. From a European perspective, this has given the countries there potential leverage, which to a certain degree they have been able to take advantage of. Though the countries of the EU have never been able to come up with anything resembling a unified energy policy, the actions taken by Russia against Ukraine in 2009 drove home the realization that Russia is willing to use energy as a tool in support of its interests.⁵² This gave a new boost to those calling for Europe to diversify its energy sources, in order to avoid over-dependence on what appeared to be a less than reliable supplier-Russia - and gave new life to those supporting Nabucco. With depressed markets and demand projected, at least in the near future, there were even calls to end the southern pipeline wars, and merge Nabucco and South Stream, since it was always questionable whether there was enough natural gas to support both; now it was not even certain that there was the demand to justify either.⁵³

⁵⁰ “Victory for the blue camp: The election of Viktor Yanukovich is not as surprising as it may seem,” *The Economist*, February 13, 2010, pp. 53-54.

⁵¹ “Ukraine/Russia: BSF deal marks continuity over change,” *Oxford Analytica*, (April 28, 2010).

⁵² It should be noted that while Ukraine is the most commonly referred to example of this, Russia has also cut off energy to Belarus and the Baltic States. See Woehrel, “Russian Energy Policy Toward Neighboring Countries”, pp. 12-14.

⁵³ John Bussolari, *Pipe Dreams: Proposed Gas Pipeline Projects and Their Effect on “Pipeline Politics”*, Unpublished thesis, National Defense Intelligence College, USA (June 2009).

China

Of all the countries of the world, the one major player which seems to have escaped relatively unscathed from the events of the last two years has been China. At first, this might seem counter-intuitive, since economic downturns limit consumption and China has achieved its place in the world's economy by producing the goods that the world consumes. However, with massive capital reserves, little stake in the questionable financial markets that first launched the downturn, and a centralized authoritarian government that can control fiscal policy with little or no accountability, China has solidified its position as one of the dominant economic forces in the world economy. It has also taken the opportunity presented by the downturn to improve its position with regard to energy. The Chinese government has long seen the key to its political stability as continuing industrialization and economic growth, which in turn is dependent on access to sufficient energy reserves. During the 1990s and into the new millennium, China sought to secure energy through buying up stakes in foreign energy holdings, especially in Africa, and to a lesser degree in South America.⁵⁴ This, along with its purchases of Middle Eastern oil, still left them vulnerable to shortages caused by disruptions in transport, especially since much of their oil passes through the Strait of Malacca. China would much prefer receiving at least part of its energy via land, which means dealing with Russia and the states of the Near Abroad.

As mentioned earlier, China had been petitioning Russia to build pipelines to China for delivery of hydrocarbons, something which the Russians had been equally adamant in avoiding. Suddenly in 2009, it was announced that Russia would build both gas and oil pipelines to China, in return for long-term development loans amounting to US\$1.6 billion.⁵⁵ While there was no explanation for the sudden Russian change in heart, the combination of falling world oil prices, declining demand for Russian energy, the drop in Russia's foreign currency reserves, and the need for capital to undertake infrastructure development and exploration, all played a part. Nor was this the only move by China to secure its energy future. In 1997, China had partnered with Kazakhstan to build a pipeline that would bring oil from the Caspian (where the Chinese also owned stakes in the reserves) across Kazakhstan and to China. Taking advantage of some of the existing pipelines, it was nonetheless a massive

⁵⁴ For a discussion of these activities, see Cindy Hurst, *China's Oil Rush in Africa*, Institute for the Analysis of Global Security, July 2006.

⁵⁵ Li Xiaokun, "China, Russia sign major agreements worth \$1.6BN," *China Daily*, March 22, 2010 <http://www.chinadaily.com.cn/china/2010-03/22/content_9619799.htm> (July 14, 2010).

undertaking and the completed system represented the longest pipeline in the world.⁵⁶

A second pipeline was added in 2009, bringing gas from Turkmenistan across Central Asia to China.⁵⁷ Turkmenistan had long been hampered by the fact that the vast majority of the existing pipelines which could take Turkmen gas to international markets all ran through Russia, leaving it at the mercy of its former "brothers" in Moscow. Now, in a matter of 18 or so months, a pipeline was constructed at Chinese expense that gave the Turkmen a new market; this allowed them to play off both the Russians and the Europeans, who were trying to secure Turkmen gas for South Stream and Nabucco, respectively.⁵⁸ The Chinese were also investing in Uzbek energy, as well as hydro power from Kyrgyzstan and Tajikistan, making them a major economic force in all the states of former Soviet Central Asia.

United States

The last major player that should be mentioned is the United States. Though a consumer of very little Eurasian energy, the United States, as the world's largest energy consumer, has a major state in world markets and as such has an indirect though substantial affect on Eurasia. In the 1990s, it was largely because of U.S. efforts that the BTC pipeline was built.⁵⁹ While a major accomplishment in itself, it must also be remembered that this was supposed to be joined to a trans-Caspian pipeline that, in spite of American urgings, has never become more than an unfulfilled dream. More recently, U.S. innovations in shale gas recovery (sometimes referred to as "unconventional gas") has begun to redefine the natural gas trade by offering the potential of unlocking large amounts of gas that was previously thought unrecoverable, at least at an economically viable cost.⁶⁰ This has opened the possibility that the United States, if it brings these reserves to market, could once again become self-sufficient in natural gas in the long term. This realization has already acted to depress world markets for natural gas, and especially liquefied natural gas (LNG) prospects. Reaching back to Eurasia, and

⁵⁶ Andrew Erickson and Gabriel Collins, "China's Oil Security Pipe Dream: The Reality, and Strategic Consequences, of Seaborne Imports," *Naval War College Review* 63, 2 (Spring 2010), p. 93.

⁵⁷ Alexandros Peterson, "Did China Just Win the Caspian Gas War?" *Foreign Policy* (July 7, 2010) <http://www.foreignpolicy.com/articles/2010/07/07/did_china_just_win_the_caspian_gas_war> (July 9, 2010).

⁵⁸ Daniel Freifeld, "The Great Pipeline Opera," *Foreign Policy* (September/October 2009), pp. 120-127.

⁵⁹ LeVine, *The Oil and the Glory: The Pursuit of Empire and Fortune on the Caspian Sea*, pp. 346-348.

⁶⁰ Steve LeVine, "Kaboom! The rock that will remake global politics," *The New Republic* (May 13, 2010), pp. 12-14.

specifically Russia, Gazprom had expected to capture 10 percent of the U.S. natural gas market by 2020; if this market should fail to materialize, it would leave a gaping hole in Gazprom's business plan.⁶¹ Finally, the recent disaster in the Gulf of Mexico threatens to have the opposite effect on world oil markets as the shale gas has had on gas markets. Not only has the Deepwater Horizon accident put a strain on BP and led to renewed questions about the efficacy of deep water offshore drilling, but the 6 month moratorium on new offshore exploration announced by President Obama may have repercussions throughout world oil markets that are yet to be determined.⁶²

The Outriders

Before forecasting where energy markets may go in the future, and the impact this may have on Eurasia, there are several "Wild Cards" that should be mentioned. These are events or phenomena whose likelihood of occurring has yet to be determined, but which have the potential of significantly affecting energy markets, and thus Eurasia. The first, already mentioned in the case of the United States, is shale gas recovery via the process known as "fracking". While still in its relative infancy, this technology holds the potential of revolutionizing the natural gas industry. In just one example, Ukraine which receives 90 percent of its natural gas from Russia may have sufficient shale gas reserves that, if developed, would turn Ukraine into a natural gas exporter in 20 years.⁶³ Still, there are problems associated with this technology, which may keep it from being the panacea many believe it to be. One of these is the tremendous amount of water required in the fracturing process, used to release the gas from the rock formations where it is held. Environmentalists are protesting the potential for ground water contamination, signs of which have already occurred.⁶⁴ The same comments can be said about deep water drilling. When large deep water reserves of oil were found in the Gulf of Mexico and off the coast of Brazil, this was seen as at least a temporary reprieve from predictions about the world running out of oil in a matter decades. Now, however, the consequences of the oil spill in the Gulf have served as a stark reminder that even if these reserves do exist, the technology to recover

⁶¹ *Ibid.*

⁶² "US fights reversal of offshore drilling ban," *FT.com*, July 8, 2010 <www.ft.com/cms/s/0/0565d7ae-8aa3-11df-8e17-00144feab49a.html> (July 14, 2010).

⁶³ Author's discussions with other regional specialists at DACOR House in Washington D.C., April 2010.

⁶⁴ LeVine, "Kaboom! The rock that will remake global politics", pp. 12-14. Also see Kevin Bullis, "Natural Gas may be Worse for the Planet than Coal," *Technology Review*, April 16, 2010 <<http://my.technologyreview.com/mytr/social/profile.aspx?wuid=30216>> (June 18, 2010).

and exploit these reserves may be years away, if in fact they can ever be safely recovered. The situation along the Gulf Coast serves as a cautionary tale of what can occur when technology and techniques are not perfected before they are used, while the cost of cleaning up the results of this accident may outweigh whatever oil might have been obtained from a successful extraction.

One other major factor that looms in the shadows, and could play a major role in the course of energy markets in the next 10-20 years, is the seriousness with which the world takes projections on Climate Change. Like the weather - everyone talks about it, but nobody seems to be able to do anything about it - climate change continues to be a topic of discussion. However, as the latest meetings in Copenhagen in December 2009 seemed to prove, there is little will to anything substantial, even in the face of growing evidence that the climate is indeed changing, due at least in part to the burning of hydrocarbon fuels.⁶⁵ Voluntary commitments to reduce carbon emissions, carbon trading, and moves to cleaner or renewable energy sources have had very little effect on energy consumption, at least to date. If this continues to be the case, both usage and demand will rise. If something should occur that would change this attitude, or some breakthrough in technology occur that would alter the nature of energy markets, it is still doubtful that this would have a substantial effect on world energy markets, simply because the world infrastructure is so wedded to hydrocarbon fuels. It would take decades or longer to change this, not to mention staggering amounts of capital. The same logic that makes hydrocarbons so appealing as a fuel source today, will probably continue into the foreseeable future.

There is another way in which climate change could have an impact on energy markets, but it is not the one most observers talk about. The reason that the term "Climate Change" has taken the place of "Global Warming" is that the first effects of this phenomenon will probably be seen in the shift of climate bands, accompanied by the increasing severity of weather events.⁶⁶ This could be a bad news and good news story; among other predictions, England may come to resemble Iceland, the Great Plains of the United States may become a desert, while land in Canada and the Russian steppe that previously was too cold to cultivate, may now become arable. While all these are subject to debate, computer

⁶⁵ The debate about the science behind Climate Change goes beyond the scope of this article. However, even given the ever increasing evidence, few concrete actions have been taken by any of the world's nations to reduce their use and dependence on hydrocarbon fuels.

⁶⁶ The best single source relation to these issues is Lester Brown and his *Plan B* series of books. For a general introduction see Lester Brown, *Plan B: Rescuing the Planet under Stress and a Civilization in Trouble*, (New York: W.W. Norton & Company Inc., 2003). For his most recent work and discussions on Climate Change, see Lester Brown, *Plan B 4.0, Mobilizing to save Civilization*, (New York: W. W. Norton & Company Inc., 2009)

modeling is becoming better at projecting what could occur, while anecdotal information and observations seem to confirm that something is happening to the climate. The number and severity of storms in recent years has caused increasing human misery, as well as damage to existing infrastructure.⁶⁷ Storms in the Atlantic, such as Hurricane Katrina, have played havoc with energy production in the Gulf region, while the thawing of the permafrost in Siberia threatens energy facilities and road systems that were built on the permafrost to extract and deliver energy. All this means that there will be a cost to adapting to these new conditions, and this cost will be reflected in and added to the existing cost of energy.

The Future

In the words of the American humorist Mark Twain, “it is always difficult to make predictions, especially about the future”. This article has tried to summarize recent trends and events in world energy markets as they apply to Russia and Eurasia. While it may be impossible to make predictions based on these trends and events, it should be possible to forecast, at least in the near-term, which of these trends will continue, and which, for the reasons above, may be subject to change.

If the world economy does rebound, (still not a given at this point, but the indicators are less gloomy than a year ago), and no other “unknown” events shift the current course, then it can be expected that the energy markets will function much as they have in the past. Long-term projections for demand prior to the downturn showed it bumping up against production, i.e. there will be competition for the energy that is available, and prices will continue to edge up, though hopefully not repeat the wild swings seen in 2007. At this point, however, it may be worthwhile to separate oil from natural gas. Oil has suffered from a lack of investment in developing new reserves, especially in Russia, and the tremendous lead times needed to develop oil fields means that if there is a sudden spike in demand, prices will likely rise.⁶⁸ It also must be noted that a number of promising oil sites are located off-shore, and the ones off the coast of Brazil and in the Gulf of Mexico are in extremely deep water; thus, the extraction of this oil has come under a cloud. Natural gas, however, may be headed in a different direction, especially if shale gas lives up to the expectations that have been given it. The difference in availability between the two has led to proposals to “decouple” the price

⁶⁷ Again, it is not the intent of the author to argue a causal relationship, but to merely note that for whatever reason, the number and severity of weather related incidents appears to be on the rise, and with them, the cost of dealing with these events.

⁶⁸ The time needed to develop a reasonable accessible energy reserve, from identification to moving actual product to market can be 3 to 8 years.

of natural gas from oil.⁶⁹ Meanwhile, gas-producing countries such as Qatar have decreased production, in an effort to keep up market prices. The significance for Russia, and to a lesser degree Turkmenistan and Azerbaijan, is that those countries whose primary energy product is natural gas will not benefit as quickly, even if recovery does continue.

The second scenario is that the world economic recovery stalls or “flat lines”, which will keep demand and prices low. While painful in the short term, there may actually be some hidden benefits to this, at least in terms of the energy industry in Eurasia. A slower increase in demand would give markets and producers more time to react, providing stability and predictability while avoiding some of the wild swings in energy prices in the past. In the case of Russia, it now appears that one of the lessons learned from the past two years is that Russia needs to diversify and become less dependent on energy sales.⁷⁰ Going along with this, the argument has always been made that high revenues from energy sales actually allowed Russia to postpone making real systemic economic reforms. When revenues dropped, discussion of such reforms began again, with some signs that they might be taken more seriously than in the past.⁷¹ Another lesson that had been reinforced over the past two years is the need to diversify, both in terms of supplies and transport routes. Just as was seen in the gas shut-off case in Ukraine, the lack of alternate sources and alternate routes can cause major problems, and in this case led to the proposals for both Nabucco and South Stream. However, reality must also be taken into account, and in the case of the dueling pipelines, the realization is beginning to sink in that there is neither the supply nor the demand to support both, and rather than making this a zero sum-winner takes all affair, it may be better to work together. The same philosophy can be seen in Asia, where projects are now underway with China that involve the cooperative efforts of several states.

Finally, returning to the chess board analogy that started this article, it may be that while the players remain the same, the nature of the game is evolving. Climate Change, the rising costs of extracting dwindling reserves, and the advent of new technologies may, in fact, have substantial effects on the energy markets. One of the biggest lessons coming from the economic downturn may be that it is better to cooperate

⁶⁹ Jit Lang Yim, “Decoupling of Oil and Gas Prices?” *Energy Tribune*, December 21, 2007 <<http://www.energytribune.com/articles.cfm/730/Decoupling-of-Oil-and-Gas-Prices>> (July 14, 2010).

⁷⁰ This appears to be the reasoning behind recent Russian initiatives to obtain Western help and technology in an effort to modernize their industrial production.

⁷¹ Asland and Kuchins, *The Russia Balance Sheet*, pp. 54-55. See also, Anders Asland and Mikhail Dmitriev, “Economic Reform Versus Rent Seeking”, in *Russia After Communism* (Washington D.C., Carnegie Endowment for International Peace, 1999).

than compete, and be satisfied with a somewhat diminished but stable return, rather than take high risks in an effort to achieve high gains, but at the risk of substantial losses. As nations come out of one of the scariest times in post-World War II history, it may be worth contemplating that cooperation and a rational approach to problem solving have their merits. In such a world, while there may be no big winners, there will also be no big losers, and everyone, in the end, walks away from the table with something that they want and need.

China, Russia and the Leadership of the SCO: a Tacit Deal Scenario

Nicola P. Contessi*

ABSTRACT

Starting from an analysis of the outcome of the 2009 SCO Summit in Yekaterinburg, this paper seeks to explain the recent evolution of power relations within the Shanghai Cooperation Organization, by introducing the notion of a tacit deal between the two major players, foreshadowing an emerging ‘division of labour’ between China and Russia for leadership of the organization. The paper therefore suggests that China is assuming leadership of the economic dimension and Russia of the security dimension of cooperation, in the context of a broader redefinition of the SCO’s mandate based on these dual pillars. The paper then explores what this division of labour might look like in practical terms.

Keywords • China, Russia • Sino-Russo Relations • Shanghai Cooperation Organization (SCO) • SCO Enlargement • Regional Cooperation • Central Asia

Introduction

The year 2009 is likely to go down as a turning point for the Shanghai Cooperation Organization (SCO), and could be viewed as a milestone for its coming of age. The Moscow international conference on Afghanistan held under SCO auspices in March, and later the Yekaterinburg annual

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¹ Mikhail Troitskiy, “A Russian Perspective on the Shanghai Cooperation Organization,” in Alyson J. K. Bailes *et al.*, *The Shanghai Cooperation Organization* (Stockholm: SIPRI, Policy Paper, No. 17, 2007), pp. 30–44.

summit in June have garnered the greatest attention from Western media and chanceries alike.

On the surface, the patterns of multilateral cooperation within the SCO appear to also underscore certain transformations that the inner dynamics of the grouping's functioning might be undergoing. At a substantive level, the organization's activities have expanded over the past four to five years to include a socio-economic dimension. Following the adoption of the 2007 Treaty on Long Term Good Neighbourliness and Cooperation between the Member States of the Shanghai Cooperation Organization, a number of decisions approved at the 2009 Yekaterinburg Summit more formally reaffirmed this as a "second pillar" of the organization's mandate.

From the point of view of membership, following the moratorium on new admissions which was meant to avoid potential divisions among the current members, the question is still being studied. However, the 2009 Summit has settled on a middle ground solution of intensifying cooperation with observer states, and heads of observer states were for the first time invited to attend a closed-doors meeting of the organization's heads of state.

From the perspective of the organization's internal power relations, for one thing, Russia appeared to have acquired a more prominent role, while China, the driving force behind the creation of the SCO, and its leading member in the years following its establishment appeared to have receded to a more discreet role.

This being said, two factors should be kept in mind when assessing the status of the current dynamics of the SCO. First, from 2008 to 2009, Russia held the rotating presidency of the organization, and much of its activism can be linked to this particular period. Nevertheless, in its ongoing dilemma of having to balance between the SCO and the Collective Security Treaty Organization (CSTO),¹ Russia seems to have found a viable solution consisting of playing at both tables. Russia's Foreign Minister Sergey Lavrov's statement that developing the SCO is a foreign policy priority for Russia may be taken to attest to this. On the other hand, Russia has been boosting its profile in Central Asian security affairs throughout the year 2008-2009 even outside of the SCO, by mobilizing its own civil society and intelligentsia to reflect on its role. Its newly found role within the SCO can be seen as a consequence of this newly found vigour.

Second, reports suggest that as of 2006, China has allegedly shifted its interest to cooperation in the economic sphere.² Moreover, China has traditionally been a cautious actor on the international scene, and the

² Chin-Hao Huang, "China and the Shanghai Cooperation Organization: Post-Summit Analysis and Implications for the United States," *China and Eurasia Forum Quarterly* 4, 3 (2006), p. 17.

present international juncture may be suggesting the expediency of maintaining a low profile in the face of the financial crisis and security challenges on the home front. A further consideration may be that China is willing to appease Russia on the security front after refusing to endorse its August 2008 Georgian venture. The expansion of the SCO's areas of responsibility in recent years may have been dictated by this implicit deal. Avowedly, the SCO Council in Beijing followed a clearly Chinese agenda,³ somehow rebalancing the exposition in the security field acquired under the Russian presidency.

This could suggest that a more accurate reading of the current trend within the SCO may be of an emerging "division of labour" between the two powers in the context of a broader reframing of the organization's mandate and positioning. Such hypothesis would be fully coherent with the logic of the Shanghai Spirit governing the relations among the organization's members. If this were the case, this solution could potentially challenge views of the Sino-Russian relationship as a mere marriage of convenience.⁴

Given these trends, this article seeks to retrace the steps which have led to their emergence and institutionalization. While it has not been possible to retrace them all, this author offers a broad-brush account of how they came about and what they mean for the broader prospects of cooperation within the institution and the region at large. The paper takes the view that any consideration of the power relations within the organization should be evaluated against the wider context of mutations that the organization is undergoing with a progressive redefinition of its mandate based on the two pillars of security and economic cooperation.

