

per Concordiam

Journal of European Security and Defense Issues

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Using investments to raise global standing

■ **A NEW INTERNATIONAL DYNAMIC**

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And Europe's Future

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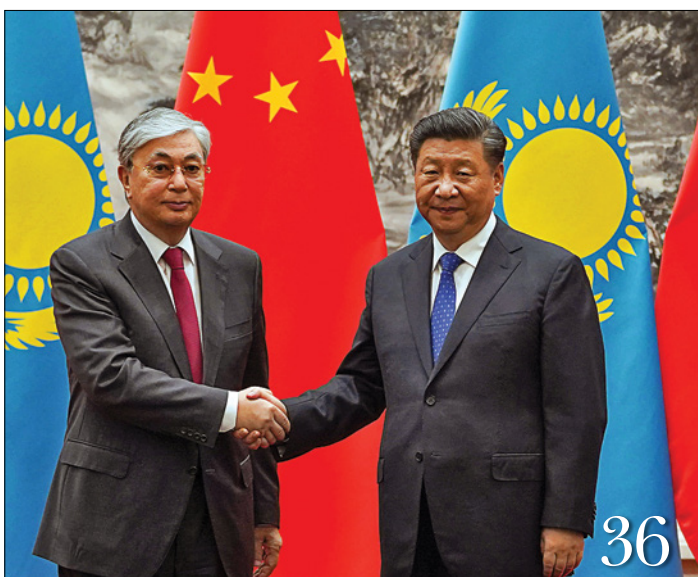
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Europe must react to a seismic shift in the global dynamic.

PER CONCORDIAM ILLUSTRATION



GEORGE C. MARSHALL
EUROPEAN CENTER FOR SECURITY STUDIES

Welcome to the 39th issue of *per Concordiam*. Great power competition is the defining paradigm of our era. For this reason, this edition of *per Concordiam* examines China's influence in Europe and its implications for trans-Atlantic relations and Euro-Atlantic solidarity.

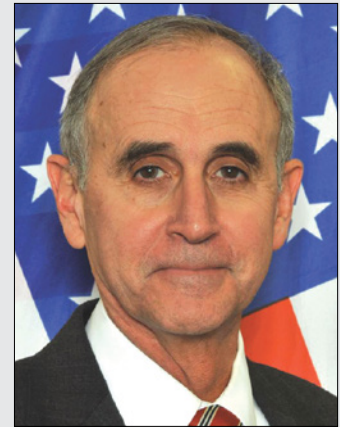
Dr. Graeme P. Herd opens the issue by unpacking the notion of great power competition and examining the popular concept of a "Thucydides Trap," before looking to network-based understandings of great power competition made all the more salient by the COVID-19 pandemic. Frank Mouritz and Adéla Šelepová take a deeper dive into China's economic statecraft in Europe, and Małgorzata Jankowska highlights the Visegrád 4 states' perception of great power competition and how they navigate among China, Russia, the U.S. and the European Union, paying particular attention to the role of Germany. Dr. Valbona Zeneli addresses the issue of China's and Russia's influence in the Western Balkans, and Nataliia Haluhan highlights Belarus' realignment, at least on a rhetorical level, and its efforts to balance Russian influence through closer economic alignment with China.

Addressing great power competition through a military prism, Lt. Col. Chad Cisewski calls for the creation of a NATO China policy, leading to a NATO-China council as a consultative mechanism to increase transparency and reduce the risk of conflict escalation. Dr. Pál Dunay examines China's influence in Central Asia, and Dr. Drew Ninnis looks to the future, asking "Does Russia's future include China?" Finally, James K. Wither considers the challenges posed by Russia's use of proxy forces. Dr. Herd concludes by addressing themes that link the articles, such as the viability of the networked world order and the impact of COVID-19 on great power competition constructs, how we understand it and how great power competition is being practiced.

It is with pleasure that I commend this issue to you and hope its insights and observations generate fresh thinking and inform constructive and cooperative policy solutions.

Sincerely,

Keith W. Dayton
Director



Keith W. Dayton

Director, George C. Marshall
European Center for Security Studies

Keith W. Dayton retired as a Lieutenant General from the U.S. Army in late 2010 after more than 40 years of service. His last assignment on active duty was as U.S. Security Coordinator to Israel and the Palestinian Authority in Jerusalem. An artillery officer by training, he also has served as politico-military staff officer for the Army in Washington, D.C., and U.S. defense attaché in Russia. He worked as director of the Iraqi Survey Group for Operation Iraqi Freedom in Iraq. He earned a Senior Service College Fellowship to Harvard University and served as the Senior Army Fellow on the Council on Foreign Relations in New York. Gen. Dayton has a bachelor's degree in history from the College of William and Mary, a master's degree in history from Cambridge University and another in international relations from the University of Southern California.



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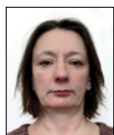
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**Great Power
Competition**

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GREAT POWER COMPETITION AND EUROPE

State and network-centric perspectives

By DR. GRAEME P. HERD, Marshall Center professor

In the United States, there is cross-party bipartisan agreement that China is the U.S.’ most serious long-term threat because it has come to be understood that the costs of accepting China’s own national interest and ideology outweigh the benefits of cooperation. By 2015-2016, it had become apparent that the U.S. had overestimated its ability to compel China to follow international ground rules (as defined by the West) and underestimated the resilience, resourcefulness and ruthlessness of the Chinese Communist Party (CCP) to enhance its wealth, maintain its monopoly on power, avoid a strong counter-reaction by the West and restore its status as a truly global power. Rather than reform and open up, China reformed and closed down.

The CCP has become an even more personalistic, authoritarian, repressive, militaristic and nationalistic regime under President Xi Jinping. China is a party-state, with an administrative, commandist, centralized, extractive and arbitrary autocratic (privatized oligarchic capitalist) system. Unfair trade practices, nonreciprocal market access, intellectual property theft, and coercive data localization and source-code disclosure are in fact understood by the CCP to be competitive advantages for China. China’s governance is characterized by advanced technological-algorithmic authoritarian norms. It is a Leninist police state that practices a “social-credit system” and “social governance,” enforced by the National Intelligence Law (2018), the Cybersecurity Law (2018) and the National Security Law (2015). And such malign governance practices can be exported.

As early as 2013, Xi’s CCP released “Communique on the Current State of the Ideological Sphere,” known as Document 9, at the Third Plenum of its Eighteenth Party Congress. It was subsequently leaked. It warns the party to combat seven political “perils,” including constitutionalism, civil society, “nihilistic” views of history, “universal values”

and the promotion of “the West’s view of media.” In effect, democratic institutions, human rights, rule of law, independent journalism and “universal values” pose an existential threat to the CCP. China adopts a Trojan horse strategy, in that it supports the current international system to gain hegemonic position to advance Chinese governance (“make China’s governance United Nations governance”).



German sailors brief their U.S. counterparts during the exercise Northern Coasts in Putlos, Germany. Cooperation among NATO allies and partners is the best way to counter Chinese influence in Europe.

CHIEF PETTY OFFICER TRAVIS SIMMONS/U.S. NAVY

As a result of this understanding of China’s strategic direction, U.S. threat and risk assessments were radically transformed. The U.S. National Security Strategy (NSS) of December 2017 states that the “U.S. must retain overmatch” and preserve “combination of capabilities in sufficient scale to prevent enemy success.” The U.S. NSS and the National Defense Strategy of 2018 are state-centric,

focused on “China, then Russia.” They posit a zero-sum competition among the great powers of the world over how to realign relations, redefine interdependence and increase the standing of these states in the international system.

This overturns the West’s 40-year, U.S.-led, two-pronged, mixed engagement-balance strategy toward China. It was characterized by engagement across all dimensions (economic, scientific and cultural) and, since the 1990s, balance based on military tools. It was aimed at the deterrence of Chinese aggression and the promotion of stability in the Asia-Pacific region. Engagement has sought to assist China to behave as a responsible stakeholder and to relegate great power competition to the dustbin of history. Engagement was informed by what turned out to be a number of basic and deeply rooted misconceptions:

- Economic trade would create irresistible pressure for liberalization, as a wealthy middle class with rising expectations would demand reforms from the CCP that would lead to incremental changes in domestic governance, greater transparency, accountability and openness, including stronger civil society, reliable rule of law, and checks and balances. The assumption was that being rich and being communist are incompatible, and that once China became wealthy it would have to reform and liberalize.
- Economic norms of free trade, domestic marketization and globalization would socialize China into adopting standard international rules and help make its resorting to military force economically irrational. Belief in convergence was based on the understanding that every state is an engagement partner, if not now then in the future, and that a stress on commerce and economics over human rights would be the best means to address the latter.
- Chinese companies would not become rivals in Western markets, rather the reverse — Western companies could penetrate and profit from Chinese markets.
- Western engagement was in response to Deng Xiaoping’s reform and opening initiative of 1979-1981, a time when the West faced both China and the Soviet Union in the Cold War. A more market-based, albeit communist, China would be less aligned and compatible with the Soviet Union. This Cold War geostrategic consideration played a role in U.S. policy toward China.

Great power competition: state centrism and the Thucydides Trap

Hegemonic-stability and power-transition theories are theories of “conflictual change”: An unstoppable force attempts to displace an immovable object, and this results in war. The rising challenger power seeks to change the existing system’s rules, redefine spheres of influence

and even territorial borders. These theories date to Thucydides writing *The History of the Peloponnesian War* 2,500 years ago. Thucydides stated: “The growth of the power of Athens, and the alarm which this inspired in Sparta, made war inevitable.”

According to Graham Allison, doyenne of the Belfer Center at Harvard University and renowned author, China and the U.S. face a Thucydides Trap. Athens is China, an emerging, vibrant, powerful challenger, while Sparta is the U.S. — an insecure (“fear” or “alarm”) declining established power, according to this understanding. Structural stresses of the international system, such as shifts in the strategic balance, changes in the distribution of material capabilities and the global economic center of gravity are complemented by emotional stress.

The “rising power syndrome” suggests that as a late-rising power catches up and overtakes an existing, dominant power, it will seek to renegotiate any bargain made with the established power. The syndrome implies that established-power uncertainty about the rising state’s future intentions and the credibility of present commitments make a U.S. preemptive attack on China (the rising power) a rational choice. Political psychology argues that feelings, sentiments and emotional change have a powerful influence. The emotions of hubris, overconfidence, resentment and ambition are part of a rising power’s sense of entitlement. By contrast, fear, an exaggerated sense of insecurity and paranoia are emotions experienced by a ruling power determined to defend the status quo, leading to premature containment, preemption and self-inflicted wounds.

The tipping point occurs when the challenger places a greater value on what it desires than what it currently possesses, to the extent that it is prepared to use coercive force to change the status quo. A slow-burn conflict can resemble a process of sleepwalking into war. In this scenario, a trade war escalates and results in the decoupling of the world’s top two economies (40% global gross domestic product, or GDP), fracturing the global trading system, eliminating constraints on the Sino-U.S. geopolitical rivalry, and inviting further escalation, making war “inevitable.” The pathway could also be sudden, contingency- and crisis-driven, involving Taiwan, disputes over islands in the South China Sea, collisions, miscalculation and escalation. Both cases could feature entrapments and entanglements due to alliance commitments and relations with secondary powers.

The Thucydides Trap thesis rests on a number of questionable assumptions. First, given that the liberal-orientated international order is not a single coherent hegemonic order imposed by the U.S., but rather the complex, multilayered, multifaceted and pluralist sum of global international agreements and institutions that operate across diverse domains such as trade, arms control, the environment and human rights, is China so dissatisfied that it becomes a revisionist challenger state? Second, can China decouple and survive?

Third, major powers or international institutions can mediate to mitigate conflict. Fourth, is China as strong as it appears, particularly given the context of COVID-19? Fifth, nuclear weapons suggest precedents set by Thucydides are not applicable. The principle of mutually assured destruction and the practical locations of military forces decrease the potential for “hot” conflict.

Lastly, is the U.S. as weak as the Thucydides Trap thesis assumes? It is not. The dollar is hegemonic with unchallenged international currency reserve status. The U.S. enjoys overwhelming economic preponderance and is energy independent. China’s GDP is 60% of U.S. GDP. China has no real allies and is surrounded by U.S. major-power allies (Japan, South Korea and Australia) and extensive U.S. forward deployments, and the U.S. leads in terms of arms, defense spending and technology. The U.S. is a structurally advantaged hegemon with a systemic stabilizer role, being a “system maker” and “privilege taker.” Its foreign direct investment in global business gives it “command capacity” with regard to decision-making in this sphere. The U.S. is able to attain the benefits of cooperation without resorting to coercion, as these benefits are shared.

Network-centric understanding of great power competition

The U.S. state-centric appreciation of great power competition has implications for Europe. What are the roles of non-great powers and the spaces in between? Should the European Union match its geopolitical power with its economic and become a “great” power? Would this not suggest multipolarity and equidistance? Can a competitive strategy balance short-term costs/risks with possible long-term gains?

In Germany, too, some of the old misconceptions have been challenged. It became clear in 2014, with Russia’s annexation of Crimea, that magnetic market-democratic universalism has not resulted in Russia integrating into Greater Europe under the stewardship of a benign and supportive U.S. By 2018-2019, it had become equally clear in Germany that China’s economic modernization has not created irresistible pressure for liberalization, greater transparency, accountability and openness. Convergence theory (“they will be like us”) and complementarity theory (“we do what they don’t do well”) no longer apply to China.

A network-centric understanding of great power competition accepts that power itself is becoming more diffuse, flowing from state to nonstate actors (conglomerates, media), from military to economic domains and from the Euro-Atlantic to the Asia-Pacific. This process of power diffusion is driven by a digital revolution that is as consequential and transformative as the industrial revolution, but in scale and speed much larger and faster. The systemic effect of this revolution is to create a network-centric world of ever-increasing, cross-border flows of goods, services, money, ideas and data.

This network-centric order rests on a global socio-economic infrastructure based on hubs. According to the World Bank, the U.S. and Europe represent hyper-connected “complex” financial and service hubs, while China is a “simple” manufacturing supply chain hub. These central hubs constantly seek to optimize network efficiency and exploit economies of scale and specialization.



A health worker checks the temperature of a man entering the subway in Beijing in January 2020, as Chinese authorities tightened restrictions on travel and tourism. China’s initial handling of the COVID-19 crisis suggests that economic diversification and temporary decoupling are prudent for Western societies. AFP/GETTY IMAGES

However, this world is also vulnerable to nonmilitary sources of insecurity and pressure, such as economic coercion, disinformation campaigns and cyber attacks. The hubs represent potential single points of failure. Hubs can suffer systemic shocks and the very centrality of their role in the international system (their great power function) can lead to systemic paralysis. States face a range of threats that do not respect state sovereignty and territorial integrity, including pandemics, climate change, financial crisis, hostile artificial intelligence and destructive biotechnology. These transnational threats do not carry passports.

Interdependencies and connectedness generate threats that no one state can address alone but are also facilitators of cooperation and coordination, which are needed to manage and solve the threats. COVID-19, for example, suggests it is prudent to enact temporary, coordinated decoupling, promote diversification to reduce risk, and build in functional redundancy to make financial, public health and food supply networks more robust and resilient, and so less vulnerable. Thus, according to this network-centric understanding of great power competition, who you are connected to and what you do to protect and advance connectedness through diversification and redundancy efforts is the strategic prize in the competition. Network politics supersedes power politics. □

CHINA'S

ECONOMIC STATECRAFT

IN EUROPE



PER CONCORDIAM ILLUSTRATION



BEIJING INVESTS IN INFLUENCE

By **Frank Mouritz**, Marshall Center research associate and **Adéla Šelepová**, Charles University graduate student

China is an economic development success story. The annual growth of its gross domestic product (GDP) consistently exceeded 8% from the 1990s until the early 2010s, and it is estimated that in 2019 it still exceeded 6%. This enduring boom created a historically unprecedented increase in wealth and living standards. More than 60% of the Chinese population lived below the poverty line in the early 1980s. Today, the Chinese are the world's top buyers of luxury goods. China's economic success is admired and studied around the world.

An increasing number of countries are tempted to mimic Beijing's economic approach and switch from free-market models to state-run capitalism. The appeal is especially high for developing countries for which China's example raises hopes that they, too, can catch up to the developed world. Even some European countries are starting to look to Beijing for economic guidance. The Washington Consensus of economic reform could soon be replaced by a Beijing Consensus. Consequently, it is not surprising that countries around the world actively seek to cooperate with China in order to profit from China's economic rise and become part of the economic miracle.

For China, this climate offers the chance to use economic means to increase its global political influence. Depending on a country's economic situation, China uses different forms of economic statecraft, adapting to each country's

specific economic needs. Broadly speaking, advanced economies are mainly interested in economic cooperation between local and Chinese companies; medium-size economies mainly want China to invest in local businesses; and developing and emerging countries mainly want to attract Chinese loans to finance development projects.

In Europe, China's economic statecraft has had mixed results. In countries with advanced economies, such as France and Germany, there has been more criticism of close economic cooperation with China after state-backed Chinese companies started to acquire large shareholdings in companies in key economic sectors.



Then-Serbian Prime Minister Aleksandar Vučić, right, and Czech President Miloš Zeman, two of the European leaders most favorable toward Chinese involvement in their economies, attend the Belt and Road Forum for International Cooperation near Beijing. GETTY IMAGES

Many countries with medium-size and emerging economies, however, have welcomed China with open arms. Take the Czech Republic, for example: President Miloš Zeman hopes that his country will become “the unsinkable aircraft carrier of Chinese investment expansion” and promised Chinese investments of 8.3 billion euros through 2020.



A van drives the first section of highway connecting Bar, Montenegro, with Serbia. The road is being constructed by the China Road and Bridge Corp. GETTY IMAGES

When the Chinese conglomerate CEFC China Energy invested \$1 billion in a financial company, an airline, a media outlet and the Czech Republic's oldest football club, Slavia Prague, in 2015, Zeman thanked CEFC's CEO Ye Jianming by appointing him as his special economic advisor. In this function, Ye was part of the official Czech delegation for Zeman's state visit to China. Bringing a foreign national from the host country to a state visit was not only unprecedented for the Czech Republic, but also irritated Chinese diplomats. In the meantime, Ye has been detained in China on charges of economic crimes, and CEFC's shareholdings abroad have been taken over by the state-owned company CITIC to limit the reputational damage. The result has been that Chinese investment decreased to 90 million euros in 2019, which makes China only the 20th largest foreign investor in the Czech Republic.

Despite the disappointing track record of economic engagement with China, Zeman has not given up hope for a close economic partnership and vehemently opposes stronger European Union foreign investment screening regulation. He is one of very few European statesmen who openly side with Huawei in the EU-wide debate over whether it is safe to use Huawei equipment in national 5G networks. Zeman — much to the disappointment of his security agencies — has repeatedly claimed that allegations of, and concerns over, espionage against Huawei are not supported by evidence and called the current political debate an unfair campaign.