The Yekaterinburg Consensus and a Tacit Deal in the Making

Between 2006 and 2008 the SCO was widely seen as a dysfunctional organization, plagued by a protracted impasse, due to the fact that its two key members were divided over what trajectory its future development should take.⁵ Analysts began referring to this issue and widely still consider it as indicative of a modern day redux of the Sino-Soviet split,⁶

³ "SCO to form joint approach to crisis management, economy development," *24.kg*, September 11, 2009, <http://eng.24.kg/politic/2009/09/11/8978.html> (March 20, 2010).

⁴ Bobo Lo, *Axis of Convenience. Moscow, Beijing, and the New Geopolitics* (Washington, DC: Brookings, 2008).

⁵ Chiu Chen-hai, "Shanghai Cooperation Organization Faces New Challenges as It Ponders Strategic Direction," *Wen Wei Po*, August 31, 2008; "China, Russia: Wrangling over the Future of the Shanghai Cooperation Organization," *Stratfor*, July 25, 2008.

⁶ Pallavi Aiyar, "More than Neighbours, Less than Friends?" *The Hindu*, March 26, 2007; Aleksandr Khramchikhin, "Russia Seen at Odds with China Over SCO's Future," *Izvestiya*, August 22, 2007.

belying the reality of what should be considered, in actual fact, as a marriage of convenience.⁷

Notwithstanding the ongoing divisions and problems inherent in the bilateral relationship, this author takes a somewhat contrarian position, arguing that the organization may have more optimistic prospects than are usually conceded. Besides, even the years which were seen as a crisis period for the organization have not been free from important achievements.

This is not so much in light of the converging interest both powers share vis-à-vis the organization, as a tool to mobilize assistance from Central Asian members to achieve deeper rooted regional goals, however differently defined by each player. Instead it is in light of cooperative dynamics that seem to be emerging within the organization among the two major powers. Having both labelled the SCO as a foreign policy priority,⁸ China and Russia have an inevitable interest in ironing out their relationship problems, so as to benefit from protracted cooperation under the SCO framework.⁹

Russia, which has traditionally regarded the Commonwealth of Independent States (CIS) and derivative framework of the CSTO as its chosen mechanisms to wield influence in what it still regards as its sphere of privileged interest, finds in the SCO an opportunity to piggy-back on China's higher status, credibility and potential vis-à-vis the undermining effect which America's increased influence in the region has had on its ability to sustain cooperation within the CIS. For this reason, the SCO provides a complement to its strategy of building up the potential of the Collective Security Treaty Organization, where it enjoys an unrivalled hegemonic role.

China has tended to regard the SCO as its regional stabilizer, firstly as part of its broader "opening up" strategy to create friendly and stable relationships at its borders which will foster an environment conducive to increased prosperity through the reconstitution of the Silk Road; and secondly as a way to anchor the long-term nation-building efforts in its north-western province.¹⁰

All being said, disagreement over two crucial issues pertaining to the organization did come to the fore during that period. The first centers on whether the SCO is a security or economic organization. If according to

⁷ Lo, *Axis of Convenience. Moscow, Beijing, and the New Geopolitics*, pp. 3-4.

⁸ "Shanghai Cooperation Organization Priority for Russia's Foreign Policy – Opinion," *ITAR-TASS*, April 3, 2007.

⁹ "Russia-China Cooperation Important Cornerstone of World Stability, Says Putin," *Xinhua*, October 13, 2009.

¹⁰ Li Yong, "Shanghai Cooperation Organization Reshaping International Strategic Structure," *Ta Kung Pao*, August 5, 2007. Li Yong suggests that if Central Asia becomes unstable, "China will have no choice but to seal off its northwest border, to the detriment of local economic development and social stability."

Russian Foreign Ministry spokesman Mikhail Kamynin, the Shanghai Cooperation Organization sees the fight against terrorism and extremism as its central task; except for some minor refocusing, Russian thinking about the organization has not changed much since 2005.¹¹

Though security and economic cooperation had been construed as the organization's two areas of activity since the early stage of institutional design, Russia has been especially lukewarm about the possibility of extending cooperation into the socio-economic field. Owing to historical reasons, Russia still enjoys close economic and trade ties with the Central Asian Republics, representing the principal trading partner for most of them. Hence it is more interested in nurturing its exclusive role as a "post-imperial" power, rather than sharing its leadership position with China. Russian policymakers fear that economic cooperation within the SCO will end up strengthening China, eroding Russia's advantage.¹² In contrast, China has consistently strove to stir the SCO towards greater economic cooperation.

The second is whether the SCO should engage in greater geopolitical playmaking in the region, or whether it should have a more inward focus on improving intra-regional cooperation within the bloc. Related to this, is the desire to turn the SCO into a sort of politico-military bloc, which was being cherished in Russian military circles.¹³ But China made clear its vision for the SCO as far back as 2004, when a senior official declared that the "SCO is not a military-political bloc, but an organization involved in multi-sector cooperation."¹⁴ For this reason, Russia's inability to secure support from the organization for its conduct in Georgia during the Summer 2008 crisis was labelled as a failure for Russia and a victory for China.¹⁵ Connected to this broader geopolitical issue is the question of enlargement, namely with regards to the admission of Iran and Pakistan, which already enjoy observer status within the organization. At another level is disagreement over the expansion of cooperation in the field of energy resources, notably through the creation of an "Energy Club," though this initiative, first proposed by Russian President Vladimir Putin in 2006 and strongly supported by Kazakhstan, still remains dead letter. The Russian calculation is that thanks to its status as the world's second largest producer of hydrocarbons, and the extensive pipeline network through which it channels a large part of Central Asian energy resources,

¹¹ "Fight Against Terrorism SCO's Central Task – Diplomat," *Interfax*, October 25, 2005.

¹² Zhuang Gongbai, "Shanghai Economic Cooperation Is Gradually Shifting To Economic Integration," *Zhongguo Tongxun She*, November 5, 2007.

¹³ Vadim Solovyev & Vladimir Ivanov, "Shanghai Pact Instead of Warsaw Pact: General Staff Promotes Idea of Forming Military Mega-Bloc for Half of Humanity," *Nezavisimaya Gazeta*, August 10, 2007.

¹⁴ "Top Shanghai Officials Set out Policy Priorities, Aspirations," *Almaty Express*, September 24, 2004.

¹⁵ Andrew Curry, "Russia Made a Tactical Error," *Spiegel*, August 29, 2008.

it will be able to dominate this cartel and dictate the terms of hydrocarbon trade. This is a project to which China has remained lukewarm from the start, fearing the effects of an excessively asymmetric relationship.

In the face of the divisions which have marred the SCO in recent years, particularly since the 2006 Summit, reports have suggested that the 2009 Yekaterinburg Summit ushered in a new consensus.¹⁶ This result was seemingly favoured by the unprecedented international political and economic circumstances brought about by the global financial crisis, which provided a focal point for a sustained agreement. At another level, I contend that this underscores the success of the Shanghai Spirit, as a norm premised on the non-antagonistic reconciliation of interests and mutual benefit.

A Newly Found Harmony

This consensus appears to rest on agreement on the necessity to foster closer economic and trade ties, whilst at the same time reinforce security cooperation measures intended to address the consequences of the world financial crisis.¹⁷ As a result, SCO members decided to seek the creation of a mechanism to monitor economic conditions in the region and the expansion of trade. In the security field, it resolves to seek a more active involvement in Afghanistan, short of a direct military presence, and more vigorous legal and institutional instruments to confront terrorism.¹⁸ This newly found harmony paved the way for the adoption, at the October 2009 Prime Minister's Meeting, of a broad package of economic measures to boost trade.¹⁹

¹⁶ PRC Vice Premier Li Keqiang's Speech at SCO Business Forum' October 14, 2009; "Chinese Premier Calls for Closer Cooperation with SCO Members," *Xinhua*, October 14, 2009; "The 8th Prime Ministers' Meeting of the Shanghai Cooperation Organization (SCO) Member States Issues Joint Communiqué," *Ministry of Foreign Affairs of the People's Republic of China' Official Website*, October 14, 2009; "The 8th SCO Prime Ministers' Meeting Is Held in Beijing Wen Jiabao Chairs the Meeting," *The Commissioner's Office of China's Foreign Ministry in the Hong Kong Special Administrative Region's Official Website*, October 14, 2009; "Prime Ministers' Meeting of Shanghai Cooperation Organization Member," *Xinhua*, October 14, 2009, "Prime Ministers' Meeting of SCO Member States Opens in Beijing," *Xinhua*, October 14, 2009.

¹⁷ "SCO leaders urge economic, security co-op," *Xinhua*, June 16, 2009 <http://news.xinhuanet.com/english/2009-06/16/content_11553130.htm> (June 16, 2010).

¹⁸ "SCO summit outcome key to regional economic recovery, anti-terror co-op," *Xinhua*, June 16, 2009 <http://news.xinhuanet.com/english/2009-06/16/content_11553173.htm> (June 15, 2010).

¹⁹ These include: First, joint measures to increase financial stability and economic growth. They agreed to establish a monitoring mechanism for the SCO economy. Second, measures to improve the investment environment. They also decided to speed up the opening of a special SCO account to resolve financing of joint projects, and streamline meetings of financial ministers and central bank governors. Third, the prime ministers

Groundwork for this purported consensus appears to date back to 2007, when a joint Sino-Russian statement resolved to enhance cooperation along the axes of trade and economy, and politics and security, as a way to steer the SCO into a new phase.²⁰ After all, China has consistently been acknowledged as the unrivalled economic powerhouse within the organization,²¹ a fact that even the Russian press has never challenged.²² Significantly, Interfax has even suggested that China shall be the engine behind trade and economic cooperation within the SCO framework, quoting a report of the joint Russian-Chinese Business Council.²³

Further evidence of an emerging consensus can be found in certain strategic decisions and policy preferences having come to maturity between 2007 and 2009, which signify a gradual convergence among strategic positions.

An example of this is China's move away from its support of a free trade area within the SCO, to a much more watered down position favouring freedom of movement for capital, goods and services. If at the 2003 SCO summit, Chinese Premier Wen Jiabao proposed setting up a free-trade area (FTA),²⁴ reiterating it in 2005,²⁵ by 2007, China had come to more modest intentions. In that year, a Chinese document on economic cooperation within the SCO, even denied this was ever a goal for the organization:

agreed to promote trade facilitation, build port infrastructure and enhance Customs procedures. They also agreed to resolve the problems of product quality and safety in regional trade. Fourth, consensus was reached to expand agricultural and scientific cooperation. They also pledged to launch the SCO information superhighway. "The Eighth SCO Prime Ministers' Meeting Is Held in Beijing Wen Jiabao Chairs the Meeting," *Consulate General of the People's Republic of China in San Francisco's Official Website*, October 14, 2009 <<http://www.chinaconsulatesf.org/eng/xw/t620813.htm>> (April 15, 2010).

²⁰ "China, Russia Pledge to Promote Cooperation within SCO Framework," *Xinhua*, March 26, 2007.

²¹ Hai Yang and Liu Yang, "SCO Sails Into New Era of Cooperation," *Xinhua*, June 14, 2009; "Building up a Bridge That Leads to the Future -- PRC Foreign Minister Li Zhaoxing Comments on Premier Wen Jiabao's Trip to Europe and Central Asia," *Xinhua*, September 18, 2006; "Wen Jiabao 23 Sep Chairs, Speaks at SCO Prime Ministers' Meeting in Beijing," *Xinhua*, September 23, 2003.

²² Zhuang Gongbai, "Shanghai Economic Cooperation Is Gradually Shifting To Economic Integration," *Zhongguo Tongxun She*, November 5, 2007.

²³ "China wants to become Leader of Economic Cooperation in SCO," *Interfax*, November 15, 2007.

²⁴ "Wen proposes 6-nation free trade zone," *China Daily*, September 24, 2003 <http://www.chinadaily.com.cn/en/doc/2003-09/24/content_266791.htm> (April 1, 2010).

²⁵ "Chinese Premier Proposes Measures to Boost Economic Cooperation at SCO Meeting," *Xinhua*, October 6, 2005.

“It is noteworthy that the ultimate goal here was not marked is a free trade zone, because the members of the Free Trade Area of the understanding and tolerance is different, so there is no consensus, but simply said that to achieve the free movement of some economic factors. In addition, here does not include the free movement of labor shows that some member states worried that China's labor may affect the employment of their own citizens.”²⁶

What is of particular interest are the justifications adduced, which clearly reflect the fears and misgivings of other member states, especially Russia's opposition to such level of integration represented by a FTA. Russia in fact, has been working on a customs union with Belarus and Kazakhstan which is slated to become effective at the end of 2010, and maintains a leading role in the Eurasian Economic Community.

Moreover, following the introduction of the category of dialogue partners in 2008,²⁷ the invitation extended to both Sri Lanka and Belarus appears to be a further balancing act between the interests of the two powers.²⁸ Though Kazakhstan's role in this development should not be discounted, Belarus is known to be one of Russia's satellites, while Sri Lanka has deep bonds to China, since it will host what is widely viewed as a potential Chinese naval base in the town of Hambantota. Dialogue partners share common goals and principles with the SCO, and are involved in a variety of activities and venues. A further emerging area of convergence between Chinese and Russian interests is the possible role of the SCO in reducing tensions on the Korean Peninsula as the Vladivostok meeting suggested, and as observers of the 2009 peace mission have noted, or at least of the SCO as a venue for Sino-Russian collaboration.²⁹

Since the moratorium on new admissions decided at the 2006 Summit in Shanghai, which followed the cooptation of Mongolia India, Iran, and Pakistan as Observer States between 2004 and 2005, the June 2010 agreement on the criteria for the admission of new members signals that a suitable trade off had been found. Iran applied for full membership on

²⁶ Shanghai Cooperation Organization for Economic Cooperation Process, *SCO Economic Cooperation Official Website*, August 17, 2007 <http://www.sco-ec.gov.cn/crweb/scoc/info/Article.jsp?a_no=83446&col_no=290> (January 22, 2010).

²⁷ “Regulations on the Status of Dialogue Partner of the Shanghai Cooperation Organization,” *Shanghai Cooperation Organization's Official Website*, August 28, 2008 <<http://www.sectsc.org/EN/show.asp?id=64>> (May 4, 2010).

²⁸ “SCO summit outcome key to regional economic recovery, anti-terror co-op,” *Xinhua*, June 16, 2009; “Speech of the SCO Secretary-General Bolat Nurgaliev at the opening of the Eurasian Economic Forum 2009,” *Shanghai Cooperation Organization's Official Website*, November 16, 2009 <<http://www.sectsc.org/EN/show.asp?id=161>> (May 11, 2010).

²⁹ “Vladivostok to discuss Asia-Pacific dimension of the SCO,” *Interfax*, June 10, 2009; See also: Stephen Blank, “Peace Mission 2009: A Military Scenario beyond Central Asia,” *China Brief* 9, 17 (2009), p. 7.

24 March 2008,³⁰ and Pakistan has also expressed a keen interest, most recently on the occasion of a bilateral meeting with Uzbekistan, the holder of the rotating presidency for 2009-2010.³¹ Membership conditions stipulate that any country in the Asia-Pacific area not involved in an international conflict and not being targeted by UN-backed international sanctions is eligible for membership. Insofar as they implicitly rule out the admission of Iran, the criteria represent a further area of convergence and newly found consensus between the two sides and the rest of the membership.³²

The membership enlargement file however, had a troubled history. In 2008, reports suggested that a lift of the moratorium might take place, but did not.³³ Successively, the intricacy of the disagreements seemed to have turned into an agreement to disagree, and consequently in the decision to shelve any conclusive solution, namely with the choice, made at the 2009 Summit, to offer greater involvement to observer states.³⁴ In absence of a pronouncement on membership expansion, the summit did make a move to include observers both on specific files, as Afghanistan- notably with their involvement in the activities of the Contact Group; and in the SCO's institutional mechanisms, inviting Observers to the closed-doors portion of the Heads of States Meeting for the first time.³⁵ In addition, Observer states will find a role in the organization's project activities. The flexibility of the observer state status in terms of rights and duties is particularly attractive as a shield for granting *de facto* inclusion, short of a formal admission.³⁶ Their status, which has never been clarified, gives them the right to attend major SCO meetings (such as the annual summits), but not the right to vote on decisions. This marked a change with respect to the habit followed since their admission of inviting SCO

³⁰ "Iran makes move to join SCO," *Press TV*, March 24, 2008

<<http://www.presstv.ir/detail.aspx?id=48781§ionid=351020101>> (June 10, 2010).

³¹ "Pakistan seeks full SCO membership," *IRNA*, April 2, 2010 <<http://www.irna.ir/En/View/FullStory/?NewsId=1032062&IdLanguage=3>> (April 12, 2010).

³² "SCO leaders agree on criteria for admission of new members," *The Voice of Russia*, June 11, 2010 <<http://english.ruvr.ru/2010/06/11/9614662.html>> (May 15, 2010); Joshua Kucera, "India and Pakistan in, Iran out of SCO?" *Eurasianet.org*, June 1, 2010 <<http://www.eurasianet.org/node/61195>> (June 10, 2010).

³³ "SCO may lift moratorium on granting membership in to newcomers," *Voice of Russia*, July 18, 2008 <<http://english.ruvr.ru/2008/07/18/203836.html>> (June 9, 2010).

³⁴ "SCO members unlikely to endorse organization's enlargement at Yekaterinburg summit," *Uzbekistan Daily*, March 19, 2009 <<http://www.uzdaily.com/articles-id-5183.htm>> (June 9, 2010).

³⁵ "Shanghai witnesses China's efforts in SCO progress," *Embassy of the PRC in Australia's official website*, June, 13 2006 <<http://au.china-embassy.org/eng/xw/t257656.htm>> (April 21, 2010).

³⁶ Meena Singh Roy, "Is Expansion on the SCO Agenda?" *IDSA Comment*, August 22, 2008 <http://www.idsa.in/idsastrategiccomments/IsExpansionontheSCOAgenda_MSRoy_220808> (June 9, 2010); *Permanent Mission of Russia to the United Nations, Info-Digest No. 41*, 31, July 2008 <www.geneva.mid.ru/digests/digest-july2008-41.doc> (June 8, 2010).

observers to an expanded session only after full members would hold reserved meetings. While these provisions remain valid, the June 2010 resolution opens new prospects for some of the current observers.

As these decisions seem to suggest, the effort to reconcile the differing interests and sometimes opposed positions among the two larger powers is an ongoing process harboured by the SCO. Based on the acknowledgement of the new consensus reached in Yekaterinburg, the hypothesis of an emerging division of labour - as an outcome and a further facet of that consensus - is here advanced.

Grounds for a Synthesis

Lending support to the argument of an emerging consensus is a string of declarations issued either jointly or individually by Chinese and Russian leaders in the run up to the 2009 Summit. For instance, in May 2009, President Dmitry Medvedev stated that recent agreements reflected “a diverse ‘palette’ of issues that are being handled by the SCO today. It also reflects the quantity of the most complex issues that the SCO member-nations... encounter,”³⁷ suggesting that a synthesis had been found between the different voices within the organization. Previously, at a 2009 foreign ministers bilateral meeting, China and Russia jointly affirmed their common desire to work towards the “comprehensive strengthening of the SCO, to make it the linchpin of security and stability in Central Asia, and an important engine of economic growth.”³⁸ This is testament to the broad understanding reached between Russia and China around a common vision for the international system; and for solutions to global and regional problems based on multilateralism and international law; and mutual support on issues affecting their respective national interests, based on such principled approaches.³⁹

In part, Russia’s newly found prominence in the SCO framework can be attributed to its official role as the rotating chair of the organization during 2008-2009. In this capacity, Russia adhered to an agenda designed to “impart additional dynamics and quality” on a broad spectrum of issues, such as: giving a qualitatively new impulse to joint efforts to maintain peace, security and sustainable development in the SCO space; combating terrorism, drug trafficking and cross-border crime; increasing the prestige and influence of the SCO as an important element of the emerging multipolar world order. Significantly, it also included the promotion of socio-economic development of the participants and the

³⁷ “SCO Foreign Ministers Prepare Documents To Be Addressed At June Summit,” *Interfax-AVN*, May 15, 2009.

³⁸ “Russian FM Welcomes Talks with Chinese Counterpart,” *Ministry of Foreign Affairs of the Russian Federation*, April 28, 2009.

³⁹ *Ibid.*

promotion of humanitarian cooperation, suggesting that Russia was embracing the socio-economic agenda cherished by China. Furthermore, it aimed at consolidating interaction among the Member States according to SCO principles, which include the mutual recognition of each other's interests and aspirations. This latter aspect is significant as it may be taken to refer to an effort to make room for the acknowledgement of distinctive areas of 'specialization' in which individual members could become prime-movers, also suggested by the indication that consultations on current foreign policy issues and on stability and security problems would be augmented.⁴⁰

However, the rotating presidency has offered an opportunity to institutionalize a host of measures and activities undertaken, whose effects will stretch into the future, in this way ensuring the sustainment of certain rent positions on the long term, thereby implicitly enhancing Russian influence within the institution. In addition, Russia has also been promoting an expanded role for itself within the organization, as signalled by the series of conferences and round tables, such as the one convened in June 2009 in Vladivostok, on the theme "The second track of the Shanghai Cooperation Organization in the Far East of Russia."⁴¹

Lastly, it should be noted that Russian-led security initiatives conducted during the presidency have all been characterised by a reasonable degree of moderation, not excluding scathing criticisms, but avoiding any showdown with the dominant western coalition, a detail that was surely not lost on Chinese leaders.