The desire of countries such as the Czech Republic to attract Chinese investments and loans can be used by Beijing as a foreign policy tool. One Belt, One Road (OBOR), what the Chinese now call the Belt and Road

Initiative, is China's global infrastructure development and investment strategy and is a logical step to make use of China's appeal in the world. Countries want to be part of OBOR to become economic partners with China and to get access to Chinese loans for infrastructure projects, even if the economic usefulness of the projects is dubious. China benefits in that the new roads, railways, ports and pipelines better connect its economy to the rest of the world. China's calculus is that OBOR will increase its stake in global value chains and allow China to expand its export markets. Another benefit is that Chinese construction companies are usually awarded the contracts to build the infrastructure. Thus, OBOR is also a stimulus package for the Chinese construction sector at a time when infrastructure expansion in China has reached a limit and is slowing.

The largest Chinese loan for an infrastructure project in Europe has been granted to Montenegro for the Bar-Podgorica-Belgrade motorway. The motorway will connect Montenegro's main seaport, Bar, with the capital, Podgorica, and continue to the Serbian border. Montenegro currently has no motorways and hopes that this road will increase connectivity within the country, as well as with the rest of Europe by linking to a European motorway network. So far, China has granted loans amounting to 1.3 billion euros, 85% coming from the state-owned Export-Import Bank of China, which is a huge sum for a country with a total GDP of roughly 4.6 billion euros in 2018.

The construction contract was awarded to China Road and Bridge Corp. (CRBC) without an open tender and in such a rush that it is full of flaws, such as not covering motorway on-ramps. The contract exempts CRBC from value-added taxes or customs in Montenegro, and since most of the workers are brought in from China, the local economy benefits only very little. Government debt increased from 63% of GDP in 2012 to 80% in 2019, mainly because of the motorway project. The first 41 kilometers have been finished, but construction of the next 80 kilometers are in question since Montenegro is running into problems refinancing debts despite shifting toward a public-private partnership model that will probably involve motorway tolls.

The Center for Global Development, a think tank in the United States, has warned that Montenegro is in serious danger of debt distress due to future OBOR-related financing. This risk will be especially high if the new motorway does not achieve the desired economic effects. Serbia has delayed work on the motorway from Belgrade to the Montenegrin border, raising fears of a motorway to nowhere. Even if Serbia completes its part of the motorway, it remains dubious that the traffic will justify the costs. Montenegro failed twice to secure funding from the European Investment Bank because two feasibility studies by international consultancy firms, in 2006 and 2012, rated the project as uneconomic. In a worst-case scenario, Montenegro will become highly indebted to China without boosting its GDP enough to repay the loans. The contract safeguards China against loan default by granting the right to claim territory as collateral. The contract also stipulates that any dispute settlement would take place in China. Even more valuable for China might be the gain in political influence. Montenegro is a NATO member and an EU-candidate country. A political ally and foothold on Europe's southeastern flank could be valuable. Some hawkish commentators even worry that China might demand commercial and military access to Montenegro's ports as an alternative form of compensation.

And then there is the bigger picture: Montenegro is a very small country and not that relevant in political terms, but it can be a starting place for increased Chinese influence in the Balkans and Eastern Europe. China initiated a dialogue with 17 Eastern and Southeastern European countries who want to become part of OBOR. Among the countries of the so-called Cooperation between China and Central and Eastern European Countries (China-CEEC), or 17+1, initiative are Western Balkan countries such as Montenegro and Serbia, but also 11 EU member states, including the Czech Republic. While it is too early to tell if China-CEEC will be a successful format, it has the potential to shift great power competition in this part of the world in China's favor. Balkan countries are especially torn between closer alignment with Europe and the U.S. and deeper engagement with China. This is somewhat understandable because full integration into the political West has so far been denied and China is a very attractive alternative partner due to its economic dynamic.

However, even EU member states that have access to development finance via the European Structural and Investment Funds have not been immune to Chinese influence, as the example of the Czech Republic shows. Greece is the latest EU member state to join the China-CEEC (in April 2019), which expanded the initiative from 16+1 to 17+1. The left-wing former government of Alexis Tsipras was very China-friendly. Since 2014, Greece and China have signed several cooperation agreements and facilitated commercial contracts worth \$4 billion. The most important acquisition is the Port of Piraeus. The state-owned China Overseas Shipping Group Co. (COSCO) started investing in the harbor in 2008, when Piraeus processed just 430,000 containers per year. COSCO invested hundreds of millions and raised the container handling to 4 million per year.



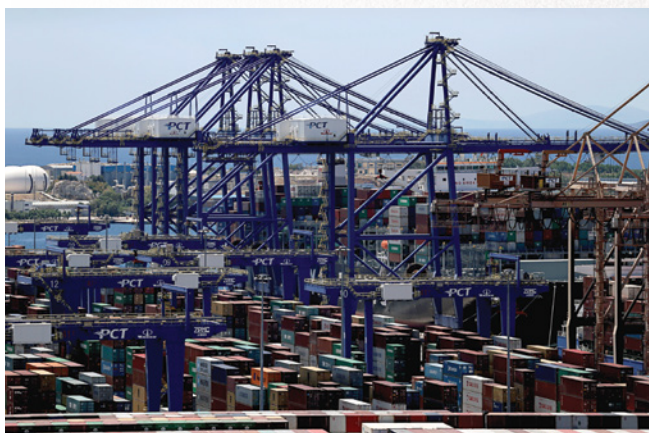
Fu Cheng Qiu, managing director of China's COSCO, attends a news conference in Piraeus, Greece. COSCO is the majority owner of the major Greek port. REUTERS

Since 2017, COSCO has held a 67% majority stake in the Piraeus Port Authority and it received a 40-year concession to operate the commercial harbor. China wants to use the port as a hub for the Maritime Silk Road and a gateway into Southern Europe. Apart from the strategic importance of the investment, China also earns a political dividend from its business activities in Greece. Greece blocked the EU from criticizing China's human rights record at a United Nations Human Rights Council meeting and also intervened when the EU wanted to condemn China's maritime claims in the South China Sea following a ruling from the Permanent Court of Arbitration in favor of the Philippines. It remains to be seen if the conservative government under Kyriakos Mitsotakis, which came to power in July 2019, will change course. Traditionally, the conservative party, Nea Dimokratika, favors close alignment with the West, but because of high economic dependence on China, it seems unrealistic that Greece will decouple anytime soon.

Montenegro and Greece are two of only a few European OBOR countries in which China is actually executing a large-scale project. Most other countries are still waiting for planned and promised projects to start. It is astonishing that countries are so keen to join 17+1 when,

up until now, the initiative is mostly based on promises, and the economic feasibility of the envisioned projects remains uncertain. The express railway from Budapest via Belgrade to Piraeus is years behind schedule, and Hungarian studies estimate it will take at least 130 years before a return on investment is achieved. However, promises and high expectations are currently enough to bring many European countries closer to China and to shift political allegiances.

This could change if China's failure to fulfill its investment promises continues. The amount of investment loans in 17+1 countries declined over the past two years. China has less foreign exchange because it already invested vast amounts in OBOR projects around the world and the slowing economy at home means less revenue. Some analysts see the trend of declining foreign investments as a sign of beginning Chinese fatigue. It is very likely that the outbreak of COVID-19 will increase this trend. China's domestic economy was hit hard and will likely not recover quickly. Thus, China will be more inward looking for the time being and spend less money abroad.



The Port of Piraeus, near Athens, Greece, is a major terminal for Chinese goods entering Europe. REUTERS

At the same time, the COVID-19 pandemic also opens an opportunity to intensify relations with European countries in need of medical equipment and experts. Italy, Spain and other European countries will be thankful to China for the supplies of face masks and respirators, especially since sharing resources within the EU has not worked well. This could result in a considerable improvement of Beijing's public image across the EU, thereby increasing China's soft power. An airplane with Chinese medical supplies for the Czech Republic was welcomed by half of the Czech government, and it was reported that some of them were on the brink of tears. These are great pictures for China's internal and external propaganda. Zeman tried to credit himself for the supply delivery by claiming they only arrived thanks to his good relations with China. What he did not mention is that he had to pay above market prices for the delivery. However, it might not matter because the current perception is that all the medical supplies were donated by China.

China is attempting to position itself as benefactor in public health and as a role model for fighting the virus, which could help it gain ground in the international great power competition. When the EU started to run low on medical protective equipment and stopped outside exports, EU candidate country Serbia declared that European solidarity is dead and turned to China for help. This incident has the potential to become the turning point for Serbia's international alignment. Frustrated with the very slow accession process, Serbia has already intensified economic relations with China and acquired Chinese combat drones. Other countries might also call on China for rescue and it seems China is willing to help.

China has a good track record of offering development finance for health care in Asia and Africa, where it helped develop health care infrastructure. During the Ebola outbreak in West Africa, China sent 1,200 workers, military personnel and doctors. In the face of the global COVID-19 pandemic, the concept of a "health silk road," which has been mostly overlooked despite being part of OBOR since 2017, could get momentum and help to increase local acceptance for China's global economic expansion amid growing criticism of "debt trap diplomacy." It would be ironic if a pandemic that started in China, and spread in part because China initially tried to cover up the outbreak, would ultimately promote China's standing in the world.

Technology is another field of competition between the U.S. and China. China's technological achievements have become a source of political influence. Its top tech companies — Tencent, Baidu, Alibaba and Huawei — already compete with U.S. companies and are even ahead in certain niches. They are not yet major players in the U.S. and Europe but are growing rapidly in other parts of the world. Chinese information technology (IT) solutions and hardware, such as cheap smart phones, are especially popular in Africa and on the Indian subcontinent. Tencent and Alibaba are the world's sixth and seventh largest corporations by market capitalization. Lenovo is the leading company for desktop and notebook computers, with a global market share of 24%; U.S. laptop retailer HP has been relegated to second place with 22%. When more and more people use Chinese software and hardware, the assessment of the quality of "made in China" will change.

Technological leadership can be a way for a country to promote itself and to influence attitudes. For example, Huawei is considered to have a competitive edge in 5G technology and offers cheaper products. Huawei equipment has become very popular among European telecommunications companies that already use it widely in 4G networks. As many as 47 European telecommunications providers have signed contracts with Huawei to help build out their 5G networks, despite widespread discussions about information safety and espionage. Huawei has become so popular that European telecommunications companies even try to convince policymakers not to exclude it from national 5G networks. The popularity of Huawei is all the



more astonishing because it is not clear that Huawei has a competitive edge over European competitors Ericsson and Nokia. Ericsson was the first company to launch 5G across four continents and has 79 5G contracts in place around the world. “Made in China” may now have more appeal than “made in Europe” in terms of IT products.

The 5G buildup has become so politicized that the U.S. felt compelled to intervene and warned its European allies that it would reconsider security cooperation with countries that use Huawei gear in their 5G networks, basically declaring 5G a subject of great power competition in which European nations would need to choose between the U.S. and China. It is remarkable that most countries decided they would prefer to alienate the U.S. than China. China successfully used EU countries’ economic dependence as a political pressure point. Countries that considered excluding Huawei altogether were threatened by China with retaliation against their companies that export to China, or those that have large business operations in China. Countries such as the United Kingdom that changed their initial decision and eventually banned Huawei equipment from 5G networks only did so after controversial internal debates and after the U.S. launched sanctions against the company that might negatively affect the technology and security of its gear.

In terms of economic and political alignment, Europe is increasingly caught between the U.S. and China. Governments across Europe wonder whether China’s economic model is superior, whether China is the more promising economic partner, whether China is a better place to look for investments, whether China offers better technologies and, since the COVID-19 pandemic, may

The China-Belarus Great Stone Industrial Park is a special economic zone hailed by China as a model project of the One Belt, One Road infrastructure program.

GETTY IMAGES

even wonder which country is more capable of solving a global crisis. Trans-Atlantic relations remain strong in both economic and political terms. The U.S. is still the most important trading partner for almost all European countries and the best guarantor for the continuation of a liberal international order. However, it can no longer be taken for granted that the trans-Atlantic bond will prevail over China’s economic appeal.

China is happy to fill any vacuum created by U.S. disengagement and has launched a charm offensive to change Europe’s foreign policy toward China. The intermediate goal is to reduce the level of criticism against China’s authoritarian political system, human rights violations and increasingly assertive foreign policy. In the longer run, China hopes that Europe becomes more open to China’s political ideas and view of the global order. The ultimate goal seems to be to alienate Europe from the U.S. and to offer an alternative partnership.

Europe should not fall for the temptation of Chinese money, but instead form a united trans-Atlantic camp with the U.S. in the great power competition with China. The Transatlantic Trade and Investment Partnership would have offered a great opportunity to both strengthen the trans-Atlantic bond and to set global standards in trade and governance that would make it harder for China to use economic statecraft as a tool of power. □



Polish soldiers prepare for joint training with the U.S. Army in Zagan, Poland.

INSIGHTS FROM CENTRAL EUROPE

Adjusting to a New International Dynamic

By **Małgorzata Jankowska**, counselor, Ministry of Foreign Affairs of Poland | Photos by AFP/Getty Images

We are in a new era of great power competition, with the United States, China and Russia as the main competitors. This perception is widely accepted by scholars and politicians across the world. It has been unsettling regions and countries, which have functioned for some time within the rather clear rules of a U.S.-led international order. The ongoing adjustment seems to have particularly profound implications for the West. The feeling of existential change is acute in the European Union and its de facto leader Germany, which have benefited and prospered well under the so-called Pax Americana.

Faced with the competition between the U.S. and China, European leaders have been calling for unity and mobilization at the European level. Some argue that a strong and sovereign Europe is needed to defend the existing order; otherwise there will be no Europe at all. Speeches by French President Emmanuel Macron, German Chancellor Angela Merkel and German President Frank-Walter Steinmeier warn that Europe will become the prey of the great powers.



Indeed, Europe must position itself within this new international dynamic. How Europe will manage this process and what will be its future shape depends a great deal on the direction Germany takes. The EU needs Germany because it is the biggest member state, has the largest economy and anchors the euro. But more importantly, Germany needs Europe. Its national interests are embedded within the interests of Europe, and the EU and its institutional framework. As Steinmeier put it, Europe is an indispensable framework for Germany to assert itself in the world.

The Visegrád countries (Poland, the Czech Republic, Slovakia and Hungary), or the V4, are a good place to look at how great power competition plays out in Europe. For security, the V4 depend on active U.S. engagement and presence in Europe. However, in terms of development and economy, Germany plays a dominant role. Interestingly, U.S. Secretary of State Mike Pompeo, while visiting Hungary, Slovakia and Poland in February 2019, talked about a vacuum in the region that Russia

Czech demonstrators assert their dedication to freedom, democratic values and Western institutions in Prague on the 70th anniversary of the February 1948 Soviet-backed communist coup. The poster reads, "We remain faithful!"

and China are ready to fill. In fact, despite joining NATO more than 20 years ago and the EU 15 years ago, the region remains on a fault line between the West and the East. Berlin's response to great power inroads in its own geopolitical neighborhood may provide insight into the future shape of Europe.

The rise of China

Over the past several years, the EU has become more concerned with its own vulnerabilities, vis-à-vis China, in areas in which it has traditionally had the upper hand. European companies have not only been losing out in competition with Chinese companies, but the EU's institutional setup has appeared ill-equipped to deal with a state actively using unorthodox instruments, including coercion, theft and state-run industrial espionage to expand its global economic presence. In addition, Beijing seriously exposed the limits of the EU political agenda, especially with respect to human rights. Beijing has not only defied pressure from Brussels, it has been actively promoting its own vision of human rights. And in claiming to lift millions of people out of poverty, it also gained the attention of other developing countries.

With the ascent of President Xi Jinping to power in 2012,



China has become more eager to wield its economic and political clout globally, including in the EU, as well as in its own backyard. In 2012 in Warsaw, China launched a platform of cooperation with 16 Central and Eastern European countries called 16+1 and that included the V4 states (since Greece joined in 2019, the platform has been called 17+1). This Chinese economic overture appeared at an opportune moment. Following the 2008 financial crisis and the subsequent, significant drop in Western foreign direct investment (FDI), Central and Eastern European states struggled to find sources of financing, other than EU funds, to fuel economic growth. Business and political elites saw China as an important partner in addressing and overcoming this shortfall, and as a driver to help modernize and stimulate economic growth in the region. In addition, at that time, cooperation with China was generally seen as positive and Chinese assistance during the euro crisis was duly recognized in Brussels, and so should have been Beijing's pledge to create a credit line for the 16 countries worth \$10 billion.

The initiative, however, raised immediate alarm in Brussels and Berlin that China would use financial and economic pressure on the EU member states in the 16+1 to influence the decision-making process within the EU and undermine the block's cohesion and unity. European officials argued that countries in the region are still too weak in terms of governance, rule of law and transparency, and that Chinese influence could lead to the erosion there of EU norms and values.

At the same time, Chinese investment in Central and Eastern Europe has been presented as being of substandard quality, not meeting EU standards. However, if analyzed against economic data and political relevance, those arguments are hardly justified. The Mercator Institute for China Studies, which regularly publishes reports on Chinese economic activity in Europe, noted in a 2019 paper that "the 'Big Three' EU economies received the lion's share of [Chinese] investment," namely Germany, France and the United Kingdom, while investment in Central and Eastern Europe has declined. The big three also remain China's main trading partners in Europe. As for political influence, no Central or Eastern European country went so far as to welcome China's support for reforming the EU, as Macron did in 2019.

Germany remains vocally opposed to what is now the 17+1 platform, which is, in fact, a recurring topic at high-level discussions between Chinese and German officials, including during the frequent meetings Merkel holds with her Chinese counterparts. In 2017, then-German Minister of Foreign Affairs Sigmar Gabriel went so far as to request that Beijing "pursue a one-Europe policy" and not try to divide Europe, comparing it with the EU's One-China policy with regard to Taiwan. China protested, insisting that Taiwan is a part of China, whereas the EU is composed of sovereign states. In a 2017 article, Cui Hongjian, director of the Department of European Studies at the China Institute of International Studies, a think tank linked to China's Ministry of Foreign Affairs, pointed out that Germany cannot afford to lose its preeminent place within the European division of labor, in

which Central and Eastern European production plays a key role. In fact, the Visegrád countries are key participants in the European automotive production chain.

From this perspective, Germany must apply all means of pressure, incentives and even disciplinary measures to discourage any initiative involving China that would enable V4 countries to pursue their own interests independent of Brussels and Berlin. Potential access to Chinese financing is of particular sensitivity; Beijing could potentially provide an alternative source of financing and investment to a region that is dependent for its economic growth on funding from the EU and FDI from Western Europe (mainly Germany). In 2011, Beijing bought Hungarian government bonds, providing alternative financing at a time when Budapest struggled with the fallout from the financial crisis and was under huge pressure to accept International Monetary Fund assistance.