Not surprisingly, Russian leaders have expressed a sanguine attitude in regards to the SCO, displaying confidence and optimism for the future. In March 2009, Russian media boasted that Russia's efforts to convene the Special Conference on Afghanistan may signal that it is consolidating its leadership role in international efforts on Afghanistan.⁴² On the other hand, after stabilizing its Western frontier following the collapse of the Soviet Union through the ratification of the existing borders, and additional confidence building measures, institutionalizing the fight against the "three evils" as the core security mission of the organization and putting future relations on a friendly footing with the 2007 treaty on friendly relations; it is almost as if China was finally satisfied with the structure of security relations, and ready to shift its efforts to the economic field.

⁴⁰ "Russian Deputy Foreign Minister Discusses SCO Issues," Russian Federation Ministry of Foreign Affairs' Official Website, December 29, 2008; "Vladivostok to discuss Asia-Pacific dimension of the SCO," *Interfax*, June 10, 2009; "Aim of Russian SCO Chairmanship - Further Increasing Multifaceted Cooperation," Russian Federation Ministry of Foreign Affairs' Official Website, 2008.

⁴¹ "Vladivostok to discuss Asia-Pacific dimension of the SCO," *Interfax*, June 10, 2009.

⁴² "Russia Vies for Key Role in International Effort in Afghanistan," *OSC Analysis*, March 25 2009.

An Emerging Division of Labour?

Needless to say, this tacit deal scenario to which I refer should be seen in the context of an inevitable Sino-Russian dialectic where the SCO provides the two powers an *invitation to struggle* for the privilege of orienting the organization's policies. Therefore, this emerging division of labour for the leadership of the organization is not necessarily a clear-cut and definitive one. For instance Russia's greater interest for security matters does not imply it is forfeiting a role in the socio-economic dimension, and vice versa for China. However, the role being sought by each actor is focused in those areas in which it enjoys a comparative advantage and specialization. For instance, aside from security, Russia is particularly active in the areas of education and research, having promoted the SCO Forum, and the SCO University. These are areas where it can score points thanks to the common language shared with the Central Asian Republics. Another area is health, where discussions are under way to form a Shanghai Health Organization, and steps have already been taken to set up a health train to cater for the medical needs of Central Asian states.

It is difficult to gauge how Central Asian Republics might regard the prospect of a division of labour, given that this is still largely hypothetical. However, Central Asian leaders have traditionally been comfortable with China,⁴³ and this notwithstanding certain reservations owing to its growing might and demographic mass. Generally speaking, they have regarded with great interest the development of the economic pillar in light of the immediate and tangible benefits they could reap, and in this sense they have supported China's position, though not all the way down to embracing the FTA proposal. Nevertheless, I suggest that China is bracing itself to assume a lead role in economic cooperation, and Russia in security. But what might this emerging division of labour look like?

China

If in the first five years since its establishment the SCO's agenda had been more strongly driven by security concerns, China strove to keep the economic pillar alive. Therefore, China has actively sought to steer the organization to more vigorously embrace that area of activity. China's underlying goal is to expand its own commercial ties, and to make Central Asia the mainstay of a future Eurasian transport corridor, in the

⁴³ See also: Nargis Kassenova, *The impact of the global economic crisis on Central Asia and its implications for the EU engagement*. EUCAM Working Paper, No 5, Madrid, Fundación para las Relaciones Internacionales y el Diálogo Exterior, October 12, 2009.

way of a modern Silk Road.⁴⁴ To that end, it has been adamantly promoting the implementation of the 2003 Programme on Multilateral Economic and Trade Cooperation among SCO Members,⁴⁵ with particular regard to transport infrastructures. Premier Wen Jiabao's statement at the 2004 Prime Ministers' Meeting in Bishkek was momentous, and contained an outline of the principal objectives which became the bedrock of the SCO's economic pillar.⁴⁶ Witnessing the importance China attaches to commerce, trade relations between China and Central Asia have literally skyrocketed. From a meagre US\$350-700 million a year between independence and 1998, they have jumped to US\$1-3.3 billion during the period of 2000-2003, to reach US\$4.3-16 billion a year between 2004 to 2007.⁴⁷

Over time, this preference has taken a distinctive rhetorical turn, with China emphasizing two types of discourse to advance its economic agenda for the SCO. On one hand, Chinese officials have put a spotlight on the notion of a nexus between security and economic development, expounding the view that security threats have clear roots in dire overall economic conditions. In 2006, President Hu Jintao stated that "countries cannot realize economic development without a safe environment and cannot talk about true security without economic development"; explaining that while strengthening cooperation in regional security, economic cooperation is given the same degree of importance within the SCO.⁴⁸

On the other hand, appealing to the original Charter provisions of 2001, Chinese officials have relied on the image of the "two-wheels" of the SCO. The complementary nature of this and other "principles for development" has indeed been presented as "very correct", and a call to "gradually proceed with full cooperation in all fields around the key issue, [of] security and economic cooperation" was issued wholeheartedly.⁴⁹ As of 2004, the message being underscored was that if fighting the so-called

⁴⁴ "China Speeds up Highway Transport with SCO Countries," *Xinhua*, June 15, 2006;

"Chinese President Urges SCO Economic Cooperation," *Xinhua*, May 29, 2003.

⁴⁵ "Wen Jiabao Speaks at 3rd Premier Meeting of SCO Members," *Xinhua*, September 23, 2003; "Wen Jiabao 23 September Chairs, Speaks at SCO Prime Ministers' Meeting in Beijing," *Xinhua*, September 23, 2003; "PRC: Hu Jintao Urges Promoting New International Order at SCO Premiers' Meeting," *Xinhua*, September 23, 2003.

⁴⁶ For an additional outline of Chinese preferences in regard to economic cooperation, see: "Full Text' of PRC Premier Wen Jiabao Speech at SCO Meeting in Bishkek," *Xinhua*, September 23, 2004.

⁴⁷ Vladimir Paramonov, Aleksei Stokov, Oleg Stolpovskii, *Rossia i Kitai v Tsentral'noi Azii: politika, ekonomika, bezopasnost'* [Russia and China in Central Asia: Politics, Economy, Security] (Bishkek, 2008), p. 155, cited in Sadykzhan Ibraimov, "China-Central Asia Trade Relations: Economic and Social Patterns." *China and Eurasia Forum Quarterly*, 7, 1 (2009), p. 48.

⁴⁸ "Hu Jintao, Other SCO Leaders Meet SCO Entrepreneurs," *Xinhua*, June 14, 2006.

⁴⁹ "Text of Hu Jintao Speech at SCO Summit in Moscow," *Xinhua*, May 29, 2003.

“three forces of [terrorism, separatism and extremism]” was the main goal of the organization, the SCO was preparing to enter “a new period of comprehensive cooperation”, axed on regional economic cooperation.⁵⁰ Hence, the image of the two wheels to promote the notion that security and economic cooperation must have equal weight;⁵¹ a narrative which from then on became enmeshed in Chinese discourse on the organization,⁵² equally making its way into official SCO discourse. More concretely, between 2005 and 2009, China has particularly emphasised the following areas:

Business to Business Contacts

China is particularly interested in improving the levels of exchange and cooperation among enterprises and localities of member states. This is especially seen as a step towards the expansion of cross-border trade, and in the specific logic of integrating its Western provinces within a fledgling central Asian economic fabric. Particular attention is given to encouraging enterprises to increase mutual exchanges and make joint efforts to attract investments.⁵³

Trade & Investment Facilitation

The growth of regional and international exchanges was identified as a top priority, and calls for the liberalisation of trade and investment have been repeatedly issued.⁵⁴ Working groups have been formed with the task of identifying bottlenecks and other hurdles preventing the expansion of trade. A key area where Chinese political and financial efforts are especially concentrated is in the field of transport and communication infrastructure. More specifically, China wants to develop the Central Asian road network, and port infrastructure.⁵⁵

⁵⁰ “Wen Jiabao Speaks at 3rd Premier Meeting of SCO Members,” *Xinhua*, September 23, 2004.

⁵¹ “Hu Jintao, Other SCO Leaders Meet SCO Entrepreneurs,” *Xinhua*, June 14, 2006.

⁵² Zhuang Gongbai, “Shanghai Economic Cooperation Is Gradually Shifting To Economic Integration,” *Zhongguo Tongxun She*, November 5, 2007.

⁵³ Xu Song, “Wang Qishan Separately Meets Chiefs of Delegations to the Shanghai Cooperation Organization’s Economic and Trade Ministerial Meeting and EU Trade Commissioner,” *Xinhua*, September 29, 2008; “Chinese Premier Proposes Measures to Boost Economic Cooperation at SCO Meeting,” *Xinhua*, October 26, 2005.

⁵⁴ “SCO pledges to increase economic cooperation to tackle financial crisis,” *Embassy of the People’s Republic of China in Australia’s Official Website*, October 15, 2009 <<http://au.china-embassy.org/eng/xw/t620425.htm>> (April 20, 2010); Xu Song, “Wang Qishan Separately Meets Chiefs of Delegations to the Shanghai Cooperation Organization’s Economic and Trade Ministerial Meeting and EU Trade Commissioner”; Wang Youling, “Ministry of Commerce: Regional Economic Cooperation of SCO Has Made Preliminary Progress,” *Xinhua*, October 20, 2008; “Chinese Premier Proposes Measures to Boost Economic Cooperation at SCO Meeting,” *Xinhua*, October 26, 2005.

⁵⁵ “SCO pledges to increase economic cooperation to tackle financial crisis,” *Embassy of the People’s Republic of China in Australia’s Official Website*, October 15, 2009 <[THE CHINA AND EURASIA FORUM QUARTERLY • Volume 8, No. 4](http://au.china-</p>
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Consolidation of Legal and Institutional Mechanisms

The centrality of building effective and efficient frameworks for the conduct of economic relations within the SCO has been strongly emphasised. A key concern for China is the development of good policies and institutions to boost economic ties.⁵⁶ Other Chinese priorities have included fiscal and financial cooperation (2009),⁵⁷ food safety (2009),⁵⁸ the establishment of a FTA (2005),⁵⁹ the problem of easing funding bottlenecks (2006),⁶⁰ the need for international financial reform in the wake of the world financial crisis (2009),⁶¹ and the establishment of a trade settlement payment system (2009).⁶²

Over recent years, three initiatives have particularly bolstered China's leadership in economic cooperation within the SCO framework. First, the US\$900 million-worth preferential export buyer's credit line to promote multilateral trade which it offered other SCO members in 2004.⁶³ Specifically, such funds served to finance projects in the areas of

embassy.org/eng/xw/t620425.htm> (April 20, 2010); Xu Song, "Wang Qishan Separately Meets Chiefs of Delegations to the Shanghai Cooperation Organization's Economic and Trade Ministerial Meeting and EU Trade Commissioner"; Tao Wenzhao, "Shanghai Cooperation Organization Enters Stage of Pragmatic Development," *Ta Kung Pao*, July 11, 2006; "Chinese Premier Proposes Measures to Boost Economic Cooperation at SCO Meeting," *Xinhua*, October 26, 2005.

⁵⁶ Tao Wenzhao, "Shanghai Cooperation Organization Enters Stage of Pragmatic Development," *Ta Kung Pao*, July 11, 2006; "Chinese Premier Proposes Measures to Boost Economic Cooperation at SCO Meeting," *Xinhua*, October 26, 2005.

⁵⁷ "SCO pledges to increase economic cooperation to tackle financial crisis," *Embassy of the People's Republic of China in Australia's Official Website*, October 15, 2009 <<http://au.china-embassy.org/eng/xw/t620425.htm>> (April 20, 2010).

⁵⁸ "SCO pledges to increase economic cooperation to tackle financial crisis," *Embassy of the People's Republic of China in Australia's Official Website*, October 15, 2009 <<http://au.china-embassy.org/eng/xw/t620425.htm>> (April 20, 2010).

⁵⁹ "Chinese Premier Proposes Measures to Boost Economic Cooperation at SCO Meeting," *Xinhua*, October 26, 2005.

⁶⁰ "Speech by PRC Premier Wen Jiabao at an expanded session of the fifth meeting of the prime ministers of the Shanghai Cooperation Organization member states in Dushanbe, Tajikistan," September 15, 2006; "Chinese Premier Makes Proposals for Enhancing SCO Economic Cooperation," *Xinhua*, September 15, 2006; "SCO Prime Minister's Meeting Highlights Economic, Energy Cooperation," *Xinhua*, September 15, 2006; "SCO Works Out Measures To Deepen Economic Cooperation," *Xinhua*, September 15, 2006.

⁶¹ "SCO pledges to increase economic cooperation to tackle financial crisis," *Embassy of the People's Republic of China in Australia's Official Website*, October 15, 2009 <<http://au.china-embassy.org/eng/xw/t620425.htm>> (April 20, 2010).

⁶² *Ibid.*

⁶³ "Shanghai witnesses China's efforts in SCO progress," *Embassy of the People's Republic of China in Australia Official Website*, June 13, 2006, <http://au.china-embassy.org/eng/xw/t257656.htm> (April 20, 2010); "China offers \$900m in credit loans to SCO members," *SCO Summit's Official website*, June 18, 2004 <http://english.scosummit2006.org/en_china/2004-06/18/content_202.htm> (June 9, 2010);

transport and electric power, which have helped to win the smaller SCO members support for economic cooperation.⁶⁴ Of these, US\$7.5 million went to the construction of the Tajik-Uzbek highway. Additional projects regarded the passenger and commodity transport lines connecting China to other SCO member states.⁶⁵

Second, the 2007 Treaty on Good Neighbourly Relations, which made the object of a Chinese proposal at the 2006 Shanghai Summit.⁶⁶ In China's view, the Treaty represents an effort to enhance "all-round cooperation" in the name of respect and support for "the interests and concerns of all SCO member countries,[the] enhance[ment of] coordination and cooperation on international and regional issues, and consult[ation] on ...major international and regional issues." While the Treaty that ensued has a clear security connotation, it introduces important provisions on economic cooperation within the organization.⁶⁷ China presented a first draft of the Treaty, in September 2006, which was modeled on similar bilateral treaties, which it had previously concluded with Russia, Kazakhstan, and Uzbekistan. Hailed as a milestone in the development of the SCO, the treaty is the first of its kind in the Eurasian region.⁶⁸ The Treaty of Good Neighbourly Relations and Friendly Cooperation was signed at the Bishkek summit.

Thirdly, the US\$10 billion credit facility extended to SCO member states at the 2009 annual Summit in Yekaterinburg, which was largely dedicated to advancing solutions to the international financial crisis.⁶⁹ The sum was meant to fund loans and credits aimed at boosting commercial exchanges among SCO member states.⁷⁰ To that effect, a

"China Offers US\$900 million in Credit Loans to SCO Members," *Xinhua*, June 18, 2004 <<http://arabic.china.org.cn/english/international/98572.htm>> (April 25, 2010).

⁶⁴ "SCO increasingly vigorous with great prospects," *People's Daily*, August 17, 2007 <<http://english.peopledaily.com.cn/90001/90780/6242278.html>> (April 1, 2010); "SCO pays much attention to economic, financial cooperation," *Xinhua*, June 14, 2009 <http://news.xinhuanet.com/english/2009-06/14/content_11540011.htm> (April 1, 2010).

⁶⁵ Twenty-five vehicle ports along its north-eastern and north-western borders link China to other SCO members, including 15 with Russia, 7 with Kazakhstan, and 2 with Kyrgyzstan and 1 with Tajikistan. "China Speeds up Highway Transport with SCO Countries," *Xinhua*, June 15, 2006.

⁶⁶ Ratification of the Treaty by member states begun in 2008.

⁶⁷ "Chinese President Proposes Convention for Neighbourly Relations," *Xinhua*, June 16, 2006 <<http://www.china.org.cn/english/features/meeting/171594.htm>> (June 7, 2010).

⁶⁸ Zhang Tiannan, "The Treaty of Good Neighborly and Friendly Cooperation Marks Important Milestone in Development of Shanghai Cooperation Organization," *Jiefangjun Bao*, 2 July 2008.

⁶⁹ "China offers \$10 billion loan to SCO," *China Daily*, June 16, 2009 <http://www.chinadaily.com.cn/china/2009sco/2009-06/16/content_8289602.htm> (April 23, 2010).

⁷⁰ "China to provide 10-billion-dollar loan to SCO members," *Embassy of the People's Republic of China in the United States*, June 16, 2009 <<http://www.china-embassy.org/eng/xw/t567957.htm>> (April 23, 2010).

series of reciprocal visits by trade and investment promotion delegations completed the package.⁷¹

Russia

As much as China wants greater emphasis to be placed on economic issues within the SCO, Russia instead is interested in boosting the security dimension and related capabilities. This might appear to raise the issue of duplication, given the existence of the Collective Security Treaty Organization (CSTO), where Russia can achieve more immediate results without having to compromise with China. However, it is obvious that each institution serves different interests. For one thing, in Russian foreign policy, the SCO provides a vector for its Asia-Pacific policy,⁷² whereas, the CSTO is more clearly directed at the so-called “CIS space.”⁷³ Besides, Russia’s security agenda for the SCO is more pronouncedly geared to addressing non-traditional security issues. Conversely, the CSTO, as the evolution of the Collective Security Treaty, is more explicitly shaped along the lines of an alliance. Hence, it has formal military structures, featuring a joint command, and is working towards the creation of collective rapid deployment forces. Moreover, through the CSTO, Russia supplies Russian military hardware to the other member states at Russian domestic prices, with a view both to its purse, but also to promote interoperability, also thanks to training programmes for the staff of the member states. The CSTO has a fairly intense operational activity, both in terms of joint exercises, namely through the conduct of the yearly “Rubezh” counterinsurgency exercise, and by the staging of yearly joint missions such as *Kanal* (anti-narcotics), *Arsenal* (weapons), *Proxi* (information crimes), and *Nelegal* (illegal migration).

Moscow’s actions have been consistently directed first towards making the SCO into “a pillar of the global antiterrorist coalition,” by turning it into a realistic coordination centre ensuring active participation of its members; and then into a linchpin of its own security in the Asian region.⁷⁴ This accounts for the fact that development of the SCO is one of the foreign policy priorities of Russia, which has also invoked a SCO partnership initiative against new challenges and threats.⁷⁵

⁷¹ *Ibid.*

⁷² “The Asia-Pacific Multilateral Institutions,” Ministry of Foreign Affairs of the Russian Federation’s Official Website <<http://www.mid.ru/ns-rasia.nsf/moasia>> (May 22, 2010).

⁷³ “Multilateral framework of the CIS,” Ministry of Foreign Affairs of the Russian Federation’s Official Website <http://www.mid.ru/bul_newsite.nsf/kartaflat/02.02.08> (May 22, 2010).

⁷⁴ “Participation in SCO Ensures Russia’s Security in Asian Region,” *ITAR-TASS*, June 6, 2006.

⁷⁵ “Russia’s Putin Hopes SCO to Become Key Part of Antiterrorist Coalition,” *ITAR-TASS*, June 17, 2004.

Though Russia's history of activism in this sector is older, Moscow's programme for the SCO's rotating presidency sure reflected this preference ranking. In September 2009, Russia proposed a partnership initiative against terrorism with the corporate sector, which it saw as a necessary component of anti-terrorism efforts at the national and international levels.⁷⁶ At the SCO Conference on Afghanistan, Russia criticized the fact that international efforts have allowed drug trafficking to become a serious regional scourge for both Russia and Central Asian countries, and renewed its call for a regional approach against terrorism, drug trafficking and organized crime. On this basis, Russia requested that external support to the Afghan authorities be improved and broadened.⁷⁷ In a show of optimism for the role acquired by Russia during its rotating presidency, Deputy Foreign Minister Alexei Borodavkin ostentatiously claimed that Russia had significantly renewed the organization's approach, and to have helped transform the SCO into an important element of the international security architecture of the emerging multipolar world.⁷⁸ More generally, the following are an indicative sample of initiatives brought forward by Russia over the past four years within the SCO framework, suggesting Moscow's emphasis on security.

Afghanistan

After spearheading the formation of the SCO-Afghanistan Contact Group in 2005,⁷⁹ Russia was the driving force behind the Special Conference on Afghanistan held in Moscow, on 27 March 2009. The conference provided the stage to articulate certain policy measures cherished by Russia.

First, it called on the UN to increase coordination with regional organizations like the SCO (and the CSTO), with a view to enhance their involvement in conflict management and reconstruction in Afghanistan, particularly in countering the drug trade.⁸⁰

⁷⁶ "Speech by Minister of Foreign Affairs of Russia Sergey Lavrov at the opening of an international round table 'state terrorism' in Russia's presidency of the Shanghai Cooperation Organization," Moscow, 8 April 2009.

⁷⁷ Transcript of Remarks by Minister of Foreign Affairs of Russia Sergey Lavrov at the opening of a special conference on Afghanistan under the auspices of the SCO, Moscow, March 27, 2009.