Unable to ignore Chinese overtures, Germany insisted that China not undermine Germany's economic standing in Europe and globally. Managing 17+1 has been a kind of testing area for establishing a framework of European-Chinese cooperation in other countries. Finding a proper arrangement at this early stage has been essential, given growing Chinese engagement under One Belt, One Road in Africa, Russia and the Middle East.

Another wake-up call was the acquisition by a Chinese company of shares of German robotics maker KUKA, a company in a high-end manufacturing sector. It draws attention to a pattern of Chinese foreign investment in Europe focused on critical infrastructure and advanced technologies, and aligns with Beijing's "Made in China 2025" policy, a blueprint for transitioning to the production of higher-value products and services. In addition, European countries, especially Germany and France, have realized that in terms of new technologies such as 5G and artificial intelligence, Europe is so far behind the U.S. and China that it risks becoming a rule taker, and no longer a rule maker.

This feeling of losing ground is particularly acute in Germany, which has built its predominant economic position in the EU and its global standing on being an export-oriented industrial powerhouse. The "China factor" has become a driving force of intra-European transformation. The Federation of German Industries policy paper of January 2019 and the EU's joint paper, "EU-China Strategic Outlook," of March 2019 reflected the same concerns: Both papers defined China as a systemic rival — a stark departure from standard EU language. The EU document proposed 10 actions to improve the EU's standing regarding Beijing. Some of them, such as calls to reform EU competition policy, investment screening mechanisms or rules on international procurement, have direct implications on the functioning of the single market, blurring the line between internal and external EU policy. Together with the "Franco-German Manifesto for a European industrial policy fit for the 21st Century," issued in February 2019, the papers serve as a mobilizing tool to impress on other EU member states that a comprehensive overhaul of EU institutions and mechanisms is required to deal with a new international landscape.

Germany's decision to host during its EU presidency an ad-hoc EU27 summit with China in September 2020, irrespective of the EU's plan for a proper EU-China summit in the first half of the year, is proof that such an overhaul is needed. The spread of the coronavirus forced German authorities to change their plans; however, the decision is a step back to pre-Lisbon Treaty practice and definitely undermines EU institutions.

For the V4, the economic implications of China's rise are different. They are striving to overcome a development gap compared to the core European countries. China is of limited importance in achieving this goal, compared to Germany, which is the main trading partner for all four countries. It is also the main investor. Some argue that the V4 region is so embedded in the German economic space that it amounts to a kind of ecosystem. V4 leaders emphasize that the four countries together have become Berlin's No. 1 partner, surpassing France and ahead of Moscow. In 2019, when signing a declaration on Polish-German cooperation, Jadwiga Emilewicz, then Poland's minister of entrepreneurship and technology, explained that the two economies are highly complementary, with Poles offering innovative ideas and qualified employees and Germans primarily capital and experience. Arguably this model of cooperation is also true regarding the other V4 countries.

The V4 countries are aware of the risks associated with the middle-income trap. This dilemma is particularly felt in Poland, the largest economy and the biggest country in the region. On one hand, Poland joined those EU countries uncomfortable with the Franco-German call to overhaul existing mechanisms and procedures and insisted that the full implementation of the single market is not only required but is also "a source of growth and opportunities for citizens and businesses." On the other hand, the Polish government recently joined Germany, France and Italy in their call to adapt the EU competition framework and devise an adequate European industrial strategy allowing EU companies to compete globally.

Poland is not unique in pursuing such a constructive ambiguity. Even Germany is torn between those who advocate changes and those who would prefer to adhere to old procedures and rules. The point now is to determine whether and to what extent policies proposed and pushed at the European level in response to China's challenges are conducive to V4 development goals. To what extent do they address the development gap, and to what extent preserve the existing division of labor? There is a difference between dependency and interdependency, and delays in intra-European integration and cohesiveness will continue to be the source of internal tensions.

Shifts in the trans-Atlantic community

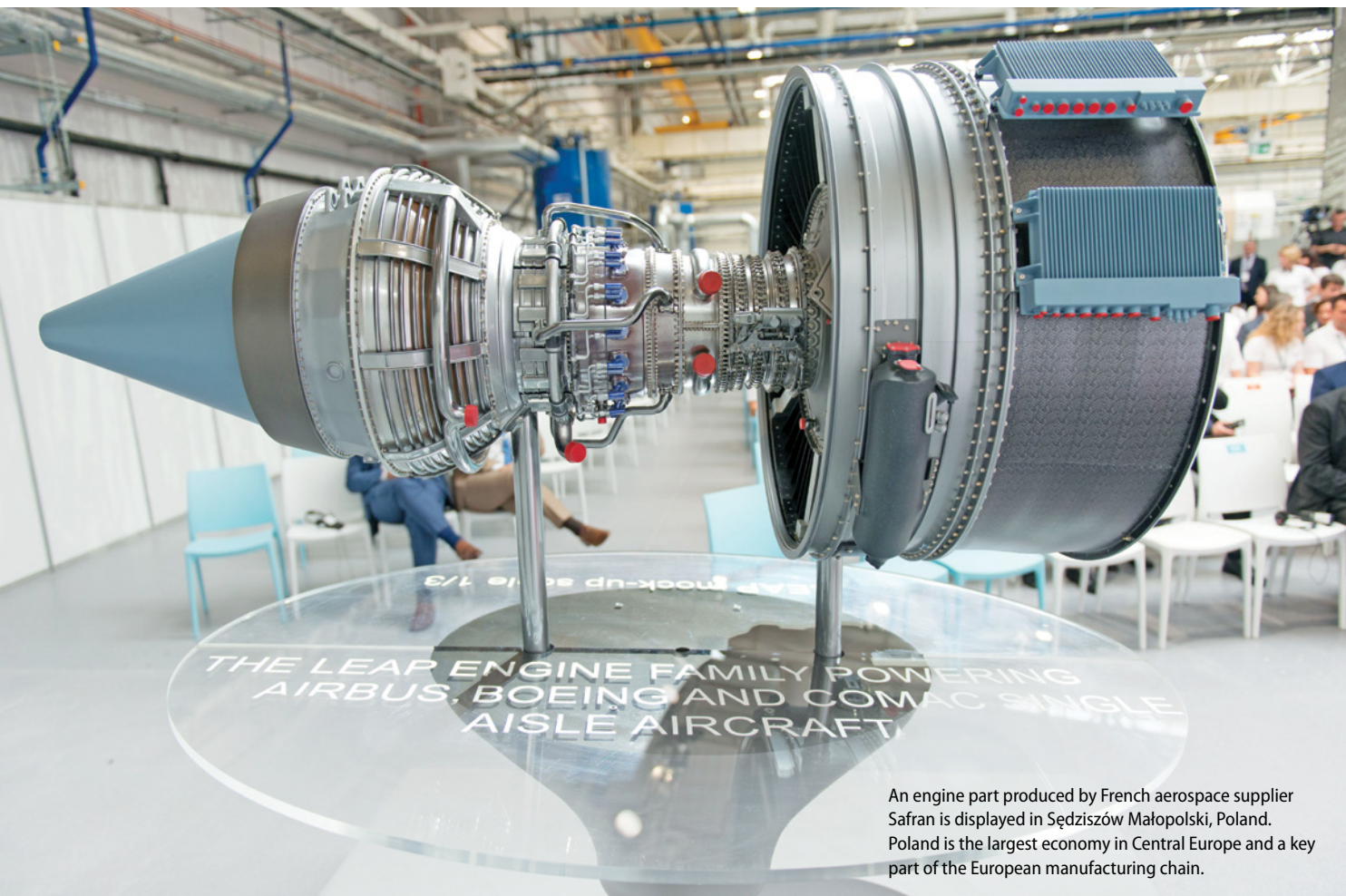
Faced with formidable challenges from China and less predictable U.S. leadership, German leaders seem to have concluded that they must take responsibility for their own development and security. This is an uneasy situation for Berlin since the institutional setup of the EU, with security provided by the U.S. and NATO, amplifies Berlin's political influence and strength. German and European political, security and

strategic interests have become, to a certain extent, interchangeable, despite difficult political questions deriving from past conflicts, such as the two world wars. Aware of its own limits, as well as the historical implications, Berlin is cautious in responding to French initiatives in the security domain. In one sense, Berlin is in a weaker position compared to France, which holds a permanent seat on the United Nations Security Council, has its own (however limited) nuclear capacity and is used to sending troops abroad on military missions.

However, Berlin's engagement in the European Defense Union and its support for developing the EU's strategic culture are growing steadily. Steinmeier concluded at the 2020 Munich Security Conference that with Pax Americana in question and the U.S. administration seemingly skeptical of the EU, Berlin is ready to seriously engage in building the European Security and Defence Union — but as a strong, European pillar of NATO. Reticent in talking about European strategic sovereignty, Berlin argues that a strong European pillar of NATO will make Europe a more attractive partner at a time when U.S. priorities lie in Asia. The message is intended to reassure those who still value the trans-Atlantic community as the best security framework for Europe. Berlin also recognizes that the concerns and fears of the V4 need to be taken into consideration. Actually, the V4 countries, irrespective of their politics, expect Germany to assume more responsibility in defense and security. Arguably, then-Polish Minister of Foreign Affairs Radosław Sikorski was speaking for many when, in 2011, he confessed to fearing German power less than German inactivity. Those expectations are echoed in current calls, including from the V4, for Germany to engage more by spending 2% of its gross domestic product on defense and security.

However, it is an open question what a strong European pillar of NATO may imply for V4 security. For the V4 countries, their unpredictable and unstable neighborhood, to a great extent the result of Russia's destabilizing policies, is the main concern. Each may differ in their approach toward Russia at the tactical level. However, they all agree on the strategic priority of maintaining credible NATO deterrence capabilities, which cannot be achieved without the U.S. This is why the leaders of Slovakia, the Czech Republic and Hungary joined the Polish-Romanian Initiative (The Bucharest 9 Initiative) to actively promote stronger engagement by the U.S. and NATO on NATO's eastern flank. For the V4, the U.S.' presence, engagement and interest in Europe is a key issue.

Berlin's decision to move forward with the Nord Stream II natural gas pipeline from Russia to Germany points to a possible cleavage. The perception of the Russian threat and how to address it differs: For Berlin, Nord Stream is an economic project; for the U.S. and the V4, there are serious security implications. Faced with Russia's destabilizing policies, the V4 countries have expected, first and foremost, solidarity from their main European partner. Recent calls from both Paris and Berlin to engage Moscow and develop what Steinmeier recently called a truly European policy on Russia are not reassuring, especially since the gap between Europe and the U.S. has been growing.



An engine part produced by French aerospace supplier Safran is displayed in Sędziszów Małopolski, Poland. Poland is the largest economy in Central Europe and a key part of the European manufacturing chain.

In the Visegrád countries, there is limited appreciation for a sovereign Europe that wants to engage globally, but put Washington, Moscow and Beijing all in the same category of partners. For the region, it is important to strengthen NATO and the trans-Atlantic community, and differences between the U.S. and Europe are considered of the second or third order of magnitude. From this perspective, some steps taken by Berlin, Paris and Brussels are seen as conducive to the strategic objectives of Russia and China — mainly, to undermine the U.S. as a global power. Despite its pledges, without a strong trans-Atlantic framework, Europe will not be able to sustain the existing international order. This tension was perceptible at the 2020 Munich Conference. In the face of global challenges, the presidents of France and Germany called for more European engagement and unity, whereas Slovakian President Zuzana Čaputová stressed the importance of values that undergird the West and are shared across the Atlantic.

Conclusions

Germany may perceive its role as that of a political power organizing Europe in an era of great power competition. What is remarkable and revealing is not that Germany is prepared to play a leading strategic role — because of necessity or opportunity — but that it is determined to pursue maintaining the current international order with or without

the U.S. and, if needed, by altering the way the EU functions. A key, long-term and self-benefiting strategic priority for Berlin is to have a strong Europe. That means that, first and foremost, Europe must be united, with Germany willing to assume responsibility for achieving that goal. Coming from the biggest EU member state, this may be a framework to legitimize its dominant power. Instead of unity, the Visegrád 4 are calling for solidarity.

The difference points to an underlying tension. The V4 countries are aware that big states bear a greater responsibility and, therefore, have a bigger say in the decision-making process. However, they fear that calls for unity may lead to uniformity and the leading powers making decisions on behalf of others. Decades ago, Henry Kissinger asked, “Who do I call if I want to call Europe?” But in his latest book, *The World Order*, he asks, “How much diversity must Europe preserve to achieve a meaningful unity?” The V4 countries’ perspectives on great power dynamics are helpful in grasping to what extent the ongoing shifts in the international order may bring a qualitative change in the political, economic and institutional setup of Europe. □

Editor’s note: This article was written before knowing the full impact of the coronavirus pandemic on social, economic and political life across Europe and the U.S.



DARK

DANCING IN THE

The West, China and Russia in the Western Balkans

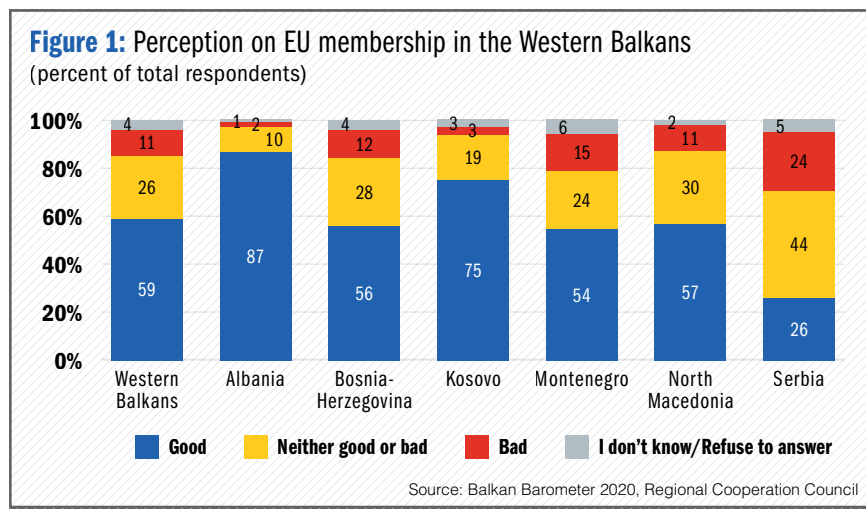
By Dr. Valbona Zeneli, Marshall Center professor | Photos by AFP/Getty Images

In the new era of great power competition, China and Russia challenge Western and trans-Atlantic security and prosperity, not least in the Western Balkans. The region has shaped the history of modern Europe and has been a gateway between East and West for centuries. In recent years, external players have amplified engagement and influence in the region. The authoritarian external presence in the Western Balkans could be classified as “grafting” — countries such as Russia and Turkey with a long history of engagement in the region — and “grifting” — countries such as China and the Gulf states that bring to bear a more commercial and transactional approach.

Since the fall of the Berlin Wall and the dissolution of Yugoslavia, which brought bloody conflict to Europe in the 1990s, the political West — the United States and the European Union — and its clear foreign policy toward the Western Balkans have been crucial throughout the process of stabilization, reconstruction, state consolidation and, finally, NATO and EU integration. For Western Balkan countries, accession to Euro-Atlantic institutions has been viewed internally and externally as the main mechanism for security, stability and democracy in a troubled region. Albania and Croatia joined NATO in 2009, Montenegro in 2017, and North Macedonia signed its accession document to become the 30th NATO member in March 2020.

Democratization has been the key feature of “Europeanization,” while the “carrot” of membership was used to motivate the political elites in the accession countries to adopt and implement important democratic structural reforms. In recent years, the EU’s appetite for enlargement has waned, commensurate with increased doubts in EU member-state societies about their own institutions, but also because of skepticism arising from the mixed results seen following earlier accessions. The perception that the EU has reached its absorption capacity has gradually created “enlargement fatigue” in Europe’s populations and its institutions, leading to a new “reform fatigue” in the Western Balkans. It has also contributed to a plunge in public support for the integration process.

Attraction to the EU is still palpable in the Western Balkans, but it should not be taken for granted. While EU membership remains popular in the region, with 59% public support in 2020, according to the Balkan Barometer survey, there are important variations. Serbia is the only country in the region where EU accession is viewed positively by less than one-third of respondents, and where in fact most of the population likely opposes or is neutral to EU membership. Albania and Kosovo are the two countries with the most support for EU integration, with 87% and 75% respectively. In the case of Kosovo, there is a decrease in EU support compared to 2017 (from 84% down to 75%) as a result of disillusionment over the stalled liberalization process (Figure 1).



The real security challenges in the region stem from the never-ending transition process, through a toxic combination of poverty, unfair rule of law, corruption, organized crime and state capture. All countries in the Western Balkans still fall under the “hybrid regimes” category, according to the Economist Intelligence Unit’s Democracy Index. The chief concerns plaguing the region are unemployment (cited by 60% of the index’s respondents), economic hardship (47%) and corruption (27%).

In 2019, average per capita income of the six Balkan countries was only 14% (\$6,369, or 5,779 euros) of average



EU income (\$44,467, or 40,349 euros), according to data from the International Monetary Fund. It seems that the much wished-for economic convergence with the West has stalled. Based on the current outlook for economic growth, the region will need between 70 and 100 years to catch up.

The economic and institutional gap between the EU and the Western Balkans is widening. As a result, people are economically and institutionally motivated to leave the region, attracted by job opportunities and generous social benefits in Western European countries. With regional unemployment rates of 19% in 2019 (very high compared to the 6.3% average EU unemployment rate), an astonishing 39% of people in the region are considering moving abroad. Emigration will continue to play a key role in shaping the region’s future, positively by mitigating unemployment and by generating remittances, which make up 10% of the average gross domestic product in the region, and negatively by contributing to the chronic shortage of skilled workers for domestic labor markets. Brain drain is fast becoming a primary security challenge for the region.

Constituting a market of 18 million consumers, the Western Balkans has the potential for fast-growing economies, easily connected to the common market of the EU. But economic growth is hampered by poorly functioning institutions, informal economies, poor infrastructure, low productivity, low competitiveness and lack of regional integration. The six countries taken together have attracted less than 0.23% of the stock of global foreign direct investment (FDI), where the EU is the biggest investor and assistance provider in the region.

While EU membership is a strategic foreign policy objective for all countries in the region, local elites often

favor Euro-Atlantic integration for political gains, with little meaningful commitment to core European liberal democratic values. This adds to people's frustration with EU support for "stabilocrats," who pay lip service to costly normative alignments with the EU while failing to seriously address issues of transparency, rule of law and accountability. Unfortunately, the EU has not been critical enough when it comes to regression of democratic reforms, prioritizing stability over democracy. The recent decision by the European Council to open negotiation talks with Albania and North Macedonia sends an optimistic signal to the region and reduces maneuvering room for politicians who were using enlargement fatigue as a scapegoat not to press ahead with reforms.

period, becoming even more vocal in Balkan affairs over the course of the 2000s. Beyond its abstract influence, Russia has strong economic interests in the region in the form of energy transportation routes and arms control.

In recent years, it became clear that the Kremlin's strategy is not only to maintain and increase its influence in the region, but also to disrupt the process of NATO and EU integration by exploiting the weak institutions and actively politicizing and exacerbating existing ethnic and religious tensions. Moscow's increased influence, acting as an opportunistic spoiler to exploit internal weaknesses, brought new concerns about the consolidation of the democratic transition in the region.

Through a mix of hybrid tools, Russia is acting to increase its influence through corruption, coercion, business activity and state propaganda, with the objective of destabilizing the region and stalling its Euro-Atlantic integration. The Kremlin, to achieve its objectives, has used cultural tools and religious influence among the Orthodox communities, exerted its energy leverage, waged disinformation campaigns and deployed its intelligence services. The Western Balkans is a new bloc of Russian interest, but its strategy for achieving foreign policy goals is no different than that used in Eastern Partnership countries.

The strategy focuses on the most vulnerable segments of the population to promote friction and fragmentation, and on eurosceptic groups in local societies, with the aim of weakening the EU's power of attraction. Countries that have large segments of population that are eurosceptic or neutral about EU enlargement prospects are the most vulnerable, such as Serbia (where 59% of the population is eurosceptic or neutral), Bosnia-Herzegovina (48%), and North Macedonia and Montenegro (both 45%), according to the Balkan Barometer 2019 public opinion survey.

Serbia is Russia's main partner and the hub of Russian influence in the Western Balkans, based on long-standing cultural and historical ties; however, Russian influence stretches across the entire region. The Serbian population views Russia very positively, with more than 72% in favor of the alliance, and is supportive of even closer ties with Moscow, according to a 2016 survey conducted by *Nova Srpska Politička Misao* magazine. Belgrade is Moscow's closest ally, not only refusing to apply EU sanctions after Russia's illegal annexation of Crimea but also signing a free trade agreement with the Russia-led Eurasian Economic Union, despite harsh criticism from the EU. Moscow's opposition to Kosovo's independence has helped maintain its popularity and leverage with Belgrade and the ethnic Serbian population throughout the Balkans, such as in Bosnia-Herzegovina and Montenegro. Moscow impedes the normalization of relations between Kosovo and Serbia by meddling through dangerous rhetoric and spreading propaganda about clashes between a "Greater Albania" and a "Greater Serbia."

Montenegro and Bosnia-Herzegovina also have strong cultural links with Russia through the Orthodox Church. Russian language centers have proliferated in the region in recent years, supported by the Russian state-funded Russkiy



Demonstrators wave flags in front of the parliament building in Skopje in 2018 during a protest against Macedonia's name change to North Macedonia.

RUSSIA IN THE WESTERN BALKANS

Increased Russian influence, and the arrival of Chinese influence, in an era of great power competition in the world, shows that the Western Balkans is in play in a new competition between the free and democratic world and the autocratic powers. In 2017, then-EU High Representative Federica Mogherini openly voiced the new concerns that "Moscow's presumable goal is to loosen the region's connection to the EU and present Russia as an alternative to a dissolving union."

An op-ed by U.S. Sen. John McCain, published in *The Washington Post* in April 2017 after a trip to the Western Balkans, raised alarm in the U.S. about Russian ambitions in the region. He noted, "Perhaps most disturbing of all is Russia's intensifying effort to assert its malign influence in the region and to prevent the nations of Southeastern Europe from choosing their own futures."

In a confluence of geopolitical and economic interests, Russia's engagement and visibility in the region have amplified its objective to project power as a global player, widen its footprint and create a new area of geopolitical rivalry with the West. In reality, Russia has always been present in the region, and after the dissolution of Yugoslavia and the resulting wars, has been closely involved in peace processes and other international mechanisms for the management of the post-conflict

Mir Foundation. Russian state media is also very active in the Western Balkans, with channels such as RT and Russia 24 regularly included in cable packages. The main platform is the Sputnik branch in Serbia, whose content spills out through Serbian news outlets and from there throughout the region, reaching even countries such as Albania and Kosovo. In a near-perfect example of hybrid warfare, the Kremlin can apply political leverage by stoking division and social tensions, and most importantly fostering cynicism about democratic and Euro-Atlantic institutions, all at little financial cost.

The Kremlin publicly opposed Montenegro's membership in NATO, allegedly even supporting a failed coup attempt in late 2016 to block the process — one of the most-high profile examples of malign Russian influence. Russian Foreign Minister Sergey Lavrov had previously openly condemned the desires of Montenegro (representing the last section of the Adriatic coastline not held by a NATO country), North Macedonia and Bosnia-Herzegovina for NATO membership as “mistaken politics and provocation by the North Atlantic military alliance.” The Kremlin has vocally supported Bosnian Serb-controlled Republika Srpska's leader Milorad Dodik's efforts to separate from the Bosniak- and Bosnian Croat-controlled Federation, and break up Bosnia-Herzegovina.

In North Macedonia, Russia increased its meddling significantly by exploiting the constitutional crisis in the country in 2018. Moscow even accused the EU and NATO of creating the crisis. Interference continued during negotiations over the name change to North Macedonia and the following referendum campaign over acceptance of the new name. The Prespa Agreement, finalized in June 2018, brought to an end the 20-year

dispute between Athens and Skopje and opened the way for North Macedonia's NATO membership. Although North Macedonia was successful in its NATO membership bid, becoming the 30th Alliance member, and the EU Council has given the greenlight to open negotiation talks with North Macedonia and Albania, nationalist and political opposition to the name change remain, and it is likely that Moscow's disruptive efforts will continue.

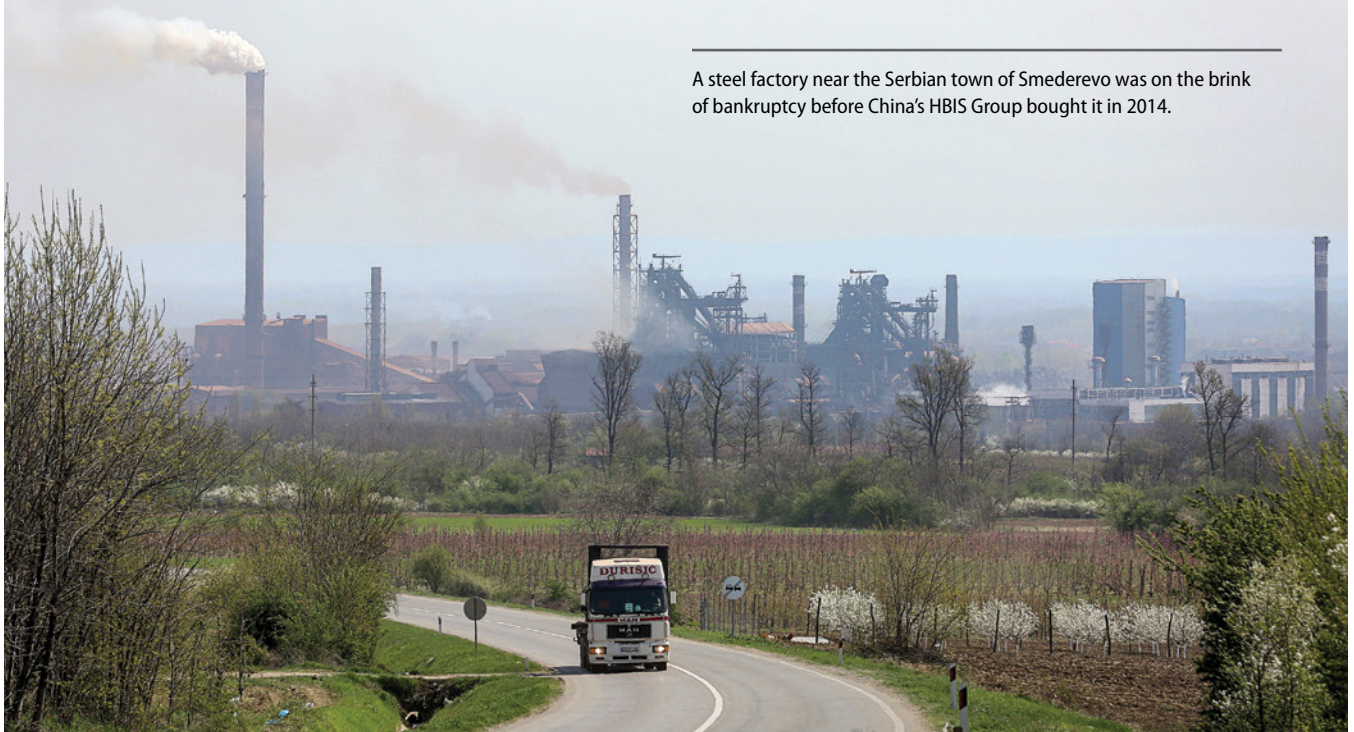
Russia challenges efforts to consolidate democratic transition in the Western Balkans by supporting illiberal tendencies and populist elites and promoting alternative paradigms. Some Western Balkan leaders seek to leverage “the Russian challenge” to extract concessions from Western partners while paying lip service to reform efforts.

CHINA IN THE WESTERN BALKANS

In accordance with Beijing's economic and geopolitical agenda in Europe, the Western Balkans has seen an increased Chinese footprint, raising concerns in the West that in an era of great power competition, as Mogherini said, “the Balkans can easily become one of the chessboards where the big power game can be played.” China's approach is more subtle than Russia's, but its ambitions may be more significant — to gain access to the EU through its backyard. While skepticism of Russia in the region has increased, attitudes toward China remain open.

Despite offering a paucity of viable market opportunities to Chinese investors, the five Western Balkan countries — Albania, Bosnia-Herzegovina, Montenegro, North Macedonia and Serbia (Kosovo is excluded as not recognized) — have been included since 2012 in China's 16+1 platform (now 17+1 with the addition of Greece)

A steel factory near the Serbian town of Smederevo was on the brink of bankruptcy before China's HBIS Group bought it in 2014.



for economic engagement with East and Southeast Europe. Later, this regional platform became an integral part of China's One Belt, One Road (OBOR) program, and the Western Balkans were increasingly targeted for OBOR-related projects as a result of their key strategic geographical position — a Balkan Silk Road of infrastructure networks and logistical corridors between the Port of Piraeus in Greece (Beijing's flagship project in the region) and markets in Western Europe. Beijing aims to use the region as a commercial gateway and transit platform to Western Europe, where China's real interests lie.

Chinese projects can be easily aligned with political cycles and when coupled with top-down, rather than transparent and market-driven, procurement decisions, Beijing's patronage allows decision-makers in the region to fuel patronage networks and boost short-term electoral advantages.

Political behavior also shapes public perception, which is shifting in favor of China. Few in the Balkans worry about the domestic situation in China, and the geographical distance plays in Beijing's favor. With the aim of building a cohort of friendly countries, Beijing is heavily investing in cultural diplomacy, from the Confucius Institutes present in every capital in the region to chambers of commerce and cultural centers. The key driver of China's clout is the appeal of its development model, which utilizes capital as an economic miracle-maker, raises expectations and romanticizes its ability to bring wealth to the Western Balkans.

TRADE RELATIONS: CHINA AND RUSSIA VS. THE WEST

When it comes to trade with the Western Balkans, the Russian and Chinese presence is limited compared to the EU's. In 2018, almost 72% (\$57 billion, or 52 billion euros) of the region's \$80 billion (73 billion euros) in foreign trade was with the EU; more specifically 84% of exports and 64% of imports, according to data from the European Commission (Figure 2 and Figure 3). Trade relations between the EU and the Western Balkans have increased rapidly in the last decade, up from \$34 billion (31 billion euros) in 2008.

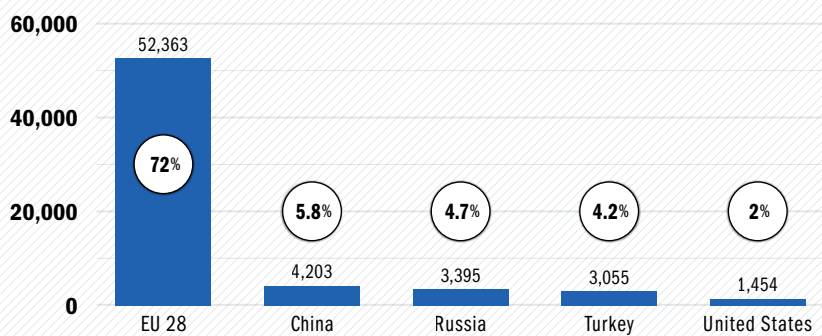
China has quickly become the region's second-largest trading partner, but with \$4.5 billion (4 billion euros) in 2018, it accounts for only 5.8% of overall regional trade, and almost half of that is with Serbia (\$2.2 billion, or 2

billion euros), China's strategic partner in the region. To put it in perspective, trade with the Western Balkans is only 4.3% of China's total trade with the 17+1 platform, \$103 billion (92.2 billion euros) in 2018, according to UN Comtrade data. Russia (4.7%) is the third largest trading partner for the region and the trend has been a decline over the last decade. The other two main partners are Turkey (4.2%) and the U.S. (2%).

RUSSIAN INVESTMENT: ENERGY, REAL ESTATE, AND BANKING

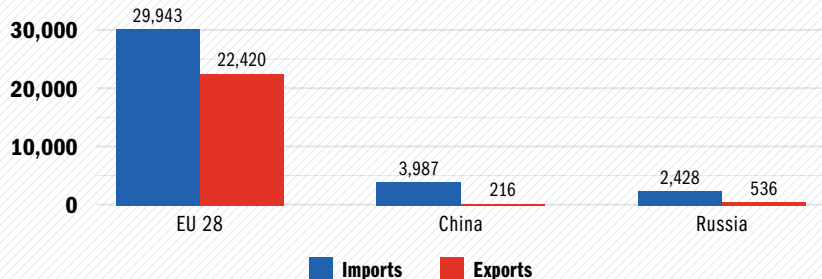
Russian investment in the Western Balkans is low compared to that of the EU, which makes up more than 70% of total FDI in the region. However, the West has overlooked the challenges that kleptocratic Balkan networks represent to sustainable economic growth and free-market competition in the region

Figure 2: Western Balkans: Top 5 Trading Partners in 2018
(in millions of euros)



Source: European Commission, Directorate-General for Trade

Figure 3: Western Balkans Trading Partners: EU, China and Russia in 2018
(in millions of euros)



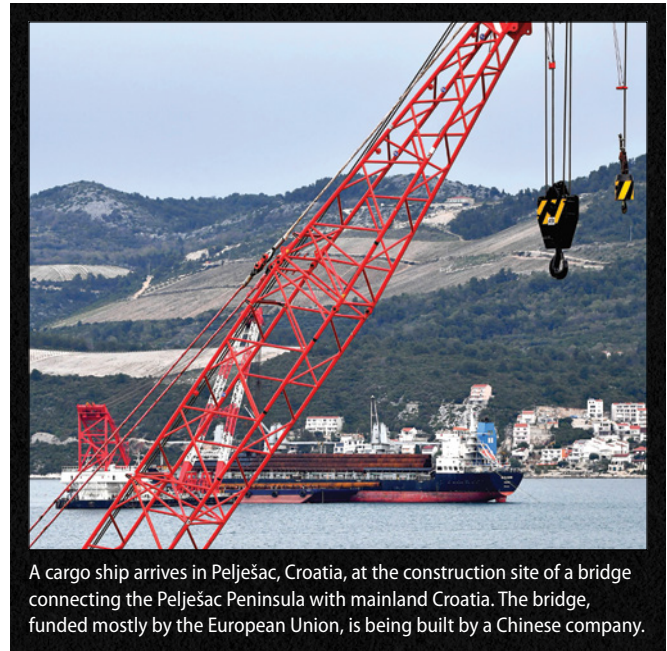
Source: European Commission, Directorate-General for Trade

China has used easy money and soft power (confidence-building initiatives, cultural exchanges, media presence and Confucius Institutes) to gain influence rapidly, taking advantage of the lack of infrastructure in the region, combined with a lack of capital, loose regulations, lax public procurement rules and poor labor regulations. All these factors make it easier for Chinese investors looking to easily establish bases and invest in the EU's backyard.

Capital rich and ready to outspend many Western actors, who are deterred by the questionable business environment in the region, Chinese companies — mainly state-owned enterprises — maintain a distinct advantage because they are supported by large government subsidies and state banks, and are willing to build at low costs without the stringent (and costly) requirements of meeting environmental and social standards.



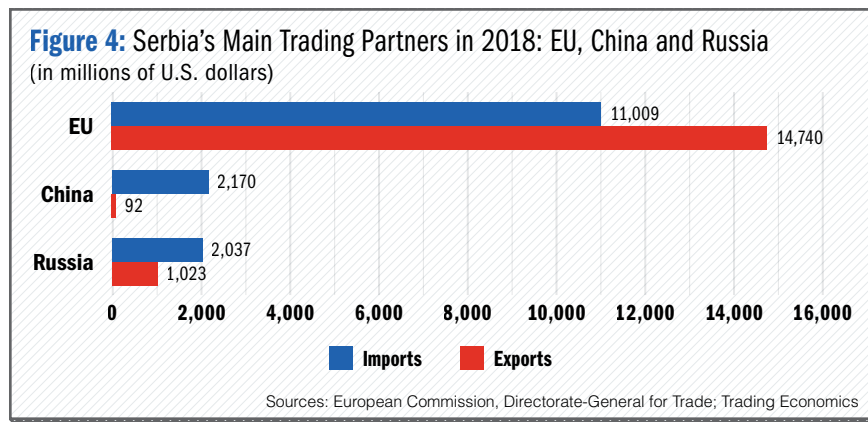
Chinese workers confer at the Pelješac Bridge construction site.



A cargo ship arrives in Pelješac, Croatia, at the construction site of a bridge connecting the Pelješac Peninsula with mainland Croatia. The bridge, funded mostly by the European Union, is being built by a Chinese company.

and underestimated Russian investment. It is true that Russian FDI is very low compared to that of the EU as a whole, but if we take countries singularly, Russia is an important player. But actual Russian FDI is also sometimes channeled through subsidiaries in other European countries, and from offshore zones and tax havens. Most importantly, even if the quantity of Russian FDI is limited, it is focused on strategic sectors, such as energy, banking, real estate and metallurgy. Most Western Balkan countries are dependent on Russian energy, which gives Moscow remarkable influence in Serbia, North Macedonia and Bosnia-Herzegovina, where Russia covers 100% of gas demand.