⁷⁸ Speech by Borodavkin on scientific and practical conference "Activities of the SCO to counter new challenges and threats in the sphere of regional security," President-hotel, 15 April 2009 <<http://www.mid.ru/ns-rasia.nsf/3a0108443c964002432569e7004199c0/432569d80021985fc325759e00428dci?OpenDocument>> (June 3, 2010).

⁷⁹ The creation of the Contact Group resulted from a proposal by Russian president Vladimir Putin at the 2004 Tashkent Summit. "SCO Summit Held in Tashkent," *Press Service of the President of the Republic of Uzbekistan*, June, 2004 <http://2004.press-service.uz/eng/presa_eng/presa_eng60b.htm> (September 10, 2010).

⁸⁰ "Russia urges UN to raise regional groups' role in Afghanistan," *Ria-Novosti*, March 12, 2008 <<http://en.rian.ru/world/20080312/101189564.html>> (April 6, 2010); "Russia says

Second, it advocated its project to set up “financial security belts” around Afghanistan to be monitored by SCO financial analysts, as a complement to its longstanding concept of “anti-drug security belts,” as a means to counter money laundering.⁸¹ The rationale is to create a shield to block both drug flows from Afghanistan and precursor chemicals entering the country.⁸² With the clear intent of augmenting its leverage, in 2007, Russia succeeded in linking up the SCO and the CSTO. The agreement focuses on cooperation on security matters and Afghanistan in particular.⁸³

Drugs

Since 2004, Russia has pushed the SCO to reach a cooperation agreement on combating the illegal trafficking of narcotics.⁸⁴ Putin has not ceased to call for increased coordination on this front, suggesting this is a particularly acute problem, which also constitutes a key source of financing for terrorists. It is suggested that because the organization’s four Central Asian members represent the main transit route for Afghan heroin it is an especially serious regional threat.⁸⁵ This rationale informs Russia’s vision for anti-narcotics security belts in the region.⁸⁶ Having succeeded in getting the notion on the 2009 Statement and Action Plan of the SCO-Afghanistan Contact Group, Moscow officially presented it to the international community at the 2009 Special conference on Afghanistan, whereby Foreign Minister Sergey Lavrov invited “all concerned states and international organizations” to take part in the implementation of such measures.⁸⁷ Moreover, the SCO-Afghanistan

regional security blocs can help in Afghan drug war,” *Ria-Novosti*, May 26, 2008 <<http://en.rian.ru/russia/20080526/108432896.html>> (April 6, 2010).

⁸¹ “Putin calls for anti money-laundering zone around Afghanistan,” *Ria-Novosti*, August 6, 2007 <<http://en.rian.ru/russia/20070816/71814484.html>> (April 6, 2010); “Putin calls for anti money-laundering zone around Afghanistan,” *Ria-Novosti*, August 16, 2007 <<http://en.rian.ru/world/20070816/71835466.html>> (April 6, 2010).

⁸² “Russian crime envoy urges creation of reliable drug shield,” *Ria-Novosti*, June 26, 2006 <<http://en.rian.ru/world/20060626/50013277.html>> (April 6, 2010).

⁸³ “CSTO proposes to SCO joint effort on post-conflict Afghanistan,” *Ria-Novosti*, 31 July, 2007 <<http://en.rian.ru/world/20070731/70008234.html>> (April 6, 2010).

⁸⁴ Statement by Vladimir Putin, the President of the Russian Federation, at the Enlarged Meeting of the Council of the Heads of State of the Shanghai Cooperation Organization, Tashkent, June 17, 2004.

⁸⁵ “Putin urges SCO defence agencies to step up anti-terror fight,” *Ria-Novosti*, June 15, 2006 <<http://en.rian.ru/russia/20060615/49513116.html>> (April 6, 2010).

⁸⁶ Russia’s president had urged the formation of an SCO anti-drug body at the 2006 summit. See: “Putin urges SCO defence agencies to step up anti-terror fight,” *Ria-Novosti*, June 15, 2006 <<http://en.rian.ru/russia/20060615/49513116.html>> (March 29, 2010).

⁸⁷ Transcript of Remarks by Minister of Foreign Affairs of the Russian Federation Sergey Lavrov at the Opening of the Special Conference on Afghanistan under the Aegis of the SCO, Moscow, March 27, 2009 <http://www.un.int/russia/new/MainRoot/docs/off_news/270309/newen5.htm> (June 9, 2010).

Contact Group agreed to set up a regional anti-narcotics centre,⁸⁸ having already encouraged the activation of cooperation channels at the level of anti-drug agencies with the aim of eventually arriving at the conduct of joint operations, personnel training, and the harmonization of legislation.⁸⁹ This follows Russia's proposal to develop a strategy and a joint action plan against drug trafficking, as well as a coordinating mechanism of public security ministries for the conduct of anti-drug activities.⁹⁰

Information Security & Satellite Technology

Consideration of International Information Security (IIS) issues in the SCO framework is another Russian initiative. In 2006, after having the SCO heads of state meeting draw up a statement on the matter, Russia orchestrated the creation of a Special Working Group on IIS, which held its first meeting in Beijing later in the year, unanimously appointing a Russian expert as its head. The group's initial task was to formulate an action plan on international information security and to outline an IIS response for the SCO.⁹¹ Russia has also coordinated efforts to draft a framework agreement on information security in the SCO space.⁹² In 2008, President Putin proposed to broaden cooperation in the space industry, indicating the development of a draft program on the practical usage of communication, navigation and distant probing space systems as an initial focus.⁹³ To be sure, a Russo-Chinese cooperative project for the development of a joint satellite communication system for the SCO

⁸⁸ "The Main Points of the Speech of Russian Minister of Foreign Affairs Sergey Lavrov at the 'International Conference on Afghanistan: a Comprehensive Strategy in a Regional Context, The Hague, 31 March 2009,'" *Ministry of Foreign Affairs of the Russian Federation Information and Press Department*, April 7, 2009 <http://www.un.int/russia/new/MainRoot/docs/off_news/070409/newen1.htm> (June 9, 2010).

⁸⁹ "Speech of the President of the Russian Federation Vladimir Putin on the Session of the Shanghai Cooperation Organization Council of Heads of State and at the Expanded Session of the Shanghai Cooperation Organization (SCO) Council of Heads of State," *Embassy of the Russian Federation in Canada's Official Website*, 17 August, 2007 <www.rusembcanada.mid.ru/pr2007/044.html> (January 20, 2010).

⁹⁰ "Dmitry Medvedev's Speech at a Meeting of the Council of Heads of State of the Shanghai Cooperation Organization (SCO), Dushanbe," *Ministry of Foreign Affairs of the Russian Federation Information and Press Department's Official Website*, August 28, 2008 <http://www.un.int/russia/new/MainRoot/docs/off_news/280808/newen3.htm> (June 2, 2010).

⁹¹ "Main Events of SCO Secretariat in 2006." *Shanghai Cooperation Organization Official website*, 2006.

⁹² "Leonid Moiseyev: His place in the world architectonics of the SCO has already taken," *ITAR-TASS*, April 24, 2009.

⁹³ "Russia to Boost Cooperation in Space Industry within SCO – Putin," *ITAR-TASS*, October 30, 2008.

member countries is in place, which ensued from that early proposal under the coordination of the Russian Federal Space Agency.⁹⁴

Security Aspects of Migration

Since Russia is the destination of choice for a great number of Central Asian migrants, Moscow has spearheaded the formation of an expert group. The group covers issues ranging from the fight against illegal migration, to the regulation of migration flows, particularly in connection with workforce requirements. This interdepartmental group, which brings together representatives of the SCO Foreign Ministries, Ministries of Internal Affairs, and the Business Council, is responsible for formulating conceptual approaches to the problem which is acquiring an increasingly central place in the organization's economic agenda.⁹⁵

Terrorism and Asymmetric Threats

In the wake of the success of the *Peace Mission 2007* exercise, Russia encouraged the Bishkek Summit to further institutionalize training operations.⁹⁶ Then, during its presidency, Russia worked towards a number of security goals. One of these goals was to improve the effectiveness and boost the coordinating role of the RATS anti-terrorist body to carry out its programme to counter terrorism, separatism and extremism. Another was to broker an initiative to hold regular meetings of SCO Interior Ministers, in an effort to coordinate the fight against cross-border criminal activity, money-laundering, human trafficking and illegal migration. Russia also convened a joint session of special and law enforcement service chiefs at the FSB's special operations center, and a meeting to address cooperation between special operations forces in response to terrorist threats and hosted a hostage-release exercise.⁹⁷ Measures targeting the situation in Afghanistan are also part of Russia's counter terrorism strategy centered on its plan to form a counter-terrorism security belt around the country. Additionally, Russia sought the cooptation of the corporate sector in the fight against terror,⁹⁸ and supported a variety of academic and "track 2" initiatives, dedicated to

⁹⁴ "Satellite Communications System to be Set up for SCO," *Interfax*, July 10, 2009;

"China to Create SCO Space System, Explore Moon, Mars – Perminov," *ITAR-TASS*, July 19, 2009.

⁹⁵ "Leonid Moiseyev: the SCO has already taken its place in the world architectonics," *ITAR-TASS*.

⁹⁶ "SCO Summit in Bishkek Most Productive- Lavrov," *Interfax*, August 16, 2007.

⁹⁷ "SCO security services adopt anti-terror cooperation program," *The Lift: Legal Issues in the Fight against Terrorism*, March 30, 2009 <<http://legalift.wordpress.com/2009/03/30/sco-security-services-adopt-anti-terror-cooperation-program/>> (May 24, 2010).

⁹⁸ "Russian Foreign Minister addresses State Versus Terrorism roundtable," *Russia's Presidency of the Shanghai Cooperation Organization Official Website*, April 13, 2009 <<http://en.sco2009.ru/news/20090413/8282.html>> (June 1, 2010).

discussing terrorism and other security aspects. Russia has coordinated the elaboration of the SCO draft convention against terrorism, adopted at the 2009 SCO summit.

Conclusion

Observers of regional affairs have, in the early years of the still-fledgling process of institutionalization of regional security governance in Central Asia, repeatedly argued that the emergence of regionalism was unlikely and the prospects for regional cooperation were grim,⁹⁹ because of the competitive agendas of the major powers involved in the region.¹⁰⁰ A similar prognosis seemed to affect the SCO, where competitive dynamics were exacerbated by the simultaneous presence of two such powers, China and Russia. While it is, needless to say, still too early to make predictions for the future, should our argument be confirmed, recent trends in the institution's existence may now challenge such expectations. This is in spite of the numerous difficulties that still plague the institution, as highlighted at several points in the text. Namely, serious implementation problems remain which pose a hurdle to effective cooperation, both in the security and economic spheres. In this regard, the SCO has certainly been more successful at generating normative discourse than carrying out cooperation.

The expansion of the economic pillar may announce a new phase of closer and denser relations, by shifting gears from a purely geopolitical and "high politics" focus on security, to integration driven by economic, social and cultural cooperation. Though the admission of new members is still pending, the breakthrough made on membership enlargement signifies that the frictions of the past have been overcome. The alleviation of major influence and power competition between the two larger states, through an incipient 'division of labour' if confirmed over time, indicates the credibility of the Shanghai Spirit as a plausible ordering principle for the region based on the reconciliation of interests and a non-confrontational approach to international relations, and a mechanism for the long term coexistence of China and Russia and the further development of the organization.

⁹⁹ S. Neil MacFarlane, "The United States and regionalism in Central Asia," *International Affairs* 80, 3 (2004), pp. 447- 461; James Sperling, "Eurasian security governance: new threats, institutional adaptations," in James Sperling, Kay, S. & Papacosma, V. (Eds) *Limiting Institutions? The Challenge of Eurasian Security Governance* (Manchester: Manchester University Press, 2003).

¹⁰⁰ Sean Kay, "Geopolitical Constraints and Institutional Innovation: the Dynamics of Multilateralism in Eurasia," in James Sperling, Kay, S. & Papacosma, V. (Eds) *Limiting Institutions? The Challenge of Eurasian Security Governance* (Manchester, Manchester University Press, 2003).

In light of the recent decision to open membership applications to states in the broad Asia-Pacific area, hence moving beyond the immediate Central Asian region, we should therefore expect the SCO to effectively develop as an all-round integration project. While this might somehow dilute the relative influence of the two principal states, and whereas the admission criteria for new members confirm the organization's stance of non-confrontation and non-alignment, it appears that the SCO is destined to acquire an ever greater geopolitical weight.

Sino-Indian Trade Relations and the Ongoing Border Dispute

David A. Anderson and Isabel Geiger *

ABSTRACT

This study investigates how border tensions between China and India have affected the economic relationship and the political partnership between these two countries over the last 50 years. China and India have been at odds over their borders since the initial establishment of the McMahon line in 1914. Since the Sino-Indian War in 1962, mistrust and disputes regarding the actual border have reigned, seemingly affecting the relationship at all levels. In spite of enduring political tensions, an economic relationship has blossomed to the point that China is now India's largest trading partner. While bilateral trade is expected to top US\$60 billion in 2010-11 ending March 31, according to latest official estimates, and is likely to continue to increase, the border issue remains virtually unchanged from 50 years ago. Although economically lucrative Sino-Indian relations are riper for competition than cooperation, the border dispute has become increasingly problematic for both parties.

Keywords • Sino-Indian border dispute • Sino-Indian Trade Relations • McMahon Line

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Introduction

“Economic ties between India and China are rapidly emerging as one of the most important bilateral relationships in the world.”¹

China and India make up more than one-third of the world’s population and an ever-increasing portion of the world’s gross domestic product. These two rising nations’ growing, interdependent economies are a major stabilizing force in an otherwise complex and fragile relationship—one highlighted by a fifty-year old border dispute that in the past has caused their economic partnership to wane and even cease. This territorial dispute has lingered for too long. Although both countries are currently willing to overlook their border differences in the interest of economic gain, the delay in resolving this issue has the potential to backfire in the near future. The purpose of this paper is to bring to light the historical background shaping the dispute, highlight possible reasons for the lack of progress, and identify the likely outlook if left unresolved.

The Geography of the Border Despite

China and India have been at odds over their border since the British drew a line separating the two nations. The Chinese never accepted the legal boundary established in 1914 by Britain’s Sir Arthur Henry McMahon, known as the McMahon Line. In fact, China and India are “the only countries in the world not separated by a mutually defined frontline.”² The border dispute in these remote and sparsely populated areas is less grounded in geographic strategic advantage than irredentism.

The area that is the primary source of the Sino-Indian border dispute is that of Arunachal Pradesh. This territory is currently under the *de facto* control of India.³ Some experts believe that when McMahon created the line, he pushed Indian control north of the customary line by 100 km, which equates to approximately 90,000 sq. km. of territory, allegedly then under Chinese jurisdiction but now belonging to India.⁴ Others talk of two borderlines between India and China, the conventional border and a

¹ Anil K. Gupta, “The future of India-China trade,” *Economic Times*, January 14, 2008 <http://economictimes.indiatimes.com/View_Point/The_future_of_India-China_trade/articleshow/2697720.cms> (April 9, 2010).

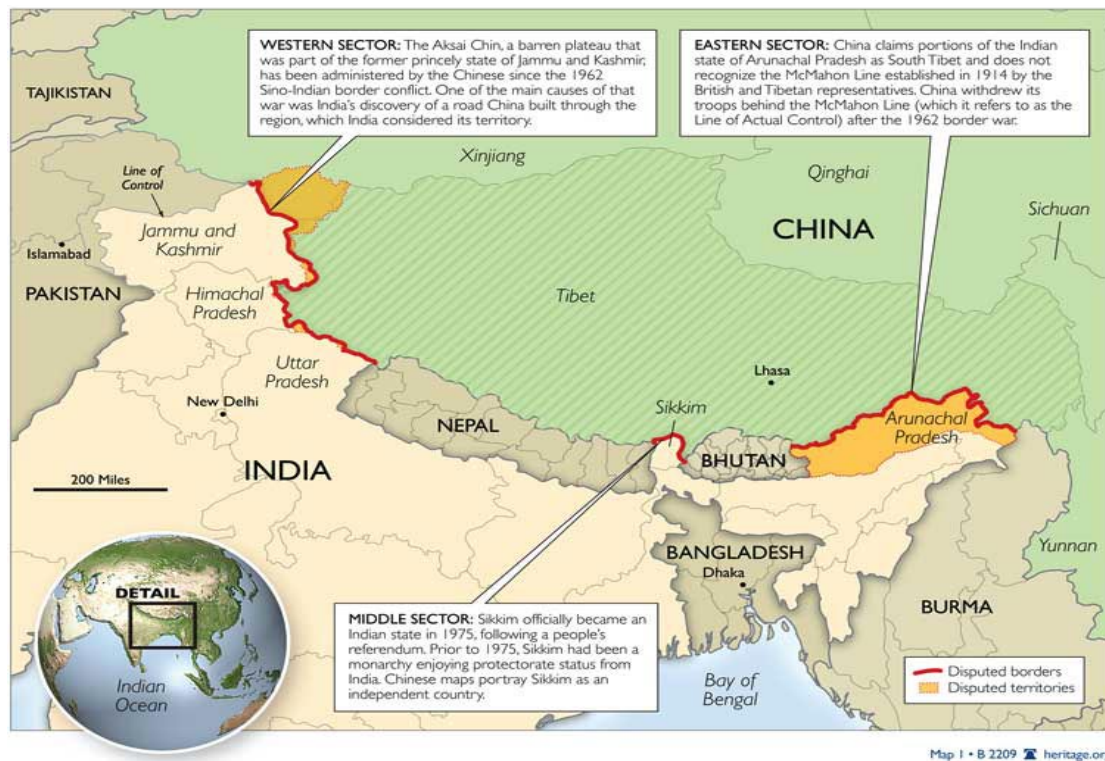
² Brahma Chellaney, “Will India-China border Talks Ever End?” *Japan Times*, July 3, 2006 <<http://search.japantimes.co.jp/cgi-bin/eo20060703bc.html>> (April 9, 2010).

³ “Indo China Timeline,” *Rediff India Abroad* <<http://www.rediff.com/news/chtime.htm>> (May 3, 2010).

⁴ *Ibid.*

Line of Actual Control (LAC). The conventional border (customary line) existed before the modern era and followed the traditional movement of government and people in the region. The Line of Actual Control is the basis for India's stance.⁵

Map 1. Disputed Borders Between India and China.



Source: Lisa Curtis, "U.S.-India Relations: The China Factor," The Heritage Foundation, November 25, 2008, <<http://www.heritage.org/Research/Reports/2008/11/US-India-Relations-The-China-Factor>> (December 15, 2010).

Although not nearly as large as Arunachal Pradesh, there are two other border areas under dispute. The disputed territory of Aksai Chin in Eastern Kashmir, which is nearly 30,000 sq. km. in size and located in the so called "Western Sector" at the interchange of the Western parts of Xinjiang and Tibet regions. This territory is within the framework of the traditional and customary borderline and is under China's control.⁶ A little further southeast, in the so-called "middle sector", exists the Indian state of Sikkim. It is approximately 2,000 sq. km. of land located northwest of the China-Nepal region and is also under dispute. The total

⁵ *Ibid.*

⁶ D S Rajan, "An Inside Account of Sino-Indian border," *Rediff India Abroad*, June 16, 2008 <<http://www.rediff.com/news/2008/jun/16guest.htm>> (April 9, 2010).

disputed boundary area is equal to approximately 125,000 sq. km. of land⁷ (see Map 1).

Since the 1950s, the Chinese have aggressively contested India's ownership of the Aksai Chin region of India. In the 1960s, China even constructed a main transportation route across Aksai Chin connecting China's Xinjiang-Uyghur Autonomous Region with Tibet.⁸ Issues such as these led to a number of military skirmishes and mounting tensions between the two nations. After a number of smaller military attacks into the disputed area of Aksai Chin, on October 20, 1962, Chinese forces launched a massive, multi-pronged attack. After 30 days of fighting, China declared a unilateral ceasefire along the entire border and announced the withdrawal of its troops to 20 km. behind the LAC.⁹ Border tensions between India and China have ebbed and flowed since the Sino-Indian war of 1962, mostly in tune with the economic situation between the two countries. The recovery from the conflict has been slow and fraught with tension and mistrust.

Political Talks and Economic Engagement: 1950s to 2000s

1950s

On April 1, 1950, China and India first established diplomatic relations, when India appointed Sardar Kavalam Madhava Panikkar as the first Ambassador to China. Diplomatic relations were still relatively new in China. At that time, India was only the second non-socialist country to establish diplomatic relations with China.¹⁰

Few years in Sino-Indian relations would be as fruitful as 1954. Progress was made on a host of political and economic issues, which produced signed agreements, to include documents on improving trade and diplomatic relations. On April 29, 1954, Chinese Premier Zhou Enlai and Prime Minister Jawaharlal Nehru signed the "Sino-Indian Agreement on Trade and Intercourse between India and the Tibet region of China" in Beijing.¹¹ The arrangement was for an eight year period with mutual renewal options. On May 15, 1954, Zhou and Nehru exchanged visits and jointly initiated the famous "Five Principles of Peaceful Coexistence."¹² They were:

⁷ *Ibid.*

⁸ Library of Congress Country Studies; "India"; <http://lcweb2.loc.gov/cgi-bin/query/D?cstdy:3:./temp/~frd_l1rx> (November 15, 2010).