In Serbia, Russia accounted for 9% total FDI in 2018, almost \$40 billion (35.8 billion euros), according to data from the Central Bank of Serbia. These investments are focused mainly in the banking sector and the energy sector, where the Russian giant, Gazprom, has owned a controlling stake in Serbia's state oil company, NIS, since 2008 and Russia's Lukoil is one of the main players in the wholesale distribution networks. More than 1,000 companies in Serbia are entirely or partially owned by Russians, employing 2% of the workforce and making up 13% of the revenues of the domestic economy. Government-to-government loans have also played an important role, such as the \$500 million (447.8 million euros) loan from Russia to help offset the recession in Serbia, and later, another \$800 million (716.4 million euros) for modernizing railway infrastructure (Figure 4).



In small countries with nondiversified economies, Russia can concentrate its economic influence in sectors that are sources of economic growth, such as the real estate and tourism sectors in Montenegro. Russia is the largest single investor in Montenegro, with 13% of FDI out of total 2018 FDI of \$5.6 billion (5 billion euros), which accounts for 30% of the country's GDP, according to data from the Central Bank of Montenegro and the United Nations Conference on Trade and Development (UNCTAD). It is estimated that 70,000 properties in Montenegro are owned by Russians (compared to just 7,000 permanent residents from Russia). Over the past 10 years, Russia has accounted for an average of 17% of FDI inflow into Montenegro, varying from only 4.3% in 2009 to 30% in 2013.

Similarly, in Bosnia-Herzegovina, Russian FDI makes up 8% of \$8.3 billion (7.4 billion euros) total FDI and 3.3% of total gross domestic product (GDP), according to the Central Bank of Bosnia-Herzegovina, where it is focused on the oil and gas sector and controls the country's two refineries, both in Republika Srpska. In North Macedonia, Albania and Kosovo, Russian investment remains very low, but it is important to understand that some FDI may not be attributed to Russia, since it could come through other European countries or tax havens.

CHINA'S STRATEGIC BALKAN INVESTMENT

Chinese investment (greenfield investment and contracts) in the Western Balkans (excepting Albania) during 2005-2019 was \$14.6 billion (13.1 billion euros), with Serbia leading with

\$10.3 billion (9.2 billion euros), according to China Global Investment Tracker data from the American Enterprise Institute (AEI). This equals 20% of total FDI in the region (\$72 billion, or 64.5 billion euros), according to UNCTAD. A misleading aspect of the reported data is that most of the money is not actual FDI, but loans. In fact, most Chinese economic engagement in the region amounts to lending for OBOR-related infrastructure projects, mainly in transportation and energy. According to AEI's data, about half (\$7.2 billion, or 6.5 billion euros) of the Chinese money in the Western Balkans goes toward transport and infrastructure contracts financed by Chinese banks. Another \$4.7 billion (4.2 billion euros) is investment in the energy sector, financed by loans. More than 80% of total Chinese investment in the region is financed by loans (Figure 5).

Among the biggest projects in the region is the Belgrade-Budapest railway, 85% (\$2.5 billion, or 2.2 billion euros) financed by China Export-Import Bank and constructed by China Railway and Construction Corp. In 2016, China's state-owned HBIS Group took over the steel mill in Smederevo, Serbia, at a price of \$55 million (49.3 million euros), which had earlier been sold by U.S. Steel back to the Serbian government for a symbolic \$1.

estimated \$1 billion (900 million euros), since increased to \$1.1 billion, and is being built by the China Road and Bridge Corp.

In North Macedonia, two highways — Miladinovici to Shtip and Kichevo to Ohrid — cost \$580 million (519 million euros) and are being built by Sinohydro Corp. Ltd. In Bosnia-Herzegovina, the national electric power company Elektroprivreda received a \$700 million (627 million euros) loan from China's Export-Import Bank to finish the thermal power plant in Tuzla, to be built by three Chinese companies, a project that the EU has criticized on grounds of increased pollution.

In Albania, China's state-backed Everbright Group acquired Tirana National Airport, and Geo-Jade Petroleum Corp. bought the largest oil refinery in the country, accounting for 95% of Albania's crude oil, for \$442 million (396 million euros).

Beijing has boasted of the "win-win" salutary effects of its OBOR investments, but this narrative is belied by the economic realities of the region. Economic cooperation is typified by the use of Chinese loans for infrastructure development, Chinese state-owned enterprises, Chinese workers, and the spread of Chinese labor and environmental standards, which are distinctly weaker than those of the EU. Chinese firms profit from often unsustainable deals, as sovereign guarantees shift risk onto host countries at the expense of financial stability.

What the current Chinese-led infrastructure projects in the region have in common is low financial and economic viability. Without rigorous financial evaluations and due diligence, some Western Balkan countries risk getting trapped in debt servitude to China. As of 2018, new NATO member Montenegro owes almost 40% of its debt to China, while North Macedonia owes 20%, Bosnia-Herzegovina owes 14% and Serbia owes 12%.

IMPLICATIONS FOR EUROPE

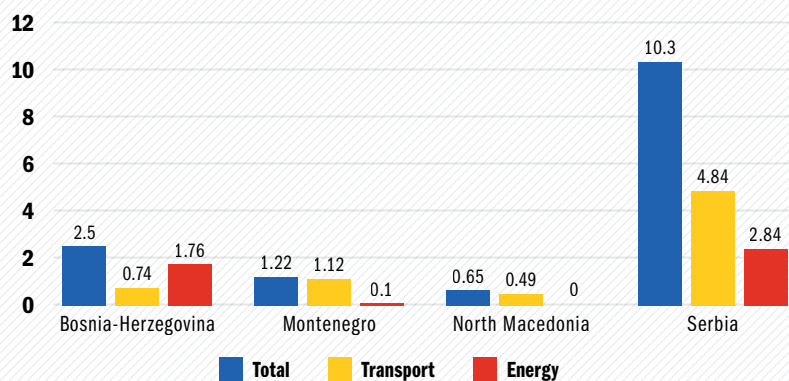
In an era of great power competition, the Western Balkans can easily become a chessboard where big power games

are played. Stabilizing the region and bringing it closer to trans-Atlantic core values, norms, institutions and democratic models of governance should be a top priority for the EU and the U.S. The increased presence of Russia and China in the Western Balkans represents a long-term challenge for the region and for trans-Atlantic security. The increased Chinese and Russian footprints in Europe challenge concepts of traditional economic and geopolitical practices not only in Europe, but throughout the trans-Atlantic economy.

Deeper Chinese and Russian footprints would strengthen alternative development models and challenge democratization efforts in the Western Balkans and, as a result, EU integration. By exporting its domestic economic practices, especially to the EU accession countries of the 16+1 platform, Beijing presents itself as an alternative to the liberal

Figure 5: Chinese Investment in the Western Balkans, 2005-2009

(in billions of U.S. dollars)



Source: American Enterprise Institute, China Global Investment Tracker

Serbia also sees China as a major foreign policy partner, after completing a signature \$3 billion (2.7 billion euros) package of economic and military purchases. Serbia is becoming an increasingly important hub for China's digital Silk Road, as it aims to inherit the role of regional leader in digitalization and to become a focal point for future initiatives by Chinese telecommunications giant Huawei. In 2017, Huawei signed a contract with Belgrade to provide Safe City surveillance equipment to Serbian cities, consisting of 1,000 high-definition cameras in Belgrade alone, and to establish the Huawei Innovation Center for Digital Transformation.

The new Bar-Boljare highway in Montenegro, which will be part of a highway system eventually connecting Belgrade with the Montenegrin port city of Bar, is financed by the state-owned Export-Import Bank of China, which loaned 85% of the



Western model and as a competitor to the U.S. The OBOR expands competition beyond the economic, diplomatic and military domains and into an ideological competition between Western free-market capitalism and Chinese state-driven mercantilism.

Weaker institutions in the Western Balkans seem less likely to resist Chinese coercion through investment and Russian pressure through leverage. Creating divisions in the Western Balkans, and in Europe more broadly, aims to divide and conquer and paralyze the decision-making process inside the EU and ultimately to prevent Europe from joining any U.S. effort to check their global influence.

Both the U.S. and the EU have realized that strategic competition with China is now a reality. EU references to China as a “systemic competitor” represent a conscious recognition of the changing calculus in the trade-off between economic benefits and security concerns.

The West needs to provide better options for the Western Balkans. Only a determined EU integration process will keep the region on track — for the benefit of its citizens, its leaders and the European community. Opening EU accession negotiations with Albania and North Macedonia will send an important and encouraging signal to the entire region, offering a much-deserved EU perspective to the citizenry in the region, but it will also hold the political leadership in the Western Balkans accountable for rule of law, transparency and good governance. In collaboration with the U.S., the EU needs a clear strategy to develop economic opportunities built upon the foundations of the rule of law and good governance, articulating a vision of a Europe whole, free and

at peace. Both the EU and the U.S. should compete for more influence in the region, engaging not only with policymakers, but with wider societies. As the main donors in the region, they should better leverage their investments while enhancing and integrating strategic communications to ensure the public understands the purpose and benefits of the assistance.

The EU’s Europe-Asia Connectivity Strategy, published in late 2018, which aims to strengthen digital, transport and energy links between Europe and Asia to promote development and provide alternatives to the OBOR includes the Western Balkans but does not come with any funding attached. There should be stronger synergies between EU assistance programs and U.S. initiatives, such as the U.S. Build Act of 2018, aimed at creating a new financial development institution with a \$60 billion (53.7 billion euros) budget for investment in developing countries. The Three Seas Initiative, another important program that aims at fostering economic development, upgrading infrastructure and enriching trans-Atlantic ties, should be extended to the Western Balkans. Synergies should be sought between the Berlin Process and the Three Seas Initiative.

Western structural and infrastructure investments should also come with stronger conditionality for good governance and increased transparency to improve the current regional business environment, achieve tangible change and attract much needed foreign investment. These efforts will result in good investments that will pay dividends for generations to come. What direction the Western Balkans will take depends on the EU’s geopolitical vision, as well as the political will of the countries in the region, to undertake serious democratic reforms. □



An Economic Realignment

Belarus looks to China and the European Union

By **Natalia Haluhan**, chief specialist,
National Institute for Strategic Studies, Kyiv, Ukraine | Photos by Reuters

Because of its history, Belarus is often viewed as being fully under Russian political influence and is frequently described as in “complete subordination.” Yet, it can be argued that the ties are not unconditional and that protest can be voiced in Belarus. This analysis attempts to test the idea of Belarusian political revolt against the traditional regional hegemon through the prism of recent developments in Belarusian-Russian relations.

Foreign Economic Overdependence

Since the collapse of the Soviet Union, patterns of Belarusian foreign trade — both export and import — have been characterized by Russia’s leading role among partnering countries. An analysis of Belarus’ exports (Figure 1) shows that over the last decade, Russia accounted for 30-40% of total exports and exceeded the total share of exports to the European Union, which fluctuated between 25% and 35%. Simultaneously, China’s share of Belarusian exports has remained low, at 1-3%. Thus, Belarus’ exports have been highly dependent on the Russian market and this has been highly determinative for Belarusian economic growth over the period.

An analysis of import patterns demonstrates similar dynamics (Figure 2). From 2009 to 2019, Russia accounted

for 50-60% of total Belarusian imports, approximately double the total EU share of 18-30%. In contrast, 10% of total imports came from China. While a significant amount, the Chinese share is not enough to diversify Belarusian imports, which remain overdependent on Russia.

Foreign direct investment (FDI) is another economic measure in which Russia has a predominant role in the Belarusian economy. From 2011 to 2018, Russia accounted for 50-60% of the total FDI into Belarus. Cyprus’ share of 11-17% further complicates Belarusian overdependence on Russia because Cyprus is a popular offshore parking spot for Russian money, and it can be assumed that a significant portion of ostensibly Cypriot investment is actually Russian. The structure of FDI (Figure 3) poses clear risks for the economic security of Belarus.

By contrast, without Cyprus the EU’s share of FDI amounted to only 10-15% of total foreign investments in Belarus. Austria, with 3-4% of total FDI in Belarus from 2011 to 2018, is the only exception from the EU’s relatively insignificant role. Although China’s share grew steadily from 0.2% to 1.5% during this period, the FDI cannot be considered a properly diversified sector.

Given Belarus’ existing economic overdependence on Russia and the historical ambitions of the regional hegemon, poor diversification of Belarusian foreign economic relations has created unfavorable conditions and given Russia room to manipulate economic influence for broader geopolitical gains.

Belarusian President Alexander Lukashenko, left, shakes hands with Chinese President Xi Jinping before the bilateral meeting of the Second Belt and Road Forum at the Great Hall of the People in Beijing in 2019.

Belarus' Exports (Billions USD)

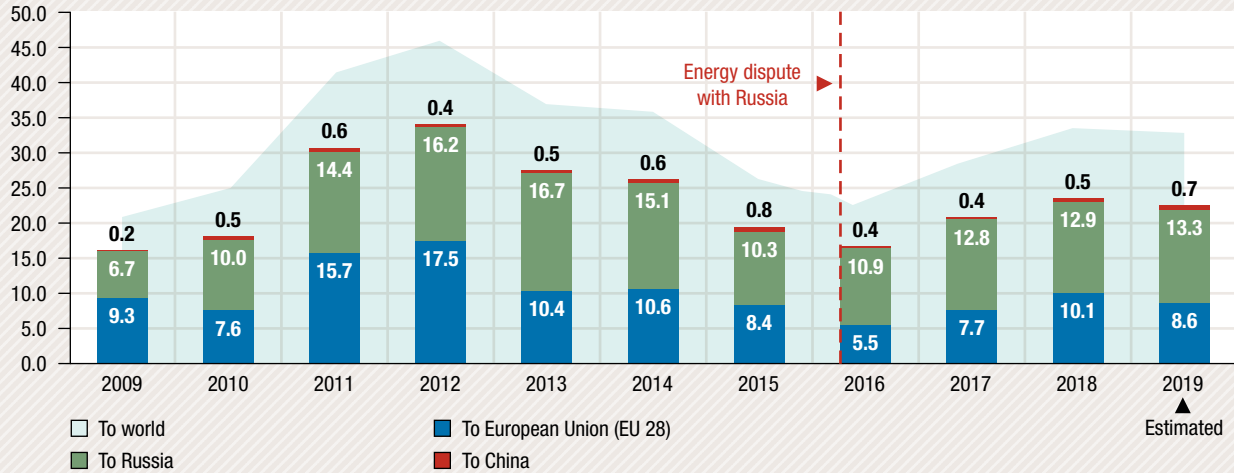


Figure 1 Source: Nataliia Haluhan, based on data from the National Statistical Committee of the Republic of Belarus and Trade Map

Belarus' Imports (Billions USD)

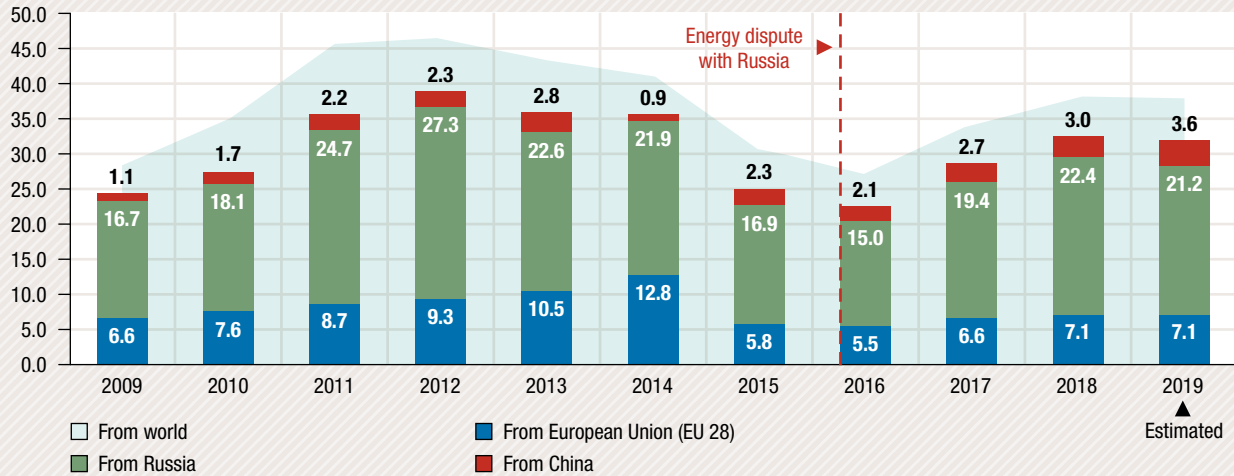


Figure 2 Source: Nataliia Haluhan, based on data from the National Statistical Committee of the Republic of Belarus and Trade Map

Foreign Direct Investment to Belarus (Billions USD)

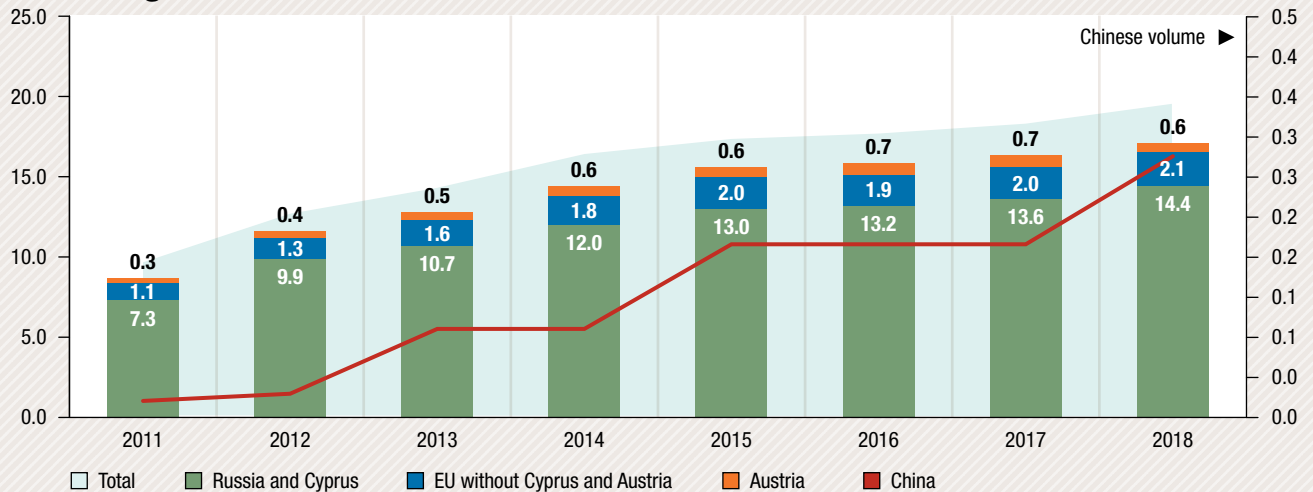


Figure 3 Source: Nataliia Haluhan, based on data from the National Bank of the Republic of Belarus



The Mozyr oil refinery in Belarus in 2020. Belarus relies heavily on oil and gas from Russia.

Belarus' Import of Fossil Fuels 2018

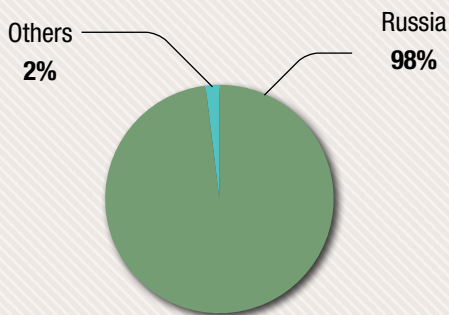


Figure 4 Source: Nataliia Haluhan, based on data from Trade Map

Belarus' Export Structure 2018

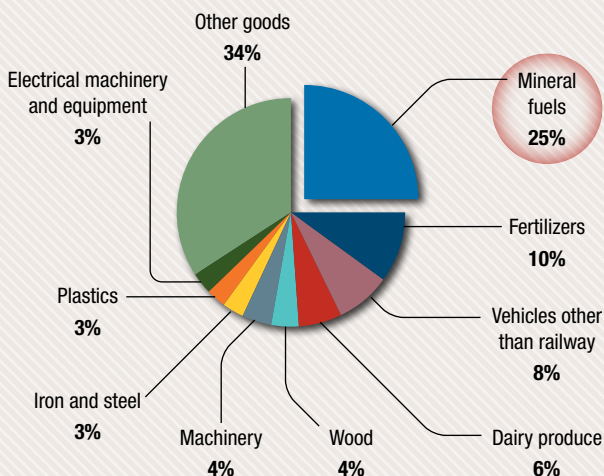


Figure 5 Source: Nataliia Haluhan, based on data from Trade Map

Economic Instruments as Political Leverage

Developments in Russian-Belarusian foreign relations as of early 2020 expose the crucial role of punitive economic measures in Russia's toolbox of hybrid influence. Belarus' overdependence on Russian fossil fuels is the core factor jeopardizing its economic stability and overall national security. Given that Belarus produces less than 15% of the fossil fuels it consumes, its economy is among the least energy self-sufficient in the world. Additionally, Russia accounts for 98% of Belarusian energy fuel imports (Figure 4). Moreover, one-fourth of Belarusian exports are fossil fuel derivatives, refined from imported raw materials and reexported (Figure 5).

Because of the Belarusian-Russian energy dispute of 2015-2016, the value of Belarus' exports to Russia decreased by roughly one-third, while the value of imports from Russia dropped by approximately one-fourth. Thus, the restrictions introduced by Russia in 2016 to push Belarus toward further integration and prevent its de facto political emancipation significantly added to Belarus' economic crisis, which was caused by the region's overall political instability.

Belarus' overdependence on Russian fossil fuels is the core factor jeopardizing its economic stability and overall national security.

In answer to Russia's aggressive behavior toward Belarus, in February 2017 Belarusian President Alexander Lukashenko, according to Euroactiv, called Russian policy "a mockery" and said, "Freedom, independence — they cannot be measured by any amount of money, by any kind of number." Nevertheless, the Russian-Belarusian dispute was temporarily resolved in April 2017. Belarus got access to Russian fossil fuels in exchange for political concessions, the key points of which were not clearly articulated. Though this dispute yielded some political gains for Russia, the hegemon's complete strategic victory was not ensured in the long run.

More implications of the gas conflict appeared at the end of 2018 when Russia, intending to cultivate greater regional integration, pushed the idea of further integration within the Russian-Belarusian Union only to face Belarusian resistance. Russia introduced a tax maneuver to decrease export duties on sold fossil fuels while simultaneously increasing the extraction tax for their production. Due to the structure of Belarusian energy dependence, this could potentially crash the Belarusian refineries and cause losses for Belarus of \$8 billion to \$12 billion by 2024. Furthermore, on January 1, 2020, Russia stopped the supply of oil to Belarusian refineries due to the absence of a political agreement. Following the predominant paternalistic narrative, Russia continues to manipulate Belarusian economic overdependence in a broader geopolitical strategy.

In Pursuit of New Partnerships

Given existing Russian approaches toward the de facto independence of its historic satellites, Belarus has begun to actively seek other foreign cooperation options. Belarus is energetically promoting relations with China. Economic cooperation between the two countries is fostered by the common political paradigm upheld by both countries' leaders. The Economist Intelligence Unit, in its Democracy Index, defined both countries as "authoritarian regimes" in 2018, rating China 130th and Belarus 137th out of 167 countries. Along with this shared political alignment, China's official policy of noninterference in the domestic affairs of partnering countries — in contrast to the intrusive policies of Russia — is highly appreciated by Belarusian leadership. In 2019, China became Belarus's third-largest unilateral trade partner. Though the estimated value of Belarusian exports to China in 2019 amounted to only about 2% of the total (Figure 6), imports reached roughly 10 percent of the total, making China the second-largest import partner after Russia (Figure 7).

These patterns of steadily growing trade with China give Belarus the opportunity to diversify away from its overdependence on Russia and create the preconditions for further cooperation within China's One Belt, One Road strategy, later renamed the Belt and Road Initiative. The ongoing instability in Ukraine has turned out to be an important Belarusian asset in this regard. Now Belarus to some extent can replace Ukraine as a partner to China, as it pursues participation in One Belt, One Road through both trade and wider collaborative projects, such as the bilateral Great Stone industrial park in Belarus.

Apart from the pursuit of new partnerships in the East, Belarus is also seeking new opportunities in the West. In 2018, Austria accounted for 8% of total FDI in Belarus and became its third-largest investor (Figure 8), almost doubling the volume of its investment from \$600 million to \$1.1 billion, compared to Russia, which decreased its share by roughly 60%.

Austria's FDI in Belarus constitutes one-third of the EU's total FDI without Cyprus and is expected to grow, as new projects relating to 5G communications networks have already been announced. Furthermore, Austria, as a neutral, non-NATO state and the biggest EU partner to Belarus, became the first EU country that Lukashenko visited in 2019 after a three-year hiatus in trips to the EU.

To sum up, Belarus's foreign economic policy has sharply shifted in the direction of seeking new opportunities and new partners. Having applied its economic leverage to increase its political influence, Russia did not take into consideration the changing sentiments inside Belarus and the shifting attitudes outside it.

The Evolution of Narratives

The current state of Belarus' foreign economic relations is turning the post-Soviet country into a battleground of narratives. An analysis of annual State of the Nation addresses by President Lukashenko to the Belarusian people from 2015 to 2019 (Table 1) clearly demonstrates how economic dependence, used as a political tool of influence, can shape strategic narratives inside the country. Both the topics mentioned

Belarus' Export Partners 2019

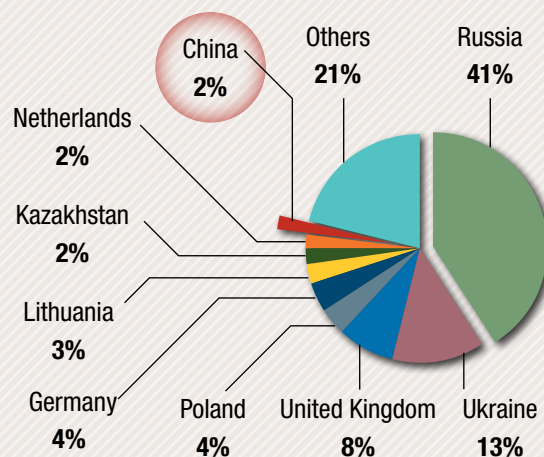


Figure 6 Source: Nataliia Haluhan, based on data from the National Statistical Committee of the Republic of Belarus

Belarus' Import Partners 2019

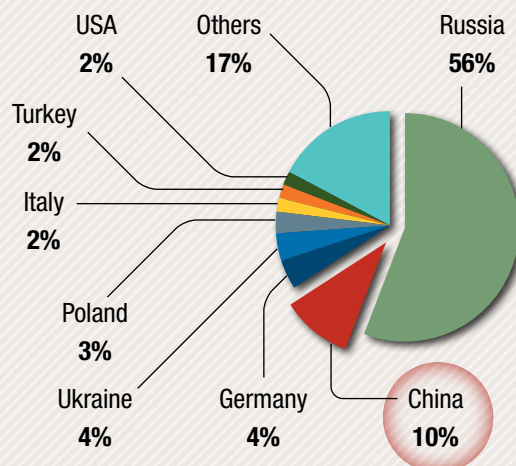


Figure 7 Source: Nataliia Haluhan, based on data from the National Statistical Committee of the Republic of Belarus

Foreign Direct Investment to Belarus 2018

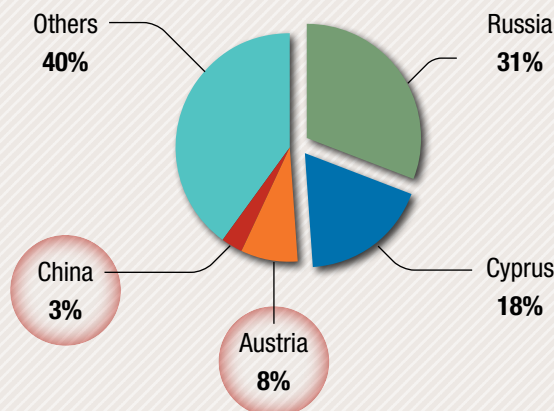


Figure 8 Source: Nataliia Haluhan, based on data from the National Bank of the Republic of Belarus

and the frequency of the mentions indicate that Russia has been losing its political influence in Belarus since the Russia-Belarus dispute of 2016. In 2015, Russia was identified as the “main strategic partner” and was mentioned 35 times during Lukashenko’s address. In 2019, Russia was mentioned only 10 times and was rebranded as “a main ally.” By contrast, in

2015 Lukashenko noted a “comprehensive strategic partnership” with regard to China, but in 2019 China was referred to as “the most important strategic partner.” In addition, Belarus’ official attitude toward the EU was also cardinally changed, especially after the appearance of a “serious turning point” in bilateral relations in 2016, which can be considered a result of

President Lukashenko’s Addresses to the Belarusian People

PARTNER	RUSSIA		CHINA		EU	
	Discourse	Frequency of mentioning	Discourse	Frequency of mentioning	Discourse	Frequency of mentioning
2015	<i>“our main strategic partner”</i>	35	“level of comprehensive strategic partnership”	5	“We are interested in bringing cooperation with the European Union to a new qualitative level.”	5
2016	“our ally and strategic partner”	31	“comprehensive strategic partnership with the Great China”	4	<i>“a serious turning point in our relations with the West”</i>	6
Turning Point	“Fundamental transformations are taking place in the global economy. It cannot be otherwise, because politics, global politics significantly affect the economy.”					
2017	“A special, strategic character [of partnership] ... This does not mean that we absolutely do not have any problems.”	22	“Relations are on the level of comprehensive strategic partnership.”	11	“The process of building relations with the European Union continues.”	8
2018	“The union project with Russia has not lost its significance. ... Integration potential of interaction is not fully used.”	17	“To ask the Chinese: ‘Help’ ... Relations with the People’s Republic of China have reached rapid development.”	10	“The progress in building the dialogue with the European states has been achieved.”	5
2019	“... our main ally ... In the east, our efforts are focused on active participation in integration associations within the post-Soviet space. ... [However,] we don’t need integration for integration.”	10	“Belarus today plays an important role in the development of China and the Chinese initiative of the international Silk Road. ... [China is] the <i>most important strategic partner</i> ”	8	“We strive to ensure that the European Union becomes one of the pillars of Belarus’ foreign trade comparable to the Eurasian Economic Union.”	5

Table 1 Source: Nataliia Haluahan, based on analysis of speeches published on the official internet portal of the Belarusian president

the escalation of the dispute between Russia and Belarus.

Changes to the official narratives reflect changes in public perception as well. According to a national poll conducted by the Institute of Sociology of the National Academy of Sciences of Belarus in 2019, citizens' support for full independence for Belarus had grown by 14.9% since 2003, to 49.9%, while support for an equal alliance with Russia had decreased by 13.3% (Figure 9). Thus, half the country's citizens believe

that Belarus should be an independent state and build its relations with Russia based on international treaties (which could be classified as partnerships). At the same time, 36.1% believed that the two countries should cooperate within an equal alliance with the creation of supranational governing bodies (allied relations).

The results indicate that the increase of Russian economic pressure has significantly worsened both Belarusian official discourse and public opinion toward Russia. Against this background, Belarusian leadership is pursuing new economic partnerships through transformed strategic narratives.

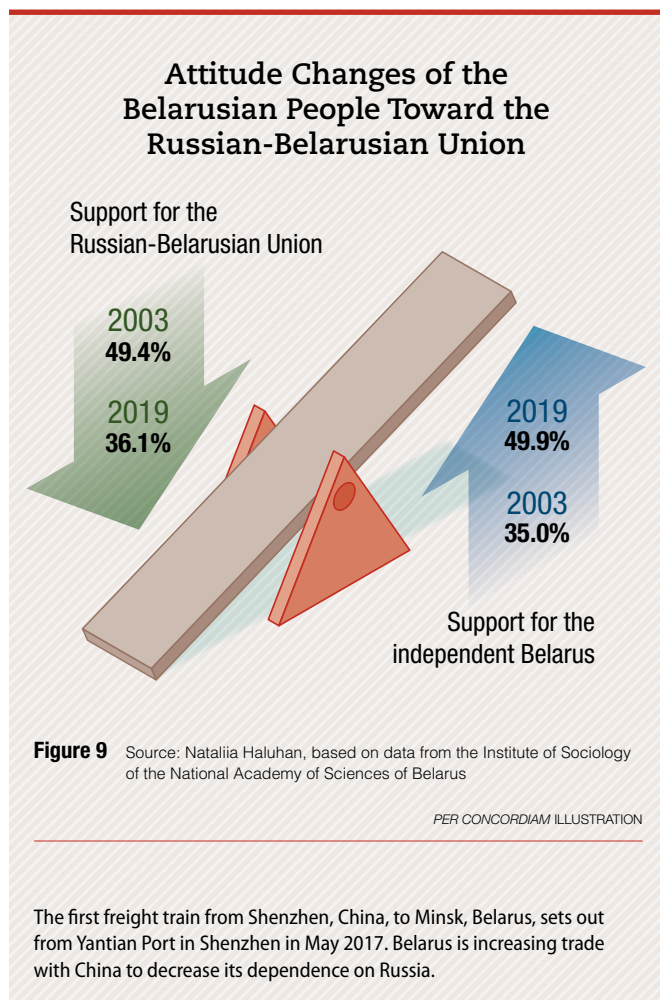
Conclusion: Implications for Europe

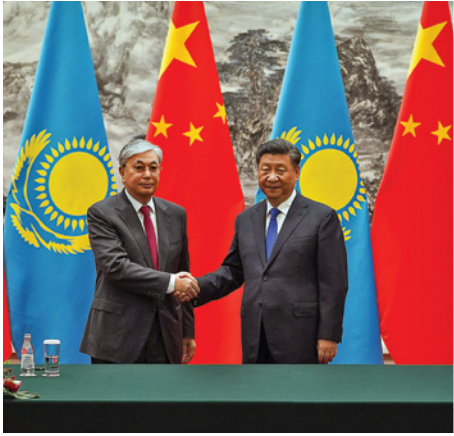
Due to its post-Soviet heritage and its geography, Belarus is economically overdependent on Russia for both foreign trade and FDI. However, Belarusian economic stability and overall national security are especially vulnerable due to its extreme dependence on imported fossil fuels. Given Russia's paternalist narratives and hegemonic aspirations, Belarus' overdependence is being used to major political advantage by Russia. The Belarusian-Russian energy dispute of 2015-2016 is an example of the power of Russia's assertive policies over its historic satellites.

However, its political victory in the dispute did not yield the long-term results Russia might have hoped for. Learning from the situation in Ukraine of the potential implications of Russian economic influence, Belarus made its move toward de facto independence during the next escalation of the conflict in 2018-2019. To reduce Russian influence and decrease Belarusian overdependence, Belarus' leadership turned to both the West and the East in its search of new economic models of foreign cooperation. As a result, China appeared as one of Belarus' main economic partners. Furthermore, official political discourse, backed by changing sentiments inside the country, mirrored economic changes.

The perception in Belarus that Russia is the only, or even the most important, regional hegemon is rapidly changing despite (or even because of) the economic overdependence. At the same time, given its limitations as a smaller state, Belarus is seeking diversification and reorientation of its economy, rather than playing on its own. Its sharp shift toward an advanced partnership with another superpower, China, could provide the foundations for a broad restructuring of the balance of power in the region.

In the context of great power competition short of war, China provides Belarus a non-Russian, non-Western alternative partner, in effect limiting Russian leverage and forcing Moscow to take the interests of a "strategic partner" into account in its self-declared "sphere of privileged interest." China has a mitigating impact on Russian militarization and other aggressive strategic behavior. These surprising circumstances have profound implications for the European security order. China and Russia may cooperate, but they also compete, and their interests are not always aligned or even compatible. This makes for a more complex strategic environment, but also potentially reduces escalatory tendencies. □





China's Influence in Central Asia

Implications for the Euro-Atlantic World

By Dr. Pál Dunay, Marshall Center professor

The United States has set the themes for international security and also for much of the terminology used globally. It did so with its National Security Strategy (NSS) of 2003, when it announced a Global War on Terrorism, and did so again in the NSS of 2017, which highlighted the challenge of great power competition between the U.S. (along with its friends and allies), and China and Russia. It is still too early to tell whether the friends and allies will align with Washington.

In light of this, and assuming that the U.S. competes with China and Russia globally, there should be a U.S. presence in those parts of the world where one or the other, or both, are active. This means that Central Asia should be a center of U.S. attention, especially because the two great powers adjacent to Central Asia are potential major supporters, investors, trading partners, and assistance and security providers for the region.

It is fair to question whether the mainstream and widely popularized views concerning Chinese (and Russian) influence in Central Asia are founded. Namely, that:

1. The two states complement each other's contributions while they also compete for markets, investment and influence.
2. The source of Chinese influence is primarily economic while Russia is the main security provider.
3. The channels of influence are primarily bilateral, and regional organizations only play a complementary role.

Kazakhstani President Kassym-Jomart Tokayev, left, and Chinese President Xi Jinping finalize a strategic partnership agreement after meeting in Beijing in 2019.

REUTERS

Shells explode during an exercise in Russia attended by servicemen from Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, India, China and Pakistan.

THE ASSOCIATED PRESS

Workers attend an opening ceremony for a cement plant built jointly by China and Kazakhstan in southern Kazakhstan.

REUTERS

International security is a far more global concern today than a few decades ago, yet, there is every reason to conclude that physical vicinity continues to matter. In Central Asia, there are questions to be answered: What are the dynamics of relations between China and the five Central Asian states, and are widely shared impressions concerning Beijing's influence correct? What are China's aspirations compared with those of the Central Asian states? How does China's influence in Central Asia compare with that of major Western nations?