⁹ "Indo China Timeline".

¹⁰ "India-China Economy - Trade Relations," *Economy Watch* <http://www.economywatch.com/world_economy/china/indo-china-trade-relations.html> (April 9, 2010).

¹¹ "Indo China Timeline".

¹² *Ibid.*

1. Mutual respect for one another's territorial integrity and sovereignty;
2. Mutual non-interference in each other's internal affairs;
3. A mutual commitment to non-aggression against each other;
4. Equality and mutual benefit;
5. Peaceful coexistence.¹³

However, the 1954 agreement did not resolve the border issues. Warming relations reached the international stage when Nehru welcomed China as a new Asian nation at the 1954 Geneva Conference.¹⁴ Furthermore, India pushed the UN to accept the People's Republic of China as a member. In September 1954, India expressed its regret to the General Assembly when the People's Republic of China's admittance was postponed.¹⁵ On October 14, 1954, Nehru and Zhou signed a second Sino-Indian trade agreement in Beijing, establishing the Sino-Indian Friendship Associations in both countries. This two-year agreement outlined the goods authorized for trade. It was later followed by Zhou's inaugural visit to India, where he also stressed the Five Principles of Peaceful Coexistence. Because of these newly established trade arrangements, Sino-Indian trade increased from US\$4.4 million in 1953 to US\$6.9 million in 1954, and from US\$19.7 million in 1955 to US\$25.5 million in 1956.¹⁶ A third trade agreement was signed May 25, 1957, which extended the previous agreement to December 31, 1958.¹⁷

Although Nehru, Zhou, and their representatives did their best to promote positive relationships, the second half of the 1950s saw tensions heightened between the two countries. Sources of tension included China redrawing its official map to include the most northern frontier of India in 1955, India's official opposition to China's inclusion of a large portion of Northern Assam and the Northeast Frontier Area (NEFA), and the detention of Chinese nationals who illegally entered the Indian province of Ladakh.¹⁸ Finally, India granted asylum to the fleeing Dalai Lama March 31, 1959 angering the Chinese¹⁹ who suspected India of aiding Tibetan rebels, causing the deteriorating situation in Tibet.²⁰ The situation continued to escalate to the point in 1959, that soldiers on both

¹³ James Barnard Calvin, "The China-India Border War (1962)," *Marine Corps Command and Staff College* (April 1984), p. 15.

¹⁴ "Indo China Timeline".

¹⁵ *Ibid.*

¹⁶ Paul Smoker, "Sino-Indian Relations: A Study of Trade, Communication and Defence," *Journal of Peace Research* 1, 2 (1964), p. 67.

¹⁷ *Ibid.*, p. 67.

¹⁸ "Indo China Timeline".

¹⁹ *Ibid.*

²⁰ Calvin, "The China-India Border War (1962)," p. 17.

sides of the border exchanged gunfire resulting in the capture and eventual killing of Indian soldiers by the Chinese. Fruitless diplomatic exchanges addressing the border dispute took place throughout the second half of the decade. The impasse was over the fundamental starting point for negotiations. India saw it as the McMahon Line, while China saw it as the actual position on the ground. Although the Sino-Indian Agreement on Trade and Intercourse between India and the Tibet region of China remained in effect, mounting tensions and the rattling of sabers were derailing economic progress.

1960s

The situation going into 1960 intensified at a rapid pace, with both countries conducting incursions into the other's territory, while Nehru created the so-called "Forward Policy". The Forward Policy established military posts in Ladakh, so India would have a means to retake territory lost to Chinese attacks if it sought, as well as to deter further Chinese aggression.²¹ This action incensed the Chinese and was one of the leading factors in increasing tensions. In June of 1962, as both countries rejected demands for withdrawals of the other's forces, subsequent political tensions affected their economic relationship, and the Sino-Indian Agreement on Trade and Intercourse between India and the Tibet region of China collapsed.²² Trade was reduced to a mere US\$3.6 million, a figure significantly lower than the pre-agreement period.²³

After the Indo-Chinese war during the fall of 1962, tensions remained high throughout the 1960s. Contributing to this strained environment was the emergence of a Sino-Pakistan alliance, military and economic aid provided to India by Russia and the U.S., and China's self-imposed isolation during the "Cultural Revolution" (1966-1969).²⁴ By the end of the "cultural revolution", China began a more open and engaging foreign policy. India soon saw this as an opportunity to re-engage China. As such, in January 1969, India indicated a desire to re-establish relations with China under the "principle of mutual respect of each other's sovereignty and territorial integrity and non-interference in internal affairs."²⁵

²¹ "Indo China Timeline".

²² *Ibid.*

²³ Paul Smoker, "Sino-Indian Relations: A Study of Trade, Communication and Defence," p. 68.

²⁴ Bhim Sandhu, "Sino-Indian Relations-1947 to Present: From Conflict to Cooperation," *Society for South Asian Studies* (2008), p. 19.

²⁵ "Indo China Timeline".

1970s

In 1970, an Indian olive branch was carried forward, and informal diplomatic contacts between India and China were made. Subsequently, both countries made failed attempts at jumpstarting formal dialogue. However, by 1976, the two nations did restore the 15-year void in ambassadorial-level diplomatic ties. This led to a 1979 visit to China by India's Foreign Minister Atal Bihari Vajpayee, making it the first high-level visit between the two countries since 1960.²⁶ This period also marked the implementation of economic reforms in China, including an outward orientation. So significant was the event that Chinese Premier Deng Xiaoping touted it as the second revolution, the first being the 1949 political liberation of China.²⁷ In light of China's economic reorientation, India took major steps toward the liberalization of its economic policy.²⁸ By the end of the decade, China moderated its pro-Pakistan position on Kashmir and on the issue of India's absorption of Sikkim. China also agreed to reopen discussions regarding the border dispute and trade officially resumed.²⁹ Virtually no Sino-Indian trade had been occurring since 1960, (US\$2.5 million in 1977),³⁰ these monumental events facilitated greater bilateral trade between these two neighbors. Economic liberalization also nurtured a "warming peace" between the nations as well as promoted peace along their periphery. In the 1990s, subsequent steps were taken by both nations to further liberalize their respective economies leading to greater bilateral trade and their eventual entrance into the World Trade Organization (WTO).

1980s

At the beginning of this decade, virtually no trade was taking place between China and India.³¹ By the end of 1980, US\$96 million in bilateral trade had taken place.³² In 1981, Chinese Foreign Minister Huang Hua visited India. An outcome of the visit was a commitment to hold annual Vice-Minister level dialogue between the two countries to address the border dispute. Three years later, warming relations led to India's

²⁶ "India-China Economy - Trade Relations".

²⁷ Amardeep Athwal, *China-India Relations: Contemporary Dynamics*, (London: Routledge, Taylor & Francis Group, 2008), p. 78.

²⁸ "Report of the India-China Joint Study Group on Comprehensive Trade and Economic Cooperation," 2005 <<http://www.hinduonnet.com/thehindu/nic/0041/report.pdf>> (November 16, 2010).

²⁹ Gillian Goh Hui Lynn, "China and India: Towards Greater Cooperation and Exchange," *China: An International Forum* 4, 2 (September 2006), p. 8.

³⁰ Goh, "China and India: Towards Greater Cooperation and Exchange," p. 31.

³¹ Bhartenda Kumar Singh, "Sino- Indian Trade: Present Tense, Future Perfect?" *Institute of Peace and Conflict Studies* (New Delhi) 99 (April 2009).

³² Douglas H. Brooks and Benno Ferrarini, "Changing Trade Costs between People's Republic of China and India," *Asian Development Bank*, No. 203, (May 2010), p. 7.

Commerce Secretary Abid Hussain signing a Most Favored Nation Agreement with China's Vice-Minister Lu Xue Jian,³³ while disagreements over the McMahon line and Chinese condemnations over the inclusion of the Arunachal Pradesh as a state of the Indian Union persisted. When China built a military post along the China-India border in 1986, India responded by making Arunachal Pradesh an Indian state in 1987, resulting in both countries deploying troops to the border. Cooler heads subsequently prevailed.³⁴ India's Prime Minister Rajiv Gandhi sent Purshottam Narayan Haskar, a renowned Indian political strategist to China as his special envoy to engage high-level leaders in discussion to circumvent any further escalations of tensions over border issues. A year later, Gandhi visited China, further signaling India's desire for warmer relations. The outcome of Gandhi's visit was a joint statement emphasizing the necessity to restore friendly relations based on the Panchsheel agreement (Five Principles of Peaceful Coexistence) first established in 1954. This was the first visit to China by an Indian prime minister since Nehru's visit in 1954.³⁵ Eight rounds of Sino-Indian border talks occurred between December 1981 and November 1987 without any successful outcome.³⁶

In a joint press announcement issued on December 23, 1988, following Gandhi's visit, there was little mention of political differences. The communiqué released stated:

“The Chinese side expressed concern over anti-China activities by some Tibetan elements in India. The Indian side reiterated the long-standing and consistent policy of the Government of India that Tibet is an autonomous region of China and that anti-China political activities by Tibetan elements are not permitted on Indian soil.”³⁷

The visit by Gandhi is often identified as a substantive turning point, or break-through, in India-China relations. Gandhi's visit also led to the broadening of bilateral efforts in pursuit of a “mutually acceptable solution to the border dispute.”³⁸ Just over a year later, Gandhi again visited China and agreed to set up a Joint Working Group to discuss the boundary issue. In addition, he also signed an Economic Relations, Trade,

³³ Christopher J. Rusko and Karthika Sasikumar, “India and China: From Trade to Peace?” *Asian Perspective* 31, 4 (2007).

³⁴ Goh, “China and India: Towards Greater Cooperation and Exchange,” p. 8.

³⁵ Amit Baruah, “Taking a New Road,” *Frontline*, July 5-18, 2003

<<http://www.thehindu.com/fline/fl2014/stories/20030718006900400.htm>> (April 30, 2010).

³⁶ Goh, “China and India: Towards Greater Cooperation and Exchange,” p. 8.

³⁷ *Ibid.*

³⁸ “India-China Economy - Trade Relations”.

Science and Technology Joint Group agreement. This Ministerial level India-China arrangement was created to discuss extensive trade-related issues to facilitate mutual trade and commerce.³⁹

In spite of the signing of the Most Favored Nation agreement between China and India, by the end of the decade bilateral trade was only US\$190 million.⁴⁰ This low trade figure is a reflection of the on-going border dispute and the deepening of Sino-Pakistani relations, which included the transfer of equipment and technology by China to Pakistan in support of Pakistan's nuclear weapons and ballistic missile programs.⁴¹

1990s

The 1990s was a decade of immense progress on both the political and the economic front. Historic border dispute rhetoric waned during this period. China and India reestablished their relations at the highest levels and foundations were reworked for improving relations. Between 1988 and 1993, six rounds of border talks were conducted.

In 1991, after a 31-year absence of a top-level visit, Chinese Premier Li Peng visited India and promised to resolve the boundary issue through friendly dialogue. Indian President Ramaswamy Venkataramanan reciprocated and continued the top-level dialogue with a visit to China in May 1992.⁴²

In July 1992, border trade resumed after being closed for 31 years and a consulate reopened in Bombay that December. In June 1993, a consulate in Shanghai opened and both sides set in motion the establishment of a second border trading post.⁴³ During Indian Prime Minister P.V. Narasimha Rao's visit to China in September 1993, he signed agreements on Border Peace and Tranquility and assisted in the establishment of the India-China Expert Group of Diplomatic and Military Officers to assist in advancing the agreement.⁴⁴

In 1994, Indian Vice President, K. R. Narayanan, also visited China.⁴⁵ China rewarded India for this visit by refusing to support Pakistan, an important Chinese ally, at the Human Rights Commission on alleged human rights violations in Kashmir. Just a year later, in a show of improved relations, India and China agreed to pull back troops stationed

³⁹ Athwal, *China-India Relations: Contemporary Dynamics*, p. 78.

⁴⁰ Rusko and Sasikumar, "India and China: From Trade to Peace?" p. 101.

⁴¹ Lisa Curtis, "U.S.-India Relations: The China Factor," The Heritage Foundation, November 25, 2008 <<http://www.heritage.org/Research/Reports/2008/11/US-India-Relations-The-China-Factor>> (December 15, 2010).

⁴² *Ibid.*

⁴³ Goh, "China and India: Towards Greater Cooperation and Exchange".

⁴⁴ "Indo China Timeline".

⁴⁵ Goh, "China and India: Towards Greater Cooperation and Exchange".

in the Sumdorong Chu Valley of Arunachal Pradesh.⁴⁶ India and China also arranged for annual diplomatic consultations between their foreign ministers to form a ministerial level committee to address economic and scientific cooperation and a working group to address the border issue.⁴⁷ These arrangements were intended to seek a political solution to the border issue in order to accommodate “their long-term interests and overall bilateral relationship.”⁴⁸ Two years later, Chinese President Jiang Zemin visited India. During his visit he separated China’s Pakistan policy from its India policy, and signed an agreement on military Confidence Building Measures (CBM) to further diffuse the situation along the LAC in the India-China border areas.⁴⁹

In 1998, Sino-Indian relations quickly took a turn for the worse when India conducted several nuclear tests while at the same time pursuing talks with China on the reopening of the Ladakh-Kailash-Mansarovar route, an important pilgrimage route to one of Hindu’s most sacred shrines. China interpreted India’s nuclear device testing (Pokhran II) as a coercive act, a means of executing its Chinese containment policy, and an attempt to intimidate it over their border dispute [emphasis added].⁵⁰ This perception was reinforced by a comment made by Indian Defense Minister George Fernandes when he stated that China was India’s number one threat.⁵¹ China subsequently stated that Pakistan’s nuclear testing was a natural response to India’s hegemonic aggression.⁵²

2000s

During 2003, China and India reached ten agreements and a Declaration on Principles for Relations and Comprehensive Cooperation.⁵³ In June 2003, Chinese Premier Wen Jiabao invited India’s Prime Minister, Vajpayee, to visit China. The two leaders recognized their mutual interest in improving dialogue and openly promised to “... build a long-term constructive and cooperative partnership to peacefully promote their mutual political and economic goals without encroaching upon their good relations with other countries.”⁵⁴⁵⁵ During the visit, Vajpayee spoke

⁴⁶ “India-China Economy - Trade Relations”.

⁴⁷ *Ibid.*

⁴⁸ Sandhu, “Sino-Indian Relations-1947 to Present: From Conflict to Cooperation,” p. 23.

⁴⁹ Chellaney, “Will India-China border Talks Ever End?”

⁵⁰ Goh, “China and India: Towards Greater Cooperation and Exchange,” p. 11.

⁵¹ *Ibid.*

⁵² Mona Lisa D. Tucker, “China and India: Friends or Foes?” *Air and Space Power Journal* 17, 3 (2003).

⁵³ Baruah, “Taking a New Road”.

⁵⁴ Raviprasad Narayanan, “India’s Foreign Policy Towards China: The NDA Experience-Dominant Issues in Sino-Indian Relation,” *Harvard Asia Quarterly* VII, 4 (Autumn 2003).

⁵⁵ “Background Notes: India,” *U.S. Department of State* <<http://www.state.gov/r/pa/ei/bgn/3454.htm>> (April 9, 2010).

of establishing high-level special representatives to address the border dispute: "We should focus on the simple truth that there is no objective reason for discord between us and neither of us is a threat to the other."⁵⁶ Establishing high-level special representatives was of great significance. It acknowledged the ineffectiveness of foreign secretary level talks that took place in the 1980s and the 15 rounds of talks held by the Joint Working Group (JWG),⁵⁷ particularly over the demarcation of the border.⁵⁸

Of primary importance to India was the inclusion of a memorandum signed on expanding border trade. Another major outcome from Vajpayee's visit was an agreement to coordinate their World Trade Organization (WTO) strategies in support of their mutual interests as well as those of other developing countries. Both countries are inimitably well-positioned for bilateral collaboration since they share so many similar trade-related interests. During the visit, India's Vajpayee's also was unambiguous about India's position on the Tibet Autonomous Region belonging to the China, stating that India would not allow "...Tibetans to engage in anti-China political activities within India."⁵⁹ His comments were a reiteration of earlier comments made by (then) Prime Minister Gandhi back in December 1988. China subsequently acknowledged the trade route through the Nathu La Pass to the previously contested Indian state of Sikkim, "implicitly recognizing it as part of India."⁶⁰ This visit also included the leaders' direction for special envoys to conduct border talks in order to find a "political solution" to the boundary issues vice using historical or legal claims. India indicated its willingness to forego claims to Aksai Chin in Ladakh hoping that China would relinquish its claim to Arunachal Pradesh and accept the McMahon Line.⁶¹ China did not respond in kind. It later became clear that China wanted the Tawang district in Arunachal Pradesh ceded to China in order to accommodate Tibetians making pilgrimages to this site. India declined the demand reiterating its position that "any areas with settled populations would be excluded from territorial exchanges."⁶²

In June 2005, Chinese Premier Wen Jiabao visited India. He used the visit to announce a plan to finalize an agenda for the development of

⁵⁶ Baruah, "Taking a New Road".

⁵⁷ Goh, "China and India: Towards Greater Cooperation and Exchange".

⁵⁸ Tucker, "China and India: Friends or Foes?," p. 70.

⁵⁹ *Ibid.*

⁶⁰ Curtis, "U.S.-India Relations: The China Factor".

⁶¹ Mohan Malik, "India-China Competition Revealed in Ongoing Border Disputes," *Power and Interest News Report*, October 9, 2007

<<http://www.gees.org/documentos/Documen-02608.pdf>> (April 30, 2010).

⁶² Curtis, "U.S.-India Relations: The China Factor".

India-China trade and economic cooperation for the next five years.⁶³ Wen's visit also led to an 11 point framework that both countries special representatives would use hence forth in conducting border negotiations. The details of the framework signify a positive progression from a legal-historical approach to a purely political approach.⁶⁴

"The territorial accord commits India and China to resolving their border dispute peacefully. Any settlement would cover the entire border, parts of which are not demarcated. The accord implied that China and India eventually would keep the territories they control. For the first time, we are getting indications of a resolution."⁶⁵

In July 2006, in a very symbolic showing of improved ties and ability to look beyond the political to the economic, the two countries opened the Nathu La Pass (the famed Silk Road) to bilateral trade for the first time in more than 40 years. In November 2006, Chinese President Hu Jintao made an official state visit to India further cementing Sino-Indian relations. Seizing the opportunity to build on increasing economic activity, the two countries agreed upon expanding collaboration in areas where they had typically been portrayed as rivals, such as energy, security and defense. The year 2006 was also highlighted by the development of a framework for establishing political parameters and guiding principles for border talks.⁶⁶

In 2007, both countries released a report saying that a Free Trade Agreement (FTA) between the two countries was feasible. However, this report caused many Indian industrial lobby groups, such as the Federation of Indian Chambers of Commerce and Industry (FICCI), to voice their opposition to a China-India free trade agreement, as they believe that reductions in tariffs will harm Indian industry.⁶⁷

In January of 2008, Prime Minister Manmohan Singh met Chinese President Hu Jintao in Beijing. The two leaders, like many of their predecessors, vowed to promote relations at the highest level and to

⁶³ Sonal Joshi, "China-India Free Trade Agreement (FTA) can be the most significant event of this decade - China pushes for FTA," *India Daily*, March 25, 2005 <<http://www.indiadaily.com/editorial/2040.asp>> (April 10, 2010).

⁶⁴ Manoranjan Mohanty, "Panchsheel Partners: India and China Make A New Beginning," Conference Paper, *Third High-Level Conference on Building a New Asia: Towards an Asian Economic Community* September 15-16, 2005, Taiyuan, P.R. China <http://www.ris.org.in/china_manoranjan_mohanty.pdf> (November 23, 2010).

⁶⁵ Sandhu, "Sino-Indian Relations-1947 to Present: From Conflict to Cooperation," p. 24.

⁶⁶ Pallavi Aiyar, "China, India: No ground given in border talks," *Asia Times Online*, June 27, 2006 <<http://www.atimes.com/atimes/China/HF27A01.html>> (April 9, 2010).