Widening Chinese-Central Asian relations

The nearly three decades of relations between China and Central Asia are highly dynamic. China moved from a fast-rising, though still noncentral, player in the international system at the beginning of the 1990s to one of the world's preeminent powers. In 1992, when the Central Asian states had their first year of independence, China represented 1.71% of the world's combined gross domestic product (GDP) and had the world's 10th largest economy. In 2018, China represented 15.86% of the world's GDP (in nominal terms) and had the world's second-largest economy, just behind the U.S. and 10% greater than Japan, the country with the third-largest economy.

This is a test of the so-called 24-character strategy declared by Deng Xiaoping in 1990, under which China should "observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at

maintaining a low profile; and never claim leadership.” Beyond the nearly tenfold increase in the size of Chinese GDP, there are two other factors worth considering: **1. The 24-character strategy is not congruent with most of Chinese history**, which was based more on the Feng-Gong (tributary) system that linked neighboring states and made them economically dependent. Once economic dependence was achieved, according to Central Asian scholar and Kyrgyz diplomat Kushtarbek Shamshidov, the “Chinese court had political influence and used that state as a buffer zone to protect its territory from outside powers.” **2. The timing of the strategy is intriguing.** In 1990, the communist countries were on the defensive, and the socialist “world system” was on its way to collapse. Consequently, a defensive strategy, as outlined by Deng, was appropriate and was not meant to define China’s international policy for a historical era. Moreover, when a state is rising rapidly, it is difficult to resist the temptation to increase its ambition, irrespective of historical tradition, and to seek to regain its status in the international system.

The breakup of the Soviet Union also meant the reemergence of the importance of geographical vicinity. China was at an early stage in its transformation, though still ahead compared to the newly independent Central Asian states. The total GDP of the Central Asian states combined equaled 10.29% of China’s in 1992. In 2019, the GDP of Central Asia reached 2.045% of China’s. This fivefold “decline” does not mean that Central Asia did not develop (though slowly). Rather, it illustrates the extremely impressive enrichment of China compared to that of Central Asia. In terms

of purchasing power parity, the wide difference is slightly less staggering, as China had a higher price level in 2019 than the Central Asian states. Kyrgyzstan and Tajikistan have steadily generated account deficits and trade deficits. Uzbekistan demonstrated volatility by imposing high tariffs and nontariff barriers to protect its dependent domestic markets. As this special protection has eased, the trade deficit has increased (see Table 1).

A display shows four generations of Chinese leaders, from right, Hu Jintao, Jiang Zemin, Deng Xiaoping and Mao Zedong, during an exhibition in Beijing. China’s emergence as an economic power has changed its relationship with Central Asia. THE ASSOCIATED PRESS



Basic Data of Central Asian States Compared to China

	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan	China
Territory (km ²)	2,724,900	199,951	143,100	488,100	447,400	9,596,960
Population (2017)	19,091,949	5,964,897	8,873,669	5,528,627	30,565,411	1,384,688,986
GDP (billion USD) (2017)	179.339	8.092	7.522	40.761	50.499	23,210,000
GDP per capita (nominal) (USD) (2017)	9,139	1,292	877	7,816	1,831	16,700
GDP growth (2019) (%)	3.9	3.4	4.5	6.0	6.0	6.9
Armed forces personnel (active) (2017)	39,000	10,900	36,500	36,500	48,000	2,035,000

Table 1 Sources: *The World Factbook*, Worldometer, GlobalFirepower

Take a closer look at the Central Asian states in the context of all the successor states of the Soviet Union, and an important conclusion can be drawn. Nearly three decades after the dissolution of the Soviet Union, the five richest states in nominal per capita GDP are those producing hydrocarbons — Russia, Kazakhstan, Turkmenistan and Azerbaijan — and exporting them — Belarus reexports some of what it imports from Russia. This means that three decades were not enough to enrich the former Soviet republics through high value-added production and change the economic fundamentals.

Countries with limited domestic capital to invest can develop a significant dependence on foreign direct investment (FDI). In such a situation, states are at the mercy of investors. Some Central Asian economies, in particular those of Kyrgyzstan and Tajikistan, are aid-dependent and will remain so for decades to come. This is understandable because the Central Asian states — without the tsarist and Soviet experiments and their largely positive effect on the development of the region, including industrialization, urbanization, cultural elevation and the declared equality between men and women — would be classical developing countries. However, large parts of Central Asia were developed as monocultural economies based on agricultural production and natural resource exploitation ranging from cotton to uranium, something that made sense only in the broad Soviet framework. Still, some industrialization changed the Central Asian landscape,

particularly in Kazakhstan, where half the labor force is employed in industry, construction, trade or communications.

China has been pursuing pragmatic political lines in its international relations founded on well-known principles: noninterference in the internal affairs of other parties, fostering advantageous economic cooperation, and improving its own reputation. In international relations, China aims to fight the three evils — terrorism, extremism and separatism — and to gain acceptance of the “One China” policy. In light of this, China has not set conditions on others when considering cooperation. Understandably, Beijing does not insist on respect for human rights, a condition it does not meet itself. This gives China an advantage compared to those that impose political conditionality. This has been met with satisfaction by the Central Asian states, where such an approach is perfectly acceptable because “regime coincidence” makes China a natural fit and does not require a compromise. China has taken advantage of two facts: **1. High-level political stability** has helped establish long-term relations with the people in power. **2. Centralization of power** is in a few (in some cases one person’s) hands. Although the two are closely related in the Central Asian context, it is important to mention that power concentration makes it easier to gain influence — including through the use of corrupt political tools such as blackmail and bribery. China benefits from this because many of its investments are carried out by state-owned companies, and

Concentration of Power in Central Asian States and China

	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan	China
Human Development Index ranking¹ (2019)	50-51	122	125	108-109	108-109	85-86
Corruption Perception Index ranking² (2019)	113-118	126-129	153-157	165-167	153-157	80-84
Global Freedom³ (2019)	23 (NF ⁴)	39 (PF ⁵)	9 (NF ⁴)	2 (NF ⁴)	10 (NF ⁴)	10 (NF ⁴)
The EIU Democracy Index⁶ (2020)	2.94 Authoritarian	4.89 Hybrid Regime	1.93 Authoritarian	1.72 Authoritarian	2.01 Authoritarian	2.26 Authoritarian
Henley Passport Index⁷ (2020)	76	63	58	52	57	71

Table 2 Sources: U.N. Development Programme, Transparency International, Freedom House, The Economist Intelligence Unit

1. The UNDP Human Development Index ranked by country.

2. Transparency International Corruption Perception Index ranked by country.

3. The Freedom House Global Freedom ranking is on a 0-100 scale, with 100 being the most free.

4. ‘NF’ means ‘Not Free.’

5. ‘PF’ means ‘Partially Free.’

6. The Economist Intelligence Unit Index (EIU) is on a 1-10 scale, with 10 being the most democratic. 0-4.0=Authoritarian and 4.0-6.0=Hybrid Regime.

7. The Henley Passport Index measures global access by nationality on a 0-200 scale, with 200 being the highest.

even nonstate-owned firms can find themselves in trouble with the extremely powerful Chinese state (see Table 2).

Regarding external trade, the relationship shows large asymmetry. None of the Central Asian states is among the main import partners of China, but Kazakhstan is the 39th largest; China is often the largest (Kyrgyzstan, Uzbekistan) or second-largest (Kazakhstan) import partner of the Central Asian states. The same goes for exports — the largest, Kazakhstan, is China's 36th-largest export partner. In turn, China is the largest (Turkmenistan, Uzbekistan) or second-largest (Kazakhstan) export partner. The case of Turkmenistan is particularly interesting because of its massive export of gas (and very little else). In recent years, China had been the destination of 70% of Turkmenistan's exports. Turkmenistan noticed how constraining such an asymmetrical dependence can be and in 2018 reopened gas exports to Russia after years of occasionally strained relations.

As far as FDI, China also plays a major role, with variation. The less diversified the Central Asian economy, the less able they are to attract other FDI and the more they depend on Chinese investment. Some of the FDI appears as credit: Turkmenistan will reimburse China for its contribution to building a gas pipeline by supplying gas once the pipeline is operational.

Some of the characteristic features of doing business with China include intergovernmentalism, opaqueness, and can involve corrupt relations with leaders. Economic means will be used to create loyalties and dependencies.

All of this leads to several questions. Has Beijing's significant economic influence turned into political influence? Has that influence compelled states to take positions that they otherwise would not take? Or has it discouraged states from voicing views contrary to those of China? Bearing in mind regime similarity with Beijing and the tendency of Central Asian countries to avoid engaging in the affairs of great powers (unless requested by important strategic partners, more often than not Russia), it would be difficult to conclude that China has to use conditionality and compulsion to shape Central Asia's international position. It is difficult to tell whether the Central Asian governments occasionally feel that they must act (or stay silent) against their best interests under Chinese coercion. This would only be clear if China commented on developments in Central Asia, or if the Central Asian states commented on Chinese developments, in particular the sore points of Taiwan, the South China Sea or the mistreatment of the Uighur minority. However, the parties have thoroughly avoided any public comment that might damage relations.

There is well-founded economic dependence on and political alignment with China in Central Asia. It is the

Central Asian countries are purchasing Chinese defense systems, including missile launchers such as these on display in Beijing. THE ASSOCIATED PRESS



mainstream view that Beijing avoids stepping beyond its traditional means of influence because Russia is a strategic partner also in security. However, as Beijing's power base has widened in recent decades, it has developed defense procurement relationships with Central Asian states. Although the Central Asian defense market is small, Kazakhstan, Kyrgyzstan and Tajikistan are members of the Collective Security Treaty Organization (CSTO), and Uzbekistan has a special arrangement with Russia. Those four states can purchase Russian armaments and equipment for the Russian national price while largely eliminating the competition from other exporters. Exceptions might apply if a Central Asian state were interested in specialized products that Russia could not supply.

In this framework, China has gradually widened its military interaction with Central Asia. The pattern of its presence is sophisticated and based on mutual advantage. Starting about a decade ago, China assisted with certain supplies, primarily to small and poor Kyrgyzstan and Tajikistan, to benefit the police forces. This included building a facility to fight drug trafficking in southern Tajikistan. Notably, China has purchased military items from Central Asian states, including 40 Shkval torpedoes in 1998 from Kazakhstan. Because some Central Asian states (Kazakhstan and Turkmenistan) export energy to the Chinese market, military deliveries often take place to reduce a trade surplus. China sold Wing Loong-1 drones to Kazakhstan and Uzbekistan. Tajikistan bought armored combat vehicles and patrol cars. Turkmenistan has a massive trade surplus because of gas exports and bought land-based missiles and mobile radio locator stations. There are Chinese HQ-9 air defense systems in service in Turkmenistan and Uzbekistan. Kazakhstan purchased the Y-8 military airplane, which is similar to the Russian An-12. As the Chinese defense industry has grown more diverse and competitive, China has gradually become a defense exporter with highly competitive prices and delivery conditions, including long-term credit paid back by commodity deliveries — a barter between nations. All these innovations have made China competitive in the Central Asian defense market.

China has also broadened security cooperation with Central Asia. The number of military exercises is on the rise, mainly with the three states it shares a border with: Kazakhstan, Kyrgyzstan and Tajikistan. Some have been carried out within the framework of the Shanghai Cooperation Organization (SCO). China has also established a base in the Nagorno-Badakhshan area of Tajikistan, near the borders of both China and Afghanistan, where a number of training centers and command post facilities have been established. The underlying agreement was signed between the governments in 2016. It is identified as a border guard outpost, built with Chinese money, and servicemen from the Chinese People's Armed Police serve there. It provides China with information on Afghanistan, which Beijing perceives to be the only major external military challenge to Central Asia, and prevents the movement of Afghan terrorists to China via Tajikistan. China's preferences in security cooperation can be characterized as pragmatic. Beyond economic interests, China focuses on those areas where it perceives shortfalls and where Central Asian security developments have potential to impact China's security. They can be linked to the fight against the "three evils," even though it may require an arbitrary interpretation, such as separatism. Taking into account current tendencies, there is reason to conclude that China has seized the opportunity to broaden its area of activity based on geographic vicinity, economic asymmetry, and in accordance with its increasingly diverse sources of power and influence.

China and Central Asian societies

None of the Central Asian states is a full-fledged democracy. With some variation (Kyrgyzstan is the notable exception), they are autocratic (or outright dictatorial) regimes. Alienating large parts of their population might foster instability and risk the perpetuation of the leaders in power. For this reason, it makes sense to look beyond the interstate level and pay attention to how Central Asian societies relate to China (and occasionally to the Chinese people). There is anecdotal evidence that countries in other regions where China operates have the same reservations as Central Asian countries. There are three aspects to this: **1. A reservation toward China**, which as a partner maximizes its advantage without paying attention to local needs. This applies in particular to Chinese investments that do not sufficiently employ local labor. **2. China takes advantage of the asymmetrical relationship** and thus realizes unfair advantages. **3. China puts constraints on its partners** that prevent them from raising concerns that may be different, if not directly contradictory, to the positions held by Beijing. There is one question that connects all three points: Do Central Asian societies have issues with China or with their own leaders, who may not put the national interest sufficiently ahead of their country's relations with China? It is difficult to answer this question because the relationships are highly asymmetrical and other external powers are hardly present; therefore, Beijing remains the only viable alternative. Russia could be an exception, but the means it could commit in the long run are more limited. A separate question: Does

collusion exist between some corrupt Central Asian leaders and Chinese authorities?

There have been a few cases in the past few years when Central Asian authorities got into trouble for their actions (or inactions) with respect to China. They can be divided into two groups: those involving land use/ownership in Central Asian territory and those involving ethnicity. Problems related to those matters have become more frequent the more intensive interactions have become.

Land ownership and land lease issues have emerged in Kazakhstan-China relations and Tajikistan-China relations. In 2016, the Kazakh Land Code was modified so that foreign entities could also rent land. The change resulted in fairly heated demonstrations after people interpreted it to mean that land ownership could also change hands. Although this was not the case, that can be the impression when properties are rented for a long time. In light of the protests, then-President Nursultan Nazarbayev suspended the application of the code, and the decision was reversed. Although the matter was officially not attributed to then-Prime Minister Karim Massimov (a pro-China politician with university degrees from Beijing and Wuhan), there was suspicion that he was behind the code change as a way to help Chinese economic expansion. In Tajikistan, Chinese farmers have been allowed to lease agricultural land since the early 2010s, raising concerns that this could also result in protests. However, protests were avoided because the land plots were virgin territory and guarantees were given that the agricultural products would be sold domestically and not exported to China. These cases demonstrate how sensitive land issues can become in agricultural countries.

China makes efforts to achieve ethnic homogenization. This presents a challenge — in far Tibet and the Uighur-populated Xinjiang, among other places — because the process takes place without the consent of the minority groups. The latter area is adjacent to Central Asia and Uighur populations also live in Central Asia, in Kazakhstan and in smaller numbers in Kyrgyzstan and Uzbekistan. When China acted to speed up ethnic homogenization by opening so-called vocational education and training centers (in fact, reeducation camps), and "schooled" 1 million Chinese citizens if not more, demonstrations started in Kazakhstan. The demonstrations were not confined to the fewer than 200,000 Uighurs in Kazakhstan; they spread more broadly as the impression grew that China was persecuting fellow Muslims. The Kazakh leadership faced a difficult choice because the well-established noninterference policy between the states collided with respect for basic human rights. Kazakh authorities finally chose to address the demonstrators domestically and to not publicly raise the matter in interstate relations with Beijing. This was different from previous Kazakh policy that allowed Astana some room for diplomatic reaction on matters related to the Uighurs. The Kazakh state did everything it could to reassure China and stick to noninterference.

A few months later, in February 2020, ethnic Dungans were persecuted in southern Kazakhstan close to the Kyrgyz border. The Dungans are Muslims of Han Chinese descent, so it was widely assumed to have been an ethnically

motivated pogrom. Although this was not the first ethnic clash in Kazakhstan, it was the first involving a Chinese minority, and the clashes resulted in 11 Dungan deaths. These protests, which have until now been confined to Kazakhstan and Kyrgyzstan, indicate that Central Asian authorities should pay close attention to social dissatisfaction to avoid social instability. As none of the Central Asian states are full-fledged democracies, established societal conflict management mechanisms may not be sufficient. China must also understand how sensitive an issue its regional domination could become and how it could be instrumentalized by political opposition within the Central Asian states to challenge their countries' leadership.

Multilateral sugarcoating of bilateral dominance

Great powers such as China usually prefer bilateral relations with their partners because their dominance can be greater and more pronounced. In the past two decades, great powers have preferred intergovernmental organizations that they can dominate or take a role that exceeds their actual influence in the world. China's fast-rising great power status does not require regional intergovernmental engagement. Still, it participates in a regional (Eurasian) international organization where four of the five Central Asian states are members and the fifth (Turkmenistan) is a regular guest attendee. However, the fact that states assemble in intergovernmental institutions does not fundamentally change power relations. The SCO was established by five countries nearly a quarter-century ago. Until recently, its six members were clearly structured, with China and Russia as dominant players. With the accession of India and Pakistan in 2017, the situation will gradually become more complex because of New Delhi's geopolitical importance. Although the role of the organization was often overestimated in its first decade and there was speculation that it would lay the groundwork for an anti-U.S. alliance, it continues to serve the interests of its members. Two states have joined, none left (unlike the CSTO that lost members), and the number of observers and dialogue partners is on the rise. SCO meetings matter for Central Asian leaders because they provide bilateral access to their Chinese and Russian counterparts. The reality of multilateral cooperation for the smaller SCO members is in its multi-bilateral core.

Beginning in 2013, China embarked upon One Belt, One Road (OBOR), what it now calls the Belt and Road Initiative, its grand strategy to create a tributary system with Beijing at its center. It is a positive-sum game because Chinese resources are allocated into projects considered necessary by destination and transit countries. Central Asia is an important springboard for the "heartland" dimension of OBOR, while China actively develops its naval dimension (Silk Road and Maritime Silk Road). Central Asia connects China by land with some of its markets in Europe. These countries benefit from infrastructure development, be it highways, railroads, pipelines or electricity grids. This is much appreciated by countries that lack the resources to modernize or even maintain outdated infrastructure. There are some negative points as well. Namely, investments come with influence that may remain benign (support

for China's peaceful development and harmonious world concepts) but can turn malign. Investments come with Chinese labor (which does not stimulate local employment) and often with a Chinese business presence that may amount to a type of neocolonialism. For the poorest Central Asian states, the Chinese resources may well be the only ones available, whereas for the more affluent it provides complementary funding for necessary projects. Consider the \$121 million allocated by China to two projects to rebuild and develop the street network in Bishkek, Kyrgyzstan. Some of the funds were not put to good use or "disappeared" (resulting in inconclusive criminal procedures), and in some cases the quality of the rebuilt roads (such as the one between Bishkek and Manas International Airport) was subpar. Yet the work reduced pollution in a city with poor air quality and the city's main arteries no longer cause damage to the cars driving them. Signs on the buses say they have been donated by China.