⁶⁷ "India: Bilateral and Regional Trade Agreements," *Focus on the Global South* <<http://focusweb.org/india-bilateral-and-regional-trade-agreements-an-update.html>> (April 30, 2010).

increase bilateral trade.⁶⁸ While Indian-Chinese trade relations moved forward, China led incursions into the Indian states of Sikkim and Arunachal Pradesh.⁶⁹

In 2009, things took another turn for the worse. That April, China tried to block a US\$2.9 billion Asian Development Bank loan to India, which included funding for a flood control project in the disputed region of Arunachal Pradesh. Just three years earlier, the Chinese ambassador to India stated that Arunachal Pradesh belonged entirely to China.⁷⁰ Much to the chagrin of China, India did obtain the ADB funding in June with the supposed support of the U.S. and Japan. This angered the Chinese even more, and they continued to vehemently protest the loan. Responding to the increasingly tense relationship, India announced the deployment of 60,000 additional soldiers, tanks, and two squadrons of attack aircraft to the Indian state of Assam near Arunachal Pradesh. Total troops in that area now numbered close to 100,000.⁷¹

China responded by publishing an editorial in the official *Global Times* on June 9, 2009 with a warning to India not to directly provoke China and questioned India's ability to withstand the consequences of a confrontation.⁷² In an ominous warning, "...the editorial reminded New Delhi that China had established close relations with Pakistan, Sri Lanka and Nepal and declared: 'China won't make any compromises in its border disputes with India.'"⁷³ A Chinese official was later quoted in the *South China Morning Post* on August 7, 2009 stating that India was responsible for the escalating tensions by seeking, and then obtaining, the ADB funding with support from the U.S. and Japan. The official complained that "India has enough money to develop Arunachal Pradesh," he declared. 'But it wanted to test the Chinese'.⁷⁴

The Current Trade Situation and Geopolitical Posturing

China and India have long been "studying" the benefits of establishing a comprehensive trade arrangement, but remain without such an agreement. Despite the absence of an across-the-board agreement, trade between these two countries has grown exponentially. China has become India's number one trading partner. India now trades more with China than with Japan and the United States. India has also become China's

⁶⁸ "Background Notes: India," *U.S. Department of State*.

⁶⁹ Curtis, "U.S.-India Relations: The China Factor".

⁷⁰ John Chen, "China-India border talks highlight rising tensions," *World Socialist Web Site*, August 15, 2009 <<http://www.wsws.org/articles/2009/aug2009/indi-a15.shtml>> (August 20, 2010).

⁷¹ *Ibid.*

⁷² *Ibid.*

⁷³ *Ibid.*

⁷⁴ *Ibid.*

tenth largest trading partner, and its trade with China is growing faster than China's trade with the nine nations ranked above her. Trade between China and India reached US\$2.5 billion in 2000,⁷⁵ US\$5 billion in 2002,⁷⁶ US\$13 billion in 2004,⁷⁷ and US\$20 billion in 2006.⁷⁸ Bilateral trade is expected to top US\$60 billion in 2010-11 ending March 31 according to latest official estimates.⁷⁹

Table 1 below provides China-India bilateral trade data for the period 1980-2008.

Table 1: China-India Bilateral Exports (US\$ million).⁸⁰

Year	China to India	India to China
1980	72	24
1985	88	29
1990	121	68
1995	811	354
2000	1,505	1,054
2005	7,733	6,717
2009	21,237	12,390

Source: IMF Direction of Trade Statistics (November 2009).

Many believe the Sino-India economic relationship is now so strong that it has surpassed any near-term, if not long-term need to solve the territorial dispute.⁸¹ However, two significant factors challenge this presumption: (1) a trade imbalance that favors China and (2) a general mistrust between the two countries resulting from their long-standing border dispute. Indian officials are voicing growing concern over its trade deficit with China. India's trade deficit with China reached nearly US\$16

⁷⁵ Brooks and Ferrarini, "Changing Trade Costs between People's Republic of China and India," p. 7.

⁷⁶ Narayanan, "India's Foreign Policy Towards China: The NDA Experience-Dominant Issues in Sino-Indian Relation".

⁷⁷ Athwal, *China-India Relations: Contemporary Dynamics*, p. 86.

⁷⁸ Sandhu, "Sino-Indian Relations - 1947 to Present: From Conflict to Cooperation," p. 25.

⁷⁹ "India, China sign trade agreement," *The Journal of Commerce Online*, December 17, 2010 <<http://www.joc.com/logistics-economy/india-china-sign-bilateral-trade-agreement>> (December 18, 2010).

⁸⁰ Brooks and Ferrarini, "Changing Trade Costs between People's Republic of China and India," p. 7.

⁸¹ Swapan K. Bhattacharya and Biswa N. Bhattacharyay, "Free Trade Agreement between People's Republic of China and India: Likely Impact and Its Implications to Asian Economic Community," *ADB Institute*, Discussion Paper No. 59, November 2006 <http://aric.adb.org/pdf/ten_years_after/ADBI-Biswa-India-China%20FTA-dp59.free.trade.agreement.pdf> (November 1, 2010).

billion in 2009, an imbalance politically unsustainable.⁸² As such, India has asked China to end restrictions on Indian exports of information technology and to open its markets to a more diverse array of Indian goods and companies.

Many analysts do believe China is intentionally not solving the border issue in an attempt to establish a regional strategic advantage over India. More specifically, they are concerned that China is using economic cooperation to distract India while Beijing goes about building relations with Pakistan and other nations sharing borders with India in a ploy to undermine India's national security.⁸³ Brahma Chellaney, an Indian scholar for instance believes that,

“In the period since 1981, China has realized a tectonic shift in its favor by rapidly building up its economic and military power. While keeping India engaged in sterile border talks, China has strengthened its negotiating leverage through its illicit nuclear and missile transfers to Pakistan and strategic penetration of Myanmar. [...] Indeed, it sees a strategic benefit in keeping hundreds of thousands of Indian troops pinned down along the Himalayas, thus ensuring that they will not be available against China's ‘all-weather ally’, Pakistan.”⁸⁴

Others such as Sawminathan Aiyar believe that China's aging population and subsequent declining labor force will soon lead to India surpassing China as the fastest-growing economy in the world.⁸⁵ Aiyar also believes that India's growing work force will increase its literacy and that the gap between the poor and the rich Indian states will close. He further estimates that “India's GDP will grow 10 percent annually by 2020, while China's growth will contract a bit to 7-8 percent.”⁸⁶ In response to India's rise, China will heighten border concerns.⁸⁷ Based on the past 50 years of geo-political jousting between the two, China will likely see India's rise as a strategic threat, particularly to its common border interests. The fear being that India will use its increased regional

⁸² James Lamont and Kathrin Hille, “China offers to accelerate trade talks with India,” *Financial Times*, April 3, 2010.

⁸³ Chellaney, “Will India-China border Talks Ever End?”

⁸⁴ *Ibid.*

⁸⁵ Swaminathan Aiyar, “China and India in the decade ahead,” *Times of India*, January 1, 2010 <<http://timesofindia.indiatimes.com/india/India-to-overtake-China-in-2020-Swaminathan-Aiyar/articleshow/5401981.cms>> (April 27, 2010).

⁸⁶ Swaminathan Aiyar, “India to overtake China in 2020,” *The Economic Times*, January 1, 2010 <<http://economictimes.indiatimes.com/opinion/columnists/swaminathan-s-a-aiyar/India-to-overtake-China-in-2020-Swaminathan-Aiyar/articleshow/5401241.cms>> (April 27, 2010).

⁸⁷ *Ibid.*

stature to posture itself in a very advantageous way relative to China's border interests.

Expanding trade relations appears to have both economic and diplomatic merit. A study conducted at Ohio State University revealed that countries who establish preferential trade arrangements are 30 to 45 percent less likely to become involved in a military dispute with each other than countries absent such agreements.⁸⁸⁸⁹ The economic benefits to expanding trade dramatically reduce the possibility of conflict between the two signatories in the interest of preserving economic benefits. "...Preferential Trade Arrangements (PTAs) reduced the number of conflicts among member countries by up to 45 percent. When members of PTAs did have military disputes, they were less likely to lead to war. Results showed that about 11 percent of the militarized disputes between non-PTA members escalated to war, while only 2 percent of the militarized disputes between PTA members escalated to such heights. In addition, the study showed that simply having a large trade flow with another country was not enough to reduce the chance of hostilities - there also had to be a formal PTA."⁹⁰ The study concluded, "[l]eaders who entered into PTAs are more likely to pull back from the brink in the event of a conflict because they don't want to jeopardize an important economic relationship. The economics and the politics are meshed together."⁹¹⁹² China does have a history of settling border disputes, particularly those that advance its economic agenda.⁹³ Furthermore, since China and India now both have nuclear weapons (mutual deterrence), it seems highly unlikely that China would again undermine relations with India by launching a major military offensive into the disputed border region. Even if China did attack using only conventional weapons/forces and did not provoke a nuclear weapons response by India, besides having to combat Indian forces and offset lost trade with India, it would face international condemnation, a cost not likely worth bearing.

⁸⁸ Jeff Grabmeier, "Trade Agreements Help Prevent Military Conflicts, Study Shows," *The Ohio State University*, 2000 <<http://www.scienceblog.com/community/older/2000/D/200003374.html>> (November 16, 2010).

⁸⁹ Edward D. Mansfield, "Preferential Peace: Why Preferential Trading Arrangements Inhibit Interstate Conflict," *University of Pennsylvania*, (2000).

⁹⁰ Grabmeier, "Trade Agreements Help Prevent Military Conflicts, Study Shows".

⁹¹ *Ibid.*

⁹² Mansfield, "Preferential Peace: Why Preferential Trading Arrangements Inhibit Interstate Conflict".

⁹³ Devika Sharma, "Resolving the Boundary Dispute: China's reasons and India's Choices," *Institute of Peace and Conflict Studies*, March 29, 2006 <<http://www.ipcs.org/article/india-the-world/resolving-the-boundary-dispute-chinas-reasons-and-indias-choices-1980.html>> (April 9, 2010).

Conclusion

Nearly a half century has passed since China attacked India over a territorial boundary dispute. Forty years of subsequent high-level talks have resolved nothing. The situation has India and China in a classic prisoner's dilemma. Both nations see counter-balancing measures as less than optimal, yet necessary for self-defense because of their mutual distrust of each other. A response to a perceived threat by one provokes a counter-balancing response by the other, further escalating fear and tensions - though both nations know that direct conflict of any type is not in either party's best interest.

Their inability to resolve the border dispute has not stopped these two rising powers from recognizing the enormous economic gains to be made by engaging in bilateral trade. Trade and trade dialogue is the one interchange that has kept the contentious border dispute on the negotiating table without becoming an all-consuming focal point of Sino-Indian relations.

In the short-run, regardless of the perceived Chinese intentions, expanding trade will likely dilute the significance of the border dispute. This is assuming that the current Sino-Indian bilateral trade imbalance can be readily closed to an acceptable or manageable level. However, delaying resolution in the long-run may prove problematic. As both economies grow, they will increasingly compete with one another for energy, other natural resources, export markets, and for geopolitical reasons. Competition will erode cooperation, and again, bring to the forefront the border dispute. If both India and China are truly serious about going beyond the political rhetoric to bring the border dispute to a mutually acceptable resolution, the best window of opportunity is now. Otherwise, as both countries expand their overlapping economic/political sphere of regional influence, the border dispute will likely spillover and become regionally divisive, straining political relationships and economic cooperation - in and out of the region.

Realism and the Changing International System: Will China and Russia Challenge the Status Quo?

Kathleen J. Hancock and Steven E. Lobell*

ABSTRACT

We use offensive and defensive structural realism to shed light on a variety of questions related to the rise of China, including whether a Sino-Russian alliance will form and if it does, what kind of behavior the alliance will engage in, and the likelihood of war between great powers, notably the United States and China. We conclude that the Western states should attempt to determine whether China and Russia are revisionist or status quo states; until the West sees signs that China and Russia are creating a formal military alliance, it should be cautious with its rhetoric, lest it create the very situation it wants to avoid; and the West should continue to look for clues to how key political leaders in China and Russia see the world -as highly dangerous or a more secure place-the answer will tell us about the probability of major war.

Keywords • Russia • China • Eurasia • Realism • War • Security Dilemma • Alliances • Power Transition • Hegemonic War

Introduction

Many scholars of international relations view China as a rising superpower, and perhaps one day capable of replacing the United States

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¹ Patrick James, *International Relations and Scientific Progress: Structural Realism Reconsidered* (Columbus: Ohio State University Press, 2002), p. 121.

as the world's dominant state. As China rises, some have argued that Russia and China are forming a partnership that threatens the United States. Other scholars argue that China and Russia, both with interests in Central Asia, will view each other as a threat and therefore counterbalance one another. In this article, we evaluate what realism, one of the most important international relations paradigms, predicts about the rise of China; whether a Sino-Russian alliance will form and if it does, what kind of behavior the alliance will engage in; and the likelihood of war between great powers. We first consider the assumptions that underlay all realist approaches and then discuss two types of realism that have had significant impact in the international relations literature: offensive structural realism and defensive structural realism. Using these variants, we suggest what predictions and policy prescriptions realism makes about structural change, alliance formation, and the possibility of major international war. We conclude that (1) the Western states should attempt to determine whether China and Russia are revisionist or status quo states; (2) China and Russia currently have only a loose and informal alliance; until the West sees signs that the two states are creating a formal military alliance, it should be cautious with its rhetoric, lest it create the very situation it wants to avoid; and (3) the West should look for clues to how key political leaders in China and Russia see the world: do they view it as highly dangerous or a more secure place? Or, to put it another way, do they believe security is scarce or plentiful?

Realist Assumptions About the International System

While a number of paradigms could and should be evaluated to assess the likelihood of conflict between China and the West as well as whether China and Russia are forming an important and potentially threatening alliance, we chose to evaluate realism for three reasons: First, it is considered the oldest and at least historically the most influential of international relations paradigms. Second, many forms of realism assume that we do not need to understand the inner-workings of a state's politics to make general assumptions and predictions about its behavior. Since the politics within China and Russia are relatively opaque (when compared to more democratic states), this assumption works well for at least a first cut at understanding how China and a Sino-Russian alliance might behave in the near future. Third, realists focus on the role that great powers play in the international system. Currently, by tangible measurements (military size and reach, and gross domestic product (GDP)), the U.S. is unquestionably the most powerful state in the international system—a global hegemon. Those who worry about China do so because they see it as the most likely candidate to encroach on and perhaps even overtake the U.S. as the world's dominant state.

Realism is the oldest of the international relations paradigms, dating back to the writings of the ancient Greek General Thucydides who chronicled the 5th century BC Peloponnesian war. Patrick James identifies six key assumptions associated with the hard core of realism: (1) The most important actors in world politics are territorially-organized entities (historical city-states and now modern nation-states). While international organizations, transnational corporations, and individuals can all play a role in events, they are secondary to states. (2) States behave rationally. This does not mean state leaders are all-knowing, but rather that given the information they have, they will make rational choices. (3) States seek security and calculate their interests in terms of relative standing within the international system. (4) Anarchy is the ordering principle of the international system. Anarchy here means that there is no world government or sovereign above the nation-state to help resolve conflicts or protect states from each other. (5) States are undifferentiated by function since at the lowest common denominator they all want to survive as sovereign entities (they all do more or less the same things). The domestic political system (democracy vs. autocracy), economic programs (capitalism vs. communism), etc., do not significantly affect state behavior. When they have the same position in the international system, democracies are as prone to conflict and war as autocracies; communist states are as likely to be expansionist as democratic-capitalist states. (6) A key feature of the international system is the number of great powers, or poles. At any given time, the system can be categorized as hegemonic or unipolar (current system), bipolar (Cold War), or multipolar (before World Wars I and II).¹

With their focus on states as the most important players and their concerns about the structure of that system, realists tend to be most interested in the great powers as opposed to smaller states. Realists generally agree that power should be measured by tangibles, most importantly military capability (to include quantity and quality of military equipment, military troops, and military budgets) and economic power (usually measured as GDP). Some have argued that the greatest powers must also have significant natural resources that are critical for war-making, so that they are not dependent on other states in times of crisis, and a significant population size which will enable the state to fight wars and keep the economy growing.²

Given their central concern about conflict between states, realists are correct to focus on the great powers rather than smaller powers or non-state actors. Scholars have demonstrated that great powers are the most likely to cause the greatest amount of trouble in the international system.

² John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: W. W. Norton & Company, Inc., 2001), pp. 55-82.

Research using large databases shows that regardless of their political systems, the most powerful states are more likely to enter into wars, militarized interstate disputes, and international crises than other states.³ Furthermore, research shows that although the most powerful state in the international system fought more wars than any other state, emerging great powers are especially war prone.⁴

Over the last 30 years, realists have split into several subgroups. While there is no definitive list of variants - a prominent realist has suggested there are about a dozen⁵ - we examine two of the key strands: offensive structural realism and defensive structural realism.⁶

Offensive and defensive structural realism, though not theories of foreign policy, make three competing generalizations about what to expect from an emerging China and Russia in the coming decades: First, offensive realists argue that the international system will push China and Russia to maximize their power and influence which will result in territorial expansion and aggression; defensive realists argue that anarchy will encourage China and Russia to maximize their security (as opposed to power) which will contribute to moderate and restrained behavior.

Second, offensive realists argue that conquest and expansion pays; defensive realists argue that it is self-defeating and contributes to overexpansion, self-encirclement, and overextension.

Third, offensive realists argue that China and Russia, like other great powers throughout history, are primarily revisionist in their intentions, or at least other states' political leaders must assume that they are in

³ The most widely used databases come from the Correlates of War (COW), Militarized Interstate Dispute (MID), and International Crisis Behavior (ICB) projects. For studies showing the higher involvement of great powers in various types of international conflict, see Melvin Small and J. David Singer, "Patterns in International Warfare, 1816-1965," *Annals of the American Academy of Political and Social Science* 391 (1970), Melvin Small and J. David Singer, *Resort to Arms: International and Civil Wars, 1816-1980*, vol. 391 (Beverly Hills, CA: Sage, 1982), Daniel S. Geller, "Power System Membership and Patterns of War," *International Political Science Review* 9 (1988), Stuart A. Bremer, "National Capabilities and War Proneness," in *The Correlates of War II: Testing Some Realpolitik Models*, ed. J. David Singer (New York: Free Press, 1980), Michael Brecher, *Crisis in World Politics* (New York: Pergamon, 1993), Charles S. Gochman and Zeev Moaz, "Militarized Interstate Disputes, 1816-1976: Procedures, Patterns, and Insights," *Journal of Conflict Resolution* 28 (1984).

⁴ Bremer, "National Capabilities and War Proneness."

⁵ Glenn H. Snyder, "Mearsheimer's World-Offensive Realism and the Struggle for Security: A Review Essay," *International Security* 27, 1 (2002).

⁶ For reviews of this literature see Steven E. Lobell, "Structural Realism/Offensive and Defensive Realism," in *The International Studies Compendium Project*, ed. Robert Denemark (Oxford: Wiley-Blackwell, 2010), Steven E. Lobell, Norrin M. Ripsman, and Jeffrey W. Taliaferro, *Neoclassical Realism, the State, and Foreign Policy* (Cambridge: Cambridge University Press, 2009), Randall L. Schweller, "The Progressiveness of Neoclassical Realism," in *Progress in International Relations: Appraising the Field*, ed. Colin Elman and Miriam Fendius Elman (Cambridge: MIT Press, 2003), Stephen M. Walt, "The Enduring Relevance of the Realist Tradition," in *Political Science: State of the Discipline*, ed. Ira Katznelson and Helen V. Milner (New York: Norton, 2002).

order to protect their own security; defensive realists contend that China and Russia are primarily motivated by security-seeking behavior.

Whether China and Russia act according to the precepts of offensive realism or defensive realism will have an impact on American and European policies toward these two powers. The following sections elaborate on the assumptions and conclusions of these two variants.

Offensive Realism

For offensive realists, security is scarce. Offensive realists contend that the anarchic international order compels great powers, including Beijing and Moscow, to maximize their share of world power and to seek superiority to increase their chances of survival. The ultimate goal of every major power is to become a hegemon. The assumption is that the more power and the stronger the state, the less likely it will be a target, since weaker powers will be dissuaded from challenging it. John Mearsheimer, one of today's foremost offensive realists, argues that "states quickly understand that the best way to ensure their survival is to be the most powerful state in the system."⁷

Revisionist States

For offensive realists, major or emerging powers are rarely satisfied with the current distribution of power. The rationale is that states, including China and Russia, can never be certain of another state's intentions. Specifically, it is difficult for a state to know how much power it must have relative to its rivals before it is secure and it is difficult to determine how much is enough power into the future. Even in the absence of a specific or imminent threat, offensive realists argue, states will maximize power and influence because states cannot be sure when or where the next threat will emerge.⁸ Uncertainty about intentions and fear of miscalculation mean that states always prepare for the worst-case scenario when assessing another power. States thus always regard each other with fear, mistrust, and suspicion, and moreover, all states think in the same manner about one another. The result is a constant security competition, even among states that have no reason to compete, and hence the title of Mearsheimer's book, *The Tragedy of Great Power Politics*.

Conquest Pays

For offensive realists, systemic imperatives push states to expand. Expansion and conquest often make states more secure, can pay huge dividends, and block other states from acquiring additional power or

⁷ Mearsheimer, *The Tragedy of Great Power Politics*, p. 33.