It would be false to give the impression that there are no development projects in Central Asia other than those initiated and constructed by China. For example, the Central Asia-South Asia 1000 (CASA-1000) electricity project to export hydroelectricity from Kyrgyzstan and Tajikistan to Afghanistan and Pakistan is funded by the World Bank.

Implications for the EU, U.S., and Euro-Atlantic world?

In 2019 and 2020, the European Union and the U.S. adopted new Central Asian strategies. These stand out for their realism and limited aspirations. Both the EU and the U.S. are busy in other geographical areas. Central Asia is not among their priorities. The U.S. State Department urges Central Asia to "strengthen their independence from malign actors" and also "to maintain individual sovereignty and make clear choices to achieve and preserve economic independence." In spite of the careful and diplomatic formulation, it is clear that it is not only terrorists and radical Islamic groups to which the document refers. Those threats do not endanger the economic independence of the five states, but perhaps China and Russia do. The EU largely repeats its old song about cooperation and repeats its expectations. The answers to two simple questions may be more revealing: How much money do the two actors spend in Central Asia? And do they allocate their best human resources there? The U.S. cut its development assistance in half a few years ago, and the EU is not increasing its resources in the region.

Power is relative and not absolute in the international system. Some great powers have reduced their commitment or de facto downgraded Central Asia on their list of strategic priorities. That leaves the Central Asian states with little choice; China remains their best choice when it appears there is no choice at all. Neither the means, nor the will seem to be there to revise this situation in the foreseeable future. However, as COVID-19, the oil slump and a global recession demonstrate, systemic shocks can change strategic calculus. The ability of OBOR to sustain a volume of goods and the perception of connectedness will impact great power competition in Central Asia and the region's links to China and the Euro-Atlantic world. □



NATO NEEDS A CHINA POLICY

Failing to act carries considerable security implications

By Lt. Col. Chad Cisewski, U.S. Air Force, Marshall Center senior fellow

NATO today is properly focused on the threat to peace and stability posed by a revisionist and increasingly aggressive Russia. But NATO members also need to recognize China's expanding influence on the European continent and the challenges this presents to the Alliance. In short, NATO needs a policy that addresses China's emerging role as a major geopolitical power in Europe.

There are indications that the Alliance is paying attention. In December 2019, NATO leaders passed the London Declaration, which states, "We recognize that China's growing influence and international policies present both opportunities and challenges that we need to address together as an Alliance." While this was a good first step, much more is needed.

Speaking to NATO partners in August 2019, NATO Secretary-General Jens Stoltenberg said, "This is not about moving NATO into the Pacific. [It] is about responding to the fact that China is coming closer to us." He said it is becoming clear that China is entering a new era of great power competition and will attempt to disrupt the rules-based international order. "We see this in the South China Sea, in cyberspace and in Chinese investments in critical infrastructure," he said. "So, we need to better understand the consequences of the rise of China for our security."

Unlike NATO, the European Union has developed a public China strategy. Published in March 2019 by the European Commission, the strategy involves 10 concrete actions for EU governments to discuss and endorse. It points out that while the economic upside

to dealing with China is evident, it can be harder to see the long-term challenges of growing Chinese influence. The document labels China as a "cooperation partner," an "economic competitor" and a "systemic rival." The EU is clearly taking China seriously, and NATO should do the same.

One argument against establishing a NATO China policy is that it will require sovereign nations to openly discuss sensitive internal issues. This is difficult. As a rule, NATO does not talk about the internal policies of its members and certainly cannot set national policies for its members. What the Alliance can do is talk about threats and offer advice on how certain actions by China can affect the Alliance's collective defense. For example, it is a NATO guideline that members spend 2% of gross domestic product on national defense. While NATO does not set national defense budgets and cannot direct how national budgets are spent, NATO offers that guidance. At the same time, NATO members can discuss and set guidelines related to Chinese activity within the Alliance.

Analysis is scarce regarding the establishment of a NATO policy on China. The divergence between China's statements and its actions regarding Europe need to be examined and the implications for NATO highlighted. The North Atlantic Treaty of 1949 provides an analytical lens through which to view Chinese actions. Four of the 14 North Atlantic Treaty articles are used here to provide a framework for analyzing China's actions.

North Atlantic Treaty, Article 1 – Peaceful Settlement of International Disputes

“The Parties undertake, as set forth in the Charter of the United Nations, to settle any international dispute in which they may be involved by peaceful means in such a manner that international peace and security and justice are not endangered, and to refrain in their international relations from the threat or use of force in any manner inconsistent with the purposes of the United Nations.”

China is publicly touting itself as a responsible global stakeholder that is looking to grow its global trade network, be at peace with neighbors and operate within the current rules-based international order. President Xi Jinping has said, “China will deepen relations with its neighbors in accordance with the principle of amity, sincerity, mutual benefit and inclusiveness, and the policy of forging friendship and partnership with its neighbors.” However, China’s actions in the ongoing conflict in the South China Sea are at direct odds with these public statements.

NATO should closely follow China’s actions and not its words. China’s increasing military assertiveness toward its neighbors in the South China Sea should serve as a warning to NATO members about how China treats other sovereign nations, and its lack of respect for international laws and norms. China is determined to pursue its nine-dash-line strategy of building military facilities to fortify the small islets and shoals of the South China Sea as a pretext for claiming the vast majority of that sea as its territorial waters. China’s nine-dash-line maritime claims extend as far as 2,000 kilometers from the Chinese mainland and come within only several hundred kilometers of its neighbors Malaysia, the Philippines and Vietnam, despite those neighbors’ vociferous objections.

When the Philippine government brought its grievances to the International Court of Arbitration at The Hague in 2016 and subsequently won its case, China refused to back down. China refused to participate in the arbitration process and later rejected the judgment and authority of the court. China further escalated the situation by accusing the Philippines and its treaty ally, the United States, of military coercion by exercising their rights to freedom of navigation in the international waters of the South China Sea. China’s military expansion in that sea serves as a threat to its neighbors and to NATO members who rely on the South China Sea as a vital international transit route for global trade. By aggressively building out militarized islands

across its maritime claim, China hopes to intimidate other nations into acquiescing to its security agenda.

NATO nations associate with one another because they believe in a common heritage — as outlined in the North Atlantic Treaty — of “democracy, individual liberty and the rule of law.” NATO is above all an organization that seeks peace and cooperation among its members and with other nations, and agrees to settle international disputes by peaceful means. China, by failing to resolve territorial disputes with its neighbors through the process of international law, has shown disregard for the conventions of a rules-based international order. China will remain a vital trading and cooperation partner with NATO members. However, NATO nations cannot lose sight of the fact that China is positioning itself to take maximum advantage of its geopolitical aspirations.

Article 1 of the North Atlantic Treaty states that member nations agree “to settle any international dispute in which they may be involved by peaceful means in such a manner that international peace and security and justice are not endangered.” But China is not bound to meet the standards required of NATO members. As a result, there are security implications when China is allowed access and influence within the Alliance. As the sovereign nations of NATO consider their current and future trade, financial and military interactions with China, there needs to be a serious debate about the implications of close China ties.

North Atlantic Treaty, Article 3 – Maintain Capacity to Resist Armed Attack

“In order more effectively to achieve the objectives of this Treaty, the Parties, separately and jointly, by means of continuous and effective self-help and mutual aid, will maintain and develop their individual and collective capacity to resist armed attack.”of the United Nations.”

China has adopted an active foreign and military diplomatic policy. This policy advanced with the formal announcement of the One Belt, One Road (OBOR) plan in 2013, when China greatly expanded its number of bilateral economic agreements, its military expeditionary capabilities and training with other nations. To this point, President Xi has publicly stated, “China has actively developed global partnerships and expanded the convergence of interests with other countries. China will promote coordination and cooperation with other major countries and work to build a framework for major country relations featuring overall stability and balanced development.”

As the leader of a major country, it should be no surprise that Xi would look to build better relations with other major countries and try to influence the framework of the rules-based international order in a manner that is advantageous to China. However, as China goes about this mission, it will be important for NATO to pay attention to the details and note with whom China is building these relationships. One of China's important security partners is NATO's main adversary, Russia. Following increased Western pressure on Russia as a result of its invasion of Ukraine in 2014, Russia and China have increased their military cooperation in a show of solidarity. This was visibly demonstrated during joint naval exercises in the Baltic Sea in 2017.

Three Chinese warships, including the People's Liberation Army Navy's most advanced guided missile destroyer, made the long journey to the Baltic Sea, passing through the Mediterranean Sea, and conducted maritime exercises with the Russian Navy.

In 2019, the Chinese army dispatched more than 1,600 soldiers, aircraft and tanks to a large-scale military exercise with Russia and six other countries in western Russia and Central Asia. Also in 2019, the Chinese and Russian air forces performed joint, long-range, aerial patrols in the East China Sea and the Sea of Japan for the first time.

Beijing's status as a great power has benefited from this display of global military potential. China's joint naval exercise with Russia demonstrated its development of an operational blue-water navy and its expeditionary skills, using its support facility in the Gulf of Aden. Furthermore, China has been able to provide comfort and a show of support to Russia in the face of NATO criticism over the Ukraine invasion. Russia and China likely see themselves and their joint military efforts as a needed balance to the NATO power structure in Europe and the extensive bilateral defense treaties that the U.S. leads in the Pacific. Despite this rationale, China conducting military exercises with a NATO adversary in the Baltic Sea — likely to be the maritime front lines of any potential NATO/Russia conflict — should be extremely worrisome to NATO members.

Article 3 of the North Atlantic Treaty states: "In order more effectively to achieve the objectives of this Treaty, the Parties, separately and jointly, by means of continuous and effective self-help and mutual aid, will maintain and develop their individual and collective capacity to resist armed attack." If NATO members are interested in individually and collectively resisting armed attack, then the direct military cooperation of an emerging great power and the Alliance's greatest military threat should be of concern and should inform how those member nations engage China in all areas of international relations.

North Atlantic Treaty, Article 4 – Political Consultation to Defend Statehood

"The Parties will consult together whenever, in the opinion of any of them, the territorial integrity, political independence or security of any of the Parties is threatened."

While the Chinese military has developed rapidly, the country's real success has been its flourishing economy, and the Chinese Communist Party (CCP) has been quick to claim credit for unprecedented economic growth. The CCP further claims that its model for development (socialism with Chinese characteristics) is ready for export around the world. According to Xi, "The path, the theory, the system, and the culture of socialism with Chinese characteristics [has] kept developing, blazing a new trail for other developing countries to achieve modernization. It offers a new option for other countries and nations who want to speed up their development while preserving their independence; and it offers Chinese wisdom and a Chinese approach to solving the problems facing mankind."

The CCP's main effort for executing this vision is through OBOR, which aims to build a transportation and trade network of overland and sea routes to connect the economy of China with the rest of Eurasia using trade deals and foreign direct investment in major infrastructure and transportation projects. The vast majority of the funds used emanate from China's state-owned banks.

Due to the European debt crisis, China sees Europe as a prime target for OBOR funding. Cash-strapped NATO members such as Greece have sold off national assets and infrastructure to stay solvent and have turned to China for relief. In Greece, the state-owned China Ocean Shipping Co. (COSCO) purchased the Port of Piraeus. Acquisitions such as this are likely good investments for Chinese companies, but they also align perfectly with the CCP's OBOR. The deal is even more lucrative for companies such as COSCO because they gain access to Chinese state financing directly aimed at projects compatible to OBOR.

The most significant European OBOR recruit to date, however, appears to be Italy. Italy signed a memorandum of understanding with China in 2019 to allow for significant investment in 29 separate projects, including investments in several significant ports, making it the first of the G7 advanced economies to sign onto the project.

NATO must now consider how much power and influence China has achieved over certain Alliance members. Consider recent history: In July 2016, Greece

and Hungary agreed to block any direct reference to China in an EU statement regarding the Permanent Court of Arbitration's ruling on the South China Sea dispute. In March 2017, Hungary broke with all other EU members in refusing to sign a joint statement condemning China's use of torture. And in June 2017, Greece blocked a joint EU statement at the U.N. that was meant to criticize China's human rights record.

NATO must understand and respect the desires of member nations, especially following the European debt crisis, to grow their economies and develop investment in their countries. However, it is critical for the collective defense of Europe that members do not compromise their political independence. This is even enshrined in Article 4 of the North Atlantic Treaty, which states that member nations "will consult together whenever, in the opinion of any of them, the territorial integrity, political independence or security of any of the Parties is threatened." NATO cannot allow China to slowly increase its political influence in Europe to the point that it secures veto authority within the Alliance by having economic or resource leverage over a member nation.

North Atlantic Treaty, Article 5 – Collective Defense

"The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all."

China's public statements on the South China Sea have been clear about making its maritime claims there permanent. Xi has said, "We have strengthened military training and war preparedness and undertaken major missions related to the protection of maritime rights." He has also said that China "will never allow anyone, any organization, or any political party, at any time or in any form, to separate any part of Chinese territory from China." Although speaking specifically about separatist movements in Hong Kong, Macao and Taiwan, there can be no doubt about China's intention to protect its claims in the South China Sea militarily. Rear Adm. Luo Yuan, the deputy head of the Chinese Academy of Military Sciences, has said, "What the United States fears the most is taking casualties." He said that this could be accomplished with the sinking of two U.S. aircraft carriers in the Pacific, which he noted, could claim the lives of 10,000 American sailors. China is clearly seeking to develop a military strategy to fight and win in the South China Sea.

It is important to note, however, that an attack on a NATO member operating in the South China

Sea would not trigger an Article 5 reaction because the attack would have occurred outside of Europe and North America. The specific geographic limitations to where an attack could be considered relevant for Article 5 are outlined in Article 6. However, the repercussions of such an attack against the U.S. or any other NATO ally would be felt strongly in Europe. Maintaining free access to the South China Sea is vital to the global economy. An estimated one-third of global shipping transits that sea. It is within the interests of the U.S. and the major economies of Europe to maintain the free flow of goods through those waters. The economic impact to European economies of closing the South China Sea would be devastating.

Absent an Article 5 imperative in a South China Sea conflict, it is important for NATO to recognize that security issues in the Pacific have consequences for Europe. With the U.S. announcement of a Pivot to Asia policy and the rebalancing of many U.S. forces, defense systems and defense spending to the Pacific, any future Pacific conflict would leave Europe and NATO open to further destabilization by an opportunistic Russia. Furthermore, in the case of a Pacific conflict, it would be in China's interest to escalate tensions in Europe (or call upon Russia to do so) in order to present the U.S. with a strategic dilemma in its force allocation. The consequences of this for NATO are twofold. First, NATO must provide sufficiently ready forces in Europe to deter Russia in the event of an Asia-Pacific conflict. Second, NATO must realize that what happens in the Pacific can greatly affect its own security interests.

ANALYSIS OF CHINESE ACTIONS

When the U.S. and other Western nations officially recognized the Peoples Republic of China in 1979 and normalized diplomatic and trade relations, there was hope that China's economy would flourish, the Chinese middle class would expand and the country would have no choice but to liberalize. That, of course, never happened. Xi has further strengthened his and the CCP's grip on power and has very clearly set the course that the country can be expected to follow beyond the 2049 centenary of the Communist Party's victory. China will try not to change its ways or conform with the current rules-based international order, but rather seek to redefine the nature of that order on terms that are more beneficial for China and that recognize it as a leader in a new multipolar world.

China views the militarization of the South China Sea as necessary to ensure that it has effective strategic depth between itself and U.S. forces stationed in the region and on the territories of U.S. allies Japan and South Korea. The Chinese memory of the Japanese invasion and blockade of its coast during World War II should not be underestimated — it is a painful historical memory of a time when it was completely

contained and blocked off from external resources. In this context, OBOR actually serves two functions. First, it serves as an alternate overland and sea outlet to the West, much in the same way that the Burma Road served as an outlet to the Indian Ocean during the Japanese occupation. And second, it serves as a mechanism for China to build relationships with and investments in countries around the globe. Instead of working to build a network of allies that have similar interests, values and goals, China has turned to a system of continentalism that spreads investment (and dependency) across the Eurasian landmass.

Finally, China is at least partially using Russia to meet its strategic ends. China and Russia actually want very different things. China does not want to completely upend the international system; it greatly benefits from international trade, and the CCP's power depends on the economic growth that trade provides. China wants

Alliance could be compromised by any future Asia-Pacific conflict and how Asia-Pacific security issues have real implications for NATO.

To kickstart a broader discussion regarding Chinese actions within the Alliance and lay the groundwork for a coherent China policy, NATO should:

- Agree to expand and reinforce its network of partner nations in the Pacific and create a formal partner structure for Pacific nations. It would be helpful to create a NATO partner group, similar to NATO's Mediterranean Dialogue, that is focused on China and consisting of current NATO partners. Additionally, NATO should place liaison offices in Tokyo, Seoul, Beijing and at U.S. Indo-Pacific Command headquarters in Honolulu to keep NATO leaders plugged into current concerns in the Pacific theater.

CHINA VIEWS THE MILITARIZATION OF THE SOUTH CHINA SEA AS NECESSARY TO ENSURE THAT IT HAS EFFECTIVE STRATEGIC DEPTH BETWEEN ITSELF AND U.S. FORCES STATIONED IN THE REGION AND ON THE TERRITORIES OF U.S. ALLIES JAPAN AND SOUTH KOREA.

to reshape the international system to its own benefit, whereas Russia wants to grab what it can in the short term and play the role of spoiler. But there are intersections of interest: Both are adamantly opposed to the encirclement of their countries by the U.S.-led order. By aligning itself more closely with Russia, especially following Russia's 2014 invasion of Crimea, China can show the world that it is a geostrategic power in Europe and take advantage of Russia positioning itself as a military threat and counterbalance to the West.

CONCLUSION AND RECOMMENDATIONS

By looking at Article 1 of the North Atlantic Treaty, we can see that Chinese actions in the South China Sea are not compatible with NATO values or with the rules-based international order. Looking at Article 3, we can see that China's close military ties with Russia are a threat to NATO security and serve as a means for China to use Russia as a counterbalance to NATO power. Looking at Article 4, we see how deepening Chinese economic ties within Alliance nations have given China a means by which to exert political influence and potentially compromise the political independence of Alliance members, which could allow China to effectively split the Alliance during a crisis. And finally, through Article 5 we see how the security of the

- Recognize that while the U.S. remains committed to the defense of Europe, due to the U.S. Pivot to Asia strategy, there will be considerably fewer forces available to NATO in the event of overlapping European and Pacific conflicts. Therefore, NATO should remain committed to the 2% defense spending target and modernization of military units. Furthermore, the addition of a NATO defense presence in the Pacific (possibly in the form of NATO freedom of navigation operations in the South China Sea) could demonstrate Alliance resolve and interest in the region while at the same time contributing to collective deterrence.
- Collectively recognize the importance of its critical