⁸ Eric J. Labs, "Beyond Victory: Offensive Realism and the Expansion of War Aims," *Security Studies* 6, 4 (1997).

filling vacuums. Arguments by realists such as Robert Gilpin, Fareed Zakaria, and Mearsheimer suggest that China's and Russia's quests for greater security will mean that they too might engage in territorial, political, military, and economic expansion.⁹

Offensive realists maintain that conquest is profitable. In wars occurring between 1815 and 1980, Mearsheimer found that the state that initiated aggression won the war 60 percent of the time.¹⁰ Peter Liberman argues that conquest in the modern system pays for a variety of reasons including industrial resources can be added to already existing capabilities; coercive and repressive subjugators can compel defeated states to pay a large share of their economic surplus in tax and tribute; rich countries offer more resources, so societal opposition must be very costly to make conquest unprofitable; and relatively low-cost repression prevents most people in modern societies resisting conquest.¹¹

Although states are relentless expanders, offensive realists would not expect China or Russia to be mindless expanders. States are prudent, especially given the real risk of undermining economic and industrial power, which is the basis for military power. States may forgo opportunities to expand because (1) the costs are too high, due to diminishing returns from additional military resources, (2) expansion might undermine the economy, or (3) building additional military forces will provoke a rival who can match the increase.

The Most Dangerous Distribution of Power

For Mearsheimer, the configuration of power that generates the most fear and the greatest insecurity is an unbalanced multipolar system, in which there are several great powers and a potential regional hegemon. Geographic factors such as contiguity, which is important in Sino-Russian relations, can further heighten fears of expansion. Pressure to expand is greatest for a potential regional hegemon because it strives to become a regional hegemon in order to increase its odds of survival, and because of its relative power-it has a good chance of coming to dominate and control the other great regional powers. Pressure for states to expand is further exacerbated in regions with continental powers that have large land armies-such as China and Russia-since these are the states that have initiated most of the wars of conquest. Thus, one can expect that either

⁹ Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981), Fareed Zakaria, *From Wealth to Power: The Unusual Origins of America's World Role* (Princeton: Princeton University Press, 1998), Mearsheimer, *The Tragedy of Great Power Politics*.

¹⁰ Out of 63 wars, the aggressor won 39 times. Mearsheimer, *The Tragedy of Great Power Politics*, p. 149.

¹¹ Peter Liberman, *Does Conquest Pay? The Exploitation of Occupied Industrial Societies* (Princeton: Princeton University Press, 1996).

China or Russia as a potential regional hegemon will behave more aggressively with the possibility of becoming an actual hegemon.

For Mearsheimer, extra-regional hegemons, such as the United States, will block peer competitors in Asia from achieving regional hegemony. The rationale is that a peer regional hegemon in Asia (such as China or Russia) might support a rival or cause problems in the Americas. Therefore, given that China is seen as the major rival in Asia, the United States is likely to assist other Asian or Eurasian powers, such as India and/or Russia to ensure that there is always at least two great powers in Asia.¹²

Balancing Versus Buckpassing

For offensive realists, the decision of whether to counterbalance an aggressor or buckpass is a function of the structure of the international system.¹³ When confronted by a dangerous opponent in a balanced multipolar systems, states often pass the buck rather than counterbalance themselves. Buckpassing is most widespread when there is no potential hegemon to contend with and the threatened states do not share a common border. The more relative power the potential hegemon controls, the more likely it is that the threatened states in the system will form a counterbalancing coalition. Thus, offensive realists will expect China's rise to provoke other great powers-such as Russia, Japan, and India-to counterbalance by building up their own militaries and/or by forming military alliances. Though for offensive realists, this might not deter a potential regional hegemon from trying to expand.

For Mearsheimer, if the regional great powers (Russia and perhaps Japan in this case) cannot contain the threat, the distant or off-shore hegemon (the U.S.) will shift from buckpassing to counterbalancing the threat. Thus, regional hegemons act as offshore balancers in other areas of the world and prefer to be "the balancer of the last resort."¹⁴ Geography also helps identify the likelihood of buckpassing in multipolar systems: common borders promote balancing while barriers and buffers encourage buckpassing.

Defensive Realism

For defensive realists, security is plentiful rather than scarce, as offensive realists argue. As states that only care about the relative position vis-à-vis

¹² Mearsheimer, *The Tragedy of Great Power Politics*, pp. 396-400.

¹³ Counterbalancing and buckpassing are both responses to a rising or threatening state. In both cases, the rising state is balanced, the difference is which state does the balancing. In counterbalancing, one state balances against another, either through alliances or internal military buildup. In buckpassing, the balancing state passes the buck of balancing to a "buck-catcher" who does the actual balancing.

¹⁴ Mearsheimer, *The Tragedy of Great Power Politics*.

other great powers, China and Russia are more likely to seek to maximize their security by preserving the existing balance of power through mostly defensive strategies.¹⁵ Defensive realists maintain that the international system encourages states to pursue moderate and restrained behavior to ensure their survival and safety, and provides incentives for territorial expansion in only a few instances. The rationale is that an aggressive, competitive, and expansive China or Russia is unproductive because it will provoke the security dilemma. Because states cannot turn to a higher authority to resolve their conflicts, they must play it safe by tending to their own security. Yet, as they build up their militaries, they trigger a spiral effect (known as the security dilemma), with each state responding to the other's arms enlargement by increasing its own military size and technology. This can eventually lead to war. Under the security dilemma, states end up inadvertently making themselves less secure even as they strive for greater security.¹⁶ Attempts to achieve hegemony are self-defeating and can leave the state weaker and less secure.

In contrast to offensive realists, defensive realists assume that major powers in Asia such as China, India, Russia and Japan are rather secure, much more so than an individual citizen is.¹⁷ As Robert Jervis notes, "one of the main reasons why international life is not more nasty, brutish, and short is that states are not as vulnerable as men are in a state of nature."¹⁸ While individuals can easily cease to exist (be killed or otherwise die), the same is not true for great powers. The consequence, as Jervis tells us, is that states that can afford to be cheated on or that cannot be destroyed in a surprise attack can more easily trust others, can afford to wait for unambiguous signs of aggression, and do not need to engage in unbridled expansion for security.¹⁹

¹⁵ Robert Jervis, "Cooperation under the Security Dilemma," *World Politics* 30, 2 (1978), Kenneth N. Waltz, *Theory of International Politics* (Reading, Mass.: Addison-Wesley, 1979), Barry R. Posen, *Sources of Military Doctrine* (Ithaca: Cornell University Press, 1984), Stephen M. Walt, *The Origins of Alliances* (Ithaca, NY: Cornell University Press, 1987), Joseph M. Grieco, *Cooperation among Nations: Europe, America, and Non-Tariff Barriers to Trade* (Ithaca: Cornell University Press, 1990), Jack Snyder, *Myths of Empire* (Ithaca, NY: Cornell University Press, 1991), Charles L. Glaser, "Realists as Optimists: Cooperation as Self-Help," *International Security* 19, 3 (1994-95), Christopher Layne, "From Preponderance to Offshore Balancing: America's Future Grand Strategy," *International Security* 22, 1 (1997).

¹⁶ Randall L. Schweller, "Neorealism's Status-Quo Bias: What Security Dilemma?," in *Realism: Restatements and Renewal*, ed. Benjamin Frankel (Portland, Oregon; London, UK: Frank Cass & Co. Ltd., 1996), pp. 117-19.

¹⁷ Hedley Bull, *The Anarchical Society: A Study of Order in World Politics* (New York: Columbia University Press, 1997).

¹⁸ Jervis, "Cooperation under the Security Dilemma," p. 172.

¹⁹ *Ibid.*

Conquest Rarely Pays

For defensive realists, conquest is rarely profitable. The reasons are many-fold: aggression and military buildup will provoke counterbalancing alliances; modern nationalism makes conquest costly because it “spurs the defenders to fight harder”, makes it hard to subdue and manipulate people in defeated states, and repression will provoke massive popular resistance; modern economies are difficult to subjugate, especially those that are built around information technologies and depend on openness and freedom of movement and transaction to function smoothly; and skilled labor is more difficult to exploit.²⁰ In addition, the nuclear revolution and second strike capability make it difficult for states to fight each other and win.²¹ Finally, control over politically hostile societies is expensive; the price of maintaining empire and especially the high levels of defense spending erode a great power’s economy; economic resistance and repression will reduce modern societies’ social surplus; and the gains from conquest are rarely additive or cumulative given the difficulty of adding one state’s capabilities to another.²²

Causes of Aggression: Technology and Geography

For defensive realists, conflict between states is sometimes necessary such as when an aggressor state threatens another state’s security or when states’ major policy preferences are irreconcilable. However, for the most part, the international system provides few incentives for expansion; the international system itself is rarely sufficient to encourage states to seek to maximize power.²³ Defensive realists turn to “structural modifiers,” such as the offense-defense military balance and geography, to account for instances of overexpansion, underbalancing, self-encirclement, and overextension.²⁴

According to Stephen Van Evera, when technology makes conquest easier, states are less secure and less likely to cooperate or engage in diplomacy; states cannot increase security without threatening others; there are greater incentives for preemption and to strike first and for “opportunistic expansion”; and strategies of security through expansion

²⁰ Christopher Layne, “The Unipolar Illusion Revisited: The Coming End of the United States’ Unipolar Moment,” *International Security* 31, 2 (2006), Jervis, “Cooperation under the Security Dilemma,” p. 195.

²¹ Robert Jervis, *The Meaning of the Nuclear Revolution: Statecraft and the Prospect of Armageddon* (Ithaca: Cornell University Press, 1990).

²² Stephen Van Evera, *Causes of War: Power and the Roots of Conflict* (Ithaca: Cornell University Press, 1999).

²³ Robert Jervis, “Realism, Liberalism, and Cooperation: Understanding the Debate,” *International Security* 24, 1 (1999).

²⁴ Jeffrey W. Taliaferro, “Security Seeking under Anarchy: Defensive Realism Revisited,” *International Security* 25, 3 (2000-01).

should be widespread even for status quo powers who must behave like aggressors in order to defend themselves against aggressors.²⁵ For defensive realists, such situations of offensive advantage are a rare occurrence, especially given the second strike capability of most nuclear powers, including Russia and China. Moreover, defensive realists hold that offensive dominance is often more perception than reality.²⁶

A second structural modifier for defensive realists is geography (natural buffers and barriers, such as oceans, mountains, large rivers, and deserts; the size of territory; and the difficulty of the terrain) which can make aggression easier or more difficult. Where geographic factors reward offensive military strategies, states will be drawn to such doctrines whether or not they have status quo policies, and balancing behavior should tend to be quick and robust. Buckpassing should also occur less often. Where geography is believed to favor the defender (defensive borders, large size, and strategic depth all protect against surprise attack), balancing behavior should be slower, involve more buckpassing, and be less intense than if the offensive is believed to have the advantage.²⁷ Moreover, states with geographical defensive advantages will react more slowly and less intensively than other states to increase an adversary's power and will more often stress defensive military strategies. Sharing a long border means that geography might exacerbate tensions between China and Russia, as has historically been the case.

Socialization

For Kenneth Waltz and for defensive realists, socialization to the norms of the system and learning lessons from history are important deterrents to expansion and aggression.²⁸ According to Benjamin Frankel, "states are socialized into the system by emulating the practices of the most successful states in the system."²⁹ Expanding hegemons will be opposed and stopped, and these lessons have been repeatedly demonstrated throughout history. France during the Napoleonic wars was counterbalanced by several coalitions, as was Germany in World War I, and Germany and Japan in World War II.

²⁵ Van Evera, *Causes of War*, Jervis, "Cooperation under the Security Dilemma," 187, Charles L. Glaser and Chaim Kaufmann, "What Is the Offense-Defense Balance and Can We Measure It?," *International Security* 22, 4 (1998), p. 46.

²⁶ Stephen Van Evera, "Offense, Defense, and the Causes of War," *International Security* 22, 4 (1998), p. 6.

²⁷ Jervis, "Cooperation under the Security Dilemma," Thomas J. Christensen and Jack Snyder, "Chain Gangs and Passed Bucks: Predicting Alliance Patterns in Multipolarity," *International Organization* 44, 2 (1990).

²⁸ Kenneth N. Waltz, "The Emerging Structure of International Politics," *International Security* 18, 2 (1993), Waltz, *Theory of International Politics*.

²⁹ Benjamin Frankel, "Restating the Realist Case: An Introduction," in *Realism: Restatements and Renewal*, ed. Benjamin Frankel (Portland, Oregon; London, UK: Frank Cass & Co. Ltd., 1996), p. xvii.

Policy Implications

Offensive and defensive realists present opposing policy prescriptions, advocating grand strategies of offshore balancing, selective engagement, or primacy.³⁰ For offensive realists such as Mearsheimer, regional hegemony should pursue primacy in their locale and seek to block any peer rivals in other regions.³¹ For the U.S., this means that it will remain the regional hegemon in the western hemisphere and will act as an offshore balancer in Asia. If China emerges as a potential regional hegemon, it will shift from a balanced to an unbalanced multipolar distribution - the most unstable and war-provoking distribution.

Defensive realists argue that the U.S. should pursue either selective engagement or offshore balancing grand strategies. For Christopher Layne, America's current pursuit of predominance or "extraregional hegemony" is highly dangerous. Old states and new powers will be provoked to counterbalance the U.S., the U.S. will become entangled in costly overseas commitments, and the U.S. will fall prey to imperial-overstretch which will erode its predominance.³² While American power has not yet provoked hard balancing, a number of defensive realists argue that it has provoked soft balancing or "tacit balancing short of formal alliances."³³

Defensive realists warn that U.S. primacy will provoke a Sino-Russian alliance, while offensive realists expect that China and Russia, as potential regional hegemony, threaten each other much more than the U.S. threatens them. The U.S. is likely to play the role of off-shore balancer and support the weaker side against the more powerful one.

Predictions About Structural Change

For all realists, whether the system is hegemonic, bipolar, or multipolar can have a significant effect on the likelihood of war. However, realists have debated whether a multipolar system, where there are three or more great powers, is more or less war-prone than a bipolar system, such as we

³⁰ For an overview of strategies, see Barry R. Posen and Andrew L. Ross, "Competing Visions for U.S. Grand Strategy," *International Security* 21, 3 (1996/97), Robert J. Art, *A Grand Strategy for America* (Ithaca: Cornell University Press, 2003).

³¹ Stephen G. Brooks and William C. Wohlforth, *World out of Balance: International Relations and the Challenge of American Primacy* (Princeton: Princeton University Press, 2008).

³² Layne, "The Unipolar Illusion Revisited: The Coming End of the United States' Unipolar Moment," p. 7.

³³ G. John Ikenberry, *America Unrivaled: The Future of the Balance of Power* (Ithaca: Cornell University Press, 2002), T.V. Paul, "Introduction: The Enduring Axioms of Balance of Power Theory and Their Contemporary Relevance," in *Balance of Power: Theory and Practice in the 21st Century*, ed. T.V. Paul, James J. Wirtz, and Michael Fortmann (Stanford: Stanford University Press, 2004), p. 3. For a critique of soft balancing, see Stephen G. Brooks and William C. Wohlforth, "Hard Times for Soft Balancing," *International Security* 30, 1 (2005).

had during the Cold War. Both offensive and defensive realists tend to agree that the latter is more stable. As discussed above, for Mearsheimer, the least stable distribution is an unbalanced multipolar distribution of power, where China is a potential regional hegemon among great powers. In the current system, nearly all realists (as well as advocates of other paradigms) agree that the most powerful state—the global hegemon—is the United States and that this has ramifications for how the system works and how a rising regional power such as China should be viewed.³⁴

Many scholars have concluded that the international system is changing in ways that will ultimately and significantly alter the very structure and therefore rules of the system. Most importantly, unipolarity may soon end. While the American public has often focused on terrorists or Middle Eastern states as the greatest threats to its way of life, scholars of great power politics see China as the chief potential threat. Several changes have brought China to the fore as a major concern for those who support the status quo: China's dramatic annual economic growth, its move to engage more actively in the international economic system by joining the World Trade Organization (WTO), and its recent military growth.

With China's rise, the international system or at least the balance of power in Asia, may change fundamentally and potentially for the worse from a Western viewpoint. Political, economic, and technological changes continually occur in the international system, with most being incremental and minor. Under these conditions, the system remains in a homeostatic equilibrium: brief moments of disequilibrium are followed by adjustments. However, differential growth in the economic and military power of the various states causes the system to change fundamentally.³⁵ This is precisely the concern that some U.S. scholars and political leaders have about China's rapidly growing economy. With often double-digit growth, China is outpacing the Western states and could eventually overtake them. Goldman Sachs expects the four emerging economies (Brazil, Russia, India, and China or BRIC) to collectively surpass the six most advanced economies by 2040;³⁶ of these four, China is leading the pack and is the most feared because of its increasing military power.

³⁴ Through its multiple overseas military bases, only the U.S. has true global reach. William C. Wohlforth, "The Stability of a Unipolar World," *International Security* 24, 1 (1999). Charles Krauthammer coined the term "unipolar moment" to describe what many realists predicted would be a short-lived unipolar system. He later amended his argument to say that "The unipolar moment has become the unipolar era." Charles Krauthammer, "The Unipolar Moment," *Foreign Affairs* 70, 1 (1990-91), Charles Krauthammer, "The Unipolar Moment Revisited," *The National Interest* 70, Winter (2002).

³⁵ Gilpin, *War and Change in World Politics*, p. 13.

³⁶ Dominic Wilson and Roopa Purushothaman, "Dreaming with BRICs: The Path to 2050," (Goldman Sachs, October 1, 2003).

Whether the rules of the international system will change depends on whether China is a status quo state—one that is satisfied with the current rules of the system - or revisionist - one wishing to change the status quo.³⁷ One of the challenges for offensive and defensive realism is identifying which states are revisionist and therefore threatening to status quo states. Revisionist states seek to change the international system and must do so through power. According to Arnold Wolfers, “The chances of bringing about any major change in the international status quo by means other than power or even violence are slim indeed.”³⁸ Status quo states, in contrast, value what they have more than what they covet and are thus reluctant to use violence to extend their domain. Status quo states are “willing to pay high costs and take great risks to secure what they have; but they will only pay a small price and take low risks to improve their positions in the system.”³⁹

Are China and Russia revisionist? The U.S. and Europe favor the status quo, at least in broad terms. Despite their occasional differences, the transatlantic allies have a great interest in preserving the existing distribution of power and the international rules. Can the same be said for China and Russia? Are they revisionist states that would be willing to violently challenge the U.S. for the rules of the game? Defensive realists, assuming most states are status quo powers would recommend that the Western states look for signals of whether China and Russia are considering a war against the U.S. or against U.S. allies because it is necessary for security, they are threatened by the West, or due to structural modifiers such as technology or geography. A China and Russia that seeks arms control agreements that limit their offensive capabilities would be signals that these states are not revisionist, whereas refusal to limit arms would be a bad omen.

Scott Kennedy argues that thus far China has not shown an interest in rewriting the rules of the international game. After all, its rise is directly related to a stable globalized economy. Without a vast trading system that rewards high-volume production with foreign purchases, China would not be where it is today. In his analysis of China’s behavior in the WTO, Kennedy finds that China wants to continue to prosper from the international trade regime put together by the U.S. after World War II.⁴⁰

³⁷ Arnold Wolfers, “The Balance of Power in Theory and Practice,” in *Discord and Collaboration: Essays in International Politics*, ed. Arnold Wolfers (Baltimore: The Johns Hopkins Press, 1962), Schweller, “Neorealism’s Status-Quo Bias.”

³⁸ Arnold Wolfers, “The Pole of Power and the Pole of Indifference,” in *Discord and Collaboration: Essays in International Politics*, ed. Arnold Wolfers (Baltimore: The Johns Hopkins Press, 1962), p. 95.

³⁹ Schweller, “Neorealism’s Status-Quo Bias,” p. 102.

⁴⁰ Scott Kennedy, “China and Global Governance: From Compliance to Effectiveness” (paper presented at the China Social Science Workshop, Stanford University, May 13, 2010).

One might argue the same about Russia with its international petroleum trade. Although the two states may bristle at Western criticism of their political systems, a stable globalized economy brings them considerable wealth.

Offensive realists have no need for distinguishing between status quo and revisionist states. They argue that political leaders must always assume that all states are revisionist or at least have revisionist intentions. The *Tragedy of Great Power Politics*, they argue, is that although only a few states want to revise the world order via military means, state leaders must behave as if all states had revisionist intentions.⁴¹ For offensive realists, Western leaders cannot determine whether China and Russia are revisionist states; they must assume that military buildups signal revisionist intentions and act accordingly.

Two different policy recommendations emerge from this discussion: First, defensive realism suggests that the Western states should determine if China and Russia are revisionist or status quo states.⁴² Second, offensive realism suggests that the West must assume that China and Russia are revisionist. The danger, however, is that the West might be wrong and its military buildup would send the wrong signal, potentially triggering the security dilemma or provoking China and Russia to form a counter-balancing alliance. Or, the West might fail to prudently maintain its forward positions and retreat from the Pacific region, and thereby create a window of opportunity for Moscow or Beijing to expand. Policymakers will thus have to ask themselves which worldview matches their own and act accordingly. The following section provides guidance on how the West should view a potential alliance between China and Russia.

Predictions About Alliances

While the economic and military rise of China has been of concern to a number of Western analysts, some who study Russia have added their fears that Russia is joining China in an alliance that will threaten Western interests. Before turning to realism's predictions about alliances, we cover some of the factors that have led scholars and practitioners to conclude that a Sino-Russian alliance is forming. We conclude that there is no formal alliance, as realists understand the term.

⁴¹ Colin Elman, "Realist Revisionism," in *Rethinking Realism in International Relations: Between Tradition and Innovation*, ed. Annette Freyberg-Inan, Ewan Harrison, and Patrick James (Baltimore: Johns Hopkins University Press, 2009), p. 73.

⁴² Robert S. Ross, "The Geography of the Peace: Great Power Stability in Twenty-First Century East Asia," *International Security* 23, 4 (1999), Aaron L. Friedberg, "The Future of U.S.-China Relations: Is Conflict Inevitable?," *International Security* 30, 2 (2005), Thomas J. Christensen, "Fostering Stability or Creating a Monster? The Rise of China and U.S. Policy toward East Asia," *International Security* 31, 1 (2006).

Some international relations scholars as well as specialists on China and Russia argue that a type of alliance is emerging between these two Asian/Eurasian powers and that that alliance may be a threat to the U.S. and its Western allies. Scholars have focused on three areas that they see as demonstrating an alliance, or at least a potential alliance: (1) the Shanghai Cooperation Organization (SCO), (2) an informal economic partnership based on energy and military sales, and (3) the high economic growth of these two BRIC states.

The first indicator of an alliance is the SCO. In 1996, Russia and China formed the Shanghai Five, an informal group that included Kazakhstan, Kyrgyzstan, and Tajikistan, and focused on demilitarizing common borders, defeating resident Muslim fundamentalists, and disrupting the illegal drug trade. In 2001, the Shanghai Five formalized their relationship, renamed themselves the SCO, and admitted Uzbekistan as a member. The states signed an agreement called the "Shanghai Convention on Combating Terrorism, Separatism, and Extremism."⁴³ Reinforcing the relationship, China and Russia signed the 2001 Treaty for Good Neighborliness, Friendship, and Cooperation, a far-reaching accord that focuses on five principles, several of which reinforce the SCO: "mutual respect of state sovereignty and territorial integrity, mutual non-aggression, mutual non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence." While the document does not explicitly mention the U.S. or the EU, the reference to "non-interference in internal affairs" is China and Russia's pledge that they will not engage in the Western practice of criticizing human rights issues in each other's states. Ariel Cohen goes further in interpreting the document, arguing that a central goal of the agreement is for the two states to take joint action to offset U.S. hegemony.⁴⁴

Second, China and Russia have strong economic ties that are likely to increase. China needs more natural resources to fuel its economic growth, and Russia relies on the proceeds of energy exports to fuel its economy.⁴⁵ Furthermore, China has been one of Russia's principal arms purchasers, having spent over US\$16 billion since 2001.⁴⁶

Third, in a 2003 report, the financial investment firm Goldman Sachs referred to a group of important emerging economies-defined as states

⁴³ See the SCO's website: <<http://www.sectsc.org/>>.

⁴⁴ For a copy of the friendship agreement, see <<http://www.fmprc.gov.cn/eng/wjdt/2649/t15771.htm>> (December 1, 2010). Our thanks to an anonymous reviewer for pointing out that the agreement does not directly refer to the U.S.; Ariel Cohen, "The Russia-China Friendship and Cooperation Treaty: A Strategic Shift in Eurasia," *The Heritage Foundation, Background Paper* #1459 (2001).

⁴⁵ Kyrre Elvenes Brækhus and Indra Øverland, "A Match Made in Heaven? Strategic Convergence between China and Russia," *China and Eurasia Forum Quarterly* 5, 2 (2007).

⁴⁶ International Institute for Strategic Studies, *The Military Balance* (London: International Institute for Strategic Studies, 2010), p. 220.

with high annual growth rates, some in the double digits-as the BRICs: Brazil, Russia, India and China. The authors boldly predicted that in less than 40 years, the economies of the BRICs would catch up to the six most advanced economies: the United States, Japan, Germany, Britain, France and Italy.⁴⁷ Although Goldman Sachs united the four as the “engines of growth,” political scientists took the concept further, asking whether the BRICs might be a useful analytical concept for political analysis.⁴⁸

These three factors-the SCO, bilateral energy and military sales, and BRIC-status-have led some analysts to conclude that China and Russia are forming an alliance that could challenge U.S. hegemony in Asia. In the international relations literature, alliances have a specific meaning. Glenn H. Snyder defines alliances as “formal associations of states for the use (or nonuse) of military force, in specified circumstances, against states outside their own membership.” This definition is meant to exclude informal alignments which are based on common interests, but never formalized.⁴⁹

Realists argue that by counterbalancing and buckpassing, states will defeat a rising hegemon thus keeping a single state from dominating the international system. States might also form an alliance for offensive reasons rather than defensive ones to engage in territorial expansion and divvy up the spoils. While nearly all realists acknowledge that the U.S. is the global hegemon today, there is a wide range of opinions on whether some balancing has started, how that balancing is taking place (“soft” vs. “hard” balancing), and who will do (is doing) the balancing.⁵⁰ For our purposes, the central question is whether a Sino-Russian alliance is forming to balance against the U.S., against other threats, to manage one another, or is an illusion and only worth the paper it is printed on. If it is an alliance against the U.S., we would expect to see the members increasing their military budgets - which we see with China but not Russia - and forming a formal military alliance to counteract American dominance, which we do not see.⁵¹ While the two states have found some common interests, they are not formally united against one or more states, certainly not against the U.S. or the EU. T. V. Paul argues that

⁴⁷ Wilson and Purushothaman, “Dreaming with BRICs: The Path to 2050.”

⁴⁸ Leslie Elliott Armijo, “The BRICs Countries (Brazil, Russia, India, and China) as Analytical Category: Mirage or Insight?,” *Asian Perspective* 31, 4 (2007). For a discussion of Russia and China as members of the BRIC group, see Kathleen J. Hancock, “Russia: Great Power Image Versus Economic Reality,” *Asian Perspective* 31, 4 (2007), Wei Liang, “China: Globalization and the Emergence of a New Status Quo Power?,” *Asian Perspective* 31, 4 (2007).

⁴⁹ Glenn H. Snyder, *Alliance Politics* (Ithaca, NY: Cornell University Press, 2002), p. 4.

⁵⁰ Mearshiemer is the rare realist who holds that the U.S. is a regional, rather than global, hegemon. He argues that there has never been a global hegemon nor will there ever be one.

⁵¹ T.V. Paul, “Soft Balancing in the Age of U.S. Primacy,” *International Security* 30, 1 (2005), p. 47.

this is because second-tier states—such as China and Russia—do not fear for their survival; there is no U.S. plan to destroy them. Instead of hard-balancing, as predicted by some realists, they are pursuing other strategies, including bandwagoning, buckpassing, and free-riding, along with “soft balancing,” which Paul defines as “the formation of limited diplomatic coalitions or ententes, especially at the United Nations, with the implicit threat of upgrading their alliances if the United States goes beyond its stated goals.”⁵²

Other realists have argued that it is only a matter of time before states will move beyond soft balancing and engage in hard (military) balancing against the United States. They argue that states like China and Russia will build up their military forces and economies to challenge and balance U.S. supremacy.⁵³ Under this scenario, Western leaders should watch for military expansion in China and Russia, as well as the creation of a formal military alliance.

Realism raises another question: can China and Russia maintain even an informal alliance? States choose allies they consider less threatening than potential aggressors. These allies can be great powers themselves or lesser powers. For example, Germany’s “gunboat diplomacy” combined with its naval build up convinced the United Kingdom to ally with Russia and France against Germany in the lead up to World War I, to the surprise of Berlin.⁵⁴ Even very strong states may support each other because some other state represents a common danger.⁵⁵ How do Russia and China see the U.S.: is it more or less threatening than the other state? As China—a neighbor with which it shares a long border—grows in military and economic power, Russia may decide that the less proximate U.S. is a lesser threat than China. Similarly, China may determine that Russia’s less globally integrated economy and its focus on building regional economic accords means Russia has less interest in maintaining the open trading system than do the U.S. and China.⁵⁶

This section suggests two policy recommendations: First, the West should be vigilant and prudent about signs of hard-balancing, including a formal military alliance between China and Russia, but should not over-estimate or under-estimate the threat. Second, the U.S. should consider whether it is more or less of a threat than China or Russia. If China views the U.S. as less of a threat than Russia, or Russia views the U.S. as the lesser threat, an alliance between China and Russia will not

⁵² *Ibid.*

⁵³ Paul Kennedy, *The Rise and Fall of the Great Powers* (New York: Random House, 1987).

⁵⁴ Patrick James, “Elaborating on Offensive Realism,” in *Rethinking Realism in International Relations: Between Tradition and Innovation*, ed. Annette Freyberg-Inan, Ewan Harrison, and Patrick James (Baltimore: Johns Hopkins University Press, 2009), p. 59.

⁵⁵ *Ibid.*, p. 58.

⁵⁶ For a discussion of Russia’s regional economic integration efforts, see Kathleen J. Hancock, *Regional Integration: Choosing Plutocracy* (New York: Palgrave, 2009), Chapter 6.

materialize. Although Western policymakers might be tempted to encourage some tension between China and Russia to undermine such an alliance, they should be cautious, lest they trigger a military conflict between the two giants in the Eurasian field. Such a conflict could destabilize Central Asia, which in turn would harm European interests, particularly given Europe's heavy reliance on Russian natural gas.⁵⁷

Predictions About War

Realists often focus on explaining war and thus have predictions about the greatest threat of a rising China: war between China and the U.S., Russia, or other Asian neighbors. Waltz argues that his theory could not, and was not meant to, predict specific foreign policies, such as when and how a particular state might start a war and against whom. Rather, structural realism can only explain broad patterns of war over time - recurring international outcomes. Still, we can look to realism for some basic understandings about the probability of war, regardless of the precise states and time involved.

Offensive and defensive realists have very different predictions about the probability of war. Offensive realists see the world as highly insecure, where all significantly powerful states might threaten other states. A friend today may be an enemy tomorrow and all great powers are treated with deep mistrust.⁵⁸ Mearsheimer argues that in this insecure world, states attempt to ensure their survival by maximizing their share of world power; every state seeks to be a global hegemon.⁵⁹ At the most general level, then, offensive structural realists assume that states constantly think about the worst-case scenario. Offensive realists would thus expect to see Russia and China heavily discounting the future, focusing on near-term military buildup over other longer-term goals. This seems to run counter to China's policy in which it has historically forgone military buildup in favor of economic growth. Nevertheless, today, China is undeniably building up its military, most notably its technological sophistication and its own military industrial complex.⁶⁰

In terms of U.S. and European policies, offensive realists would advise that the Western states remain vigilant and expect China and Russia to turn against them at any time. We should also bear in mind

⁵⁷ The European Union 27 rely on Russia for about 38% of their imported natural gas; imports account for about 80% of their natural gas. Russia supplements its own natural gas with cheap imports from Turkmenistan. Richard J. Anderson, "Europe's Dependence on Russian Natural Gas: Perspectives and Recommendations for a Long-Term Strategy," in *Occasional Papers* (George C. Marshall European Center for Security Studies, 2008).

⁵⁸ John J. Mearsheimer, "The False Promise of International Institutions," *International Security* 19 (1994-95), p. 12.

⁵⁹ Mearsheimer, *The Tragedy of Great Power Politics*, pp. 145-47.

⁶⁰ International Institute for Strategic Studies, *The Military Balance*, p. 220.

that offensive realists would suggest that Europe could become America's enemy in the future too. The policy recommendation is thus not specific to China, but rather generally advises that all states remain vigilant and maintain large militaries.

However, defensive realists argue that this policy will trigger the security dilemma, as discussed in the section above on defense realism. Instead, defensive realists would recommend that the U.S. and EU attempt to understand the political workings and intentions of China and Russia, and to reassure them. In his general work on balance of threat, Stephen Walt recommends evaluating four measures of threat, three of which can be measured objectively: relative power, geographic proximity, and offensive capability. The fourth - offensive intentions - however, must be assessed for a particular situation and again requires that one understand the internal debates and power structures in China and Russia. This is also true of Karen Rasler and William R. Thompson's approach: the Western states would have to consider whether something about the structures, institutions, ideology, and ambitions of China and Russia could, first, be ascertained and, second, be used to draw conclusions about each state's intentions to expand beyond its borders.⁶¹

If we assume that China will continue to rise economically and militarily to the point where it begins to encroach on U.S. global dominance, research done by realists suggests two possible paths to a Sino-American war: either China will attack a declining U.S., or the U.S. will attack a rising China. The first prediction is derived from the work of offensive realist Gilpin, who argues that a system begins in equilibrium but is then disturbed by states' differential growth in economic and military power. As the distribution of capabilities shifts, the system is thrown into disequilibrium. The hegemon begins to lose its relative power as another state grows at a faster rate. The second-ranked state, now ascendant, initiates war in order to gain the prestige and rewards its position warrants. The system then finds a new equilibrium with not only a new distribution of power but with new rules and rights.⁶² This is the change that many Americans ultimately fear, and presumably Europeans, too, who suspect China's new rules will be less in their favor than those imposed by the United States.

The second prediction - that the U.S. will attack China - is derived from Dale Copeland's work in which he argues that if the ascendant state waits, it will eventually overtake the other state, making it easier and less costly to take its rightful place; it might even avoid war. Rather than the rising state starting the war, as Gilpin predicts, Copeland argues that the declining great power is the one most likely to initiate a war. Out of

⁶¹ Karen Rasler and William R. Thompson, "Malign Autocracies and Major Power Warfare: Evil, Tragedy, and International Relations Theory," *Security Studies* 10, 3 (2001).

⁶² Gilpin, *War and Change in World Politics*, p. 42.

desperation, hoping to alter its trend of decline, the state attacks the rising power.⁶³ Several historical occasions - Sparta-Athens, Carthage-Rome, and France-Hapsburgs - support this prediction.⁶⁴ Copeland's argument further suggests that a declining U.S. will be less likely to start a conflict with a rising China if there are other great powers that would counter a U.S. attack.⁶⁵ In this case, Russia could become a critical player.

Bruce Bueno de Mesquita argues that tight alliances are more highly correlated with war than loose alliances. In a tight alliance, members have very similar foreign policy objectives with other alliance members. Believing that its allies will assist it in a war, a state feels more confident that it can win the war and thus is more willing to accept the lower risk of initiating war. On the other hand, loosely knit alliances are less prone to engaging in war because members cannot count on their allies to support them in a war.⁶⁶ Bueno de Mesquita finds that in the 20th century, 84 percent of wars started when alliances were becoming increasingly tight.⁶⁷ These findings suggest that if China and Russia were to form a tight alliance, one in which they shared significant foreign policy goals, the U.S. should be more fearful of a war against another alliance, presumably NATO. This brings us back to the question of whether China and Russia have a true alliance. According to realism's stricter definition provided above, they are not in a formal alliance. Furthermore, their foreign policies are arguably far apart on a number of issues. For example, both see themselves taking a dominant role in Central Asia, a point that will, in our view, cause increasing tension between these two great regional powers, further reducing the chances of a tight alliance.⁶⁸

This section produces a number of recommendations, some of which contradict each other, suggesting that policymakers must decide what their worldviews are before adopting particular policies. First, offensive realism suggests that Western policymakers need to be vigilant and maintain large militaries. Second, defense realism suggests that political leaders should instead look for indicators of whether Chinese and Russian leaders are offensive or defensive realists and act accordingly.

⁶³ Dale C. Copeland, "Neorealism and the Myth of Bipolar Stability: Toward a New Dynamic Realist Theory of Major War," in *Realism: Restatements and Renewal*, ed. Benjamin Frankel (Portland, Oregon; London, UK: Frank Cass & Co. Ltd., 1996), p. 32.

⁶⁴ *Ibid.*, p. 37.

⁶⁵ For Copeland's explanation of World Wars I and II, see *Ibid.*, pp. 42-46.

⁶⁶ Bueno de Mesquita also evaluates alliance discreteness, defined as the distance separating one alliance from another. In a highly discrete alliance, members have foreign policy goals that differ significantly from those of other alliances. He finds that discreteness is not correlated with war. Bruce Bueno de Mesquita, "Systemic Polarization and the Occurrence and Duration of War," *Journal of Conflict Resolution* 22, 2 (1978).

⁶⁷ *Ibid.*, pp. 258-59.

⁶⁸ Kathleen J. Hancock, "Asian Power: Sino-Russian Conflict in Central Asia?," *Georgetown Journal of International Affairs* 9, 1 (2008).

Third, the U.S. should look for indications that a rising China is considering an attack on a declining United States. Fourth, the U.S. may itself be the one to initiate war with China, which raises a number of concerns. Finally, the Western states should look for signs that the alliance between China and Russia is tightening. If it is, the states may need to prepare for the possibility of war.

While structural realism suggests that a Sino-American war is possible or even likely, there are a number of reasons to suggest this will not happen. First, a declining Britain and rising U.S. in the 1890s did not go to war with each other, providing a prominent historical example of a change in hegemony without war. Second, if China sends signals that it will not significantly alter the international system, the U.S. and Europe may allow China to rise without militarily confronting it though accommodating some of Beijing's demands. Third, lessons that realists have drawn from historical cases before the advent of nuclear weapons may not be applicable in an era where the major powers have significant nuclear arsenals. Nuclear weapons may well have significant deterrent effect on great power war. Finally, at this point in time, China's ascendancy and eventual passing of the U.S. is too far off and may not even occur. China may yet stumble, like Japan in the 1990s, making room for a different rising hegemon or for a long-term multipolar system.

Conclusion

Realism as a single paradigm has no clear predictions, but two of the main strands suggest a number of questions that U.S. and other policymakers might consider as China continues to rise and as Russia sees itself aligned with China. Answering these questions can give us clearer insight into whether a Sino-Russian relationship will turn into a formal alliance, what that alliance might be, and what dangers the international community might be facing as the U.S. loses its hegemonic position and China ascends.

First, is the U.S. a declining state that might start a war with China to prevent its further decline? Some realists have argued that a declining power is likely to attack a rising power, to prevent it from taking the declining power's hegemonic position. The 2010 U.S. National Security Strategy specifically mentions China and Russia (along with India) in several places, always as (re)emerging states with important roles to play in the international system. The report notes "We will continue to deepen our cooperation with other 21st-century centers of influence - including China, India, and Russia - on the basis of mutual interests and

mutual respect.”⁶⁹ However, it also states “We must maintain our military’s conventional superiority....The United States remains the only nation able to project and sustain large-scale military operations over extended distances.”⁷⁰

The American public as well as Europeans should be aware of the possibility that the U.S. might attack a rising China and decide what they would want the U.S. government to do. Under realism, where states are the same, Europe should have no strong preference over whether China or the U.S. dominates the international system. But surely a factor will be whether China is a revisionist state that will change the rules of the international system such that they disadvantage Europe.

Second, are China and Russia revisionist states or status quo states? Defensive realists argue that you do have to understand domestic politics to know whether a state is revisionist. States that continue building up military forces past the point of only defending themselves do so for domestic or unit level reasons. This theoretical approach suggests that we need to understand the domestic dynamics inside China and Russia to see if they might behave as predators and start a war. Offensive realists, on the other hand, argue that we have to assume China is revisionist and prepare for the worst.

Third, what is the evidence of a true Sino-Russian military alliance as opposed to a less formal and broader strategic partnership? Currently, there is no formal military alliance, only an overlapping of interests and a more general agreement in the form of the SCO. The Western states should watch for evidence of a formal alliance, including treaties that specify the use of force against states outside the membership. This would clearly be a more alarming development, particularly if the West became a target, and would thus signal a new Cold War. Should an alliance form, Western leaders should assess how tight the China-Russia alliance is. A very tight alliance is more war-prone than a loose one. Unless and until a formal alliance is formed, the U.S. and EU should be cautious in how they portray the China-Russia relationship.

Fourth, how dangerous is this world, in the minds of the key political actors? Put another way, are the Chinese and Russian leaders offensive or defensive realists? If they are offensive realists, they view the world as highly insecure and will build up weapons past the point of what is required for defense. If they are defensive realists, on the other hand, they should build up only to the point of defending themselves and should thereafter agree to arms control treaties. A critical question is “What is enough for defense?” There is no bright line between offense

⁶⁹ White House, "National Security Strategy, 2010,"
<http://www.whitehouse.gov/sites/default/files/rss_viewer/national_security_strategy.pdf> (December 15, 2010).

⁷⁰ *Ibid.*

and defense. Rejection of an arms control accord does not necessarily signal an offensive intention. Here, understanding domestic politics will become more urgent.

In this article, we have explored the implications of two major strands of the realist paradigm as they apply to China's rise, U.S. relative decline, a potential Sino-Russian alliance, and the likelihood of war between China and the United States. Liberalism, the other well-developed paradigm in U.S. international relations, suggests very different predictions and prescriptions and should be explored in much the same way as we have done here with realism. Although the answers to these critical issues cannot yet be discerned, political leaders should be explicit about their worldviews and use some of the indicators above to determine what direction China and Russia are likely to take as we move forward. Hyperbole will not serve well the West, but neither will complacency.

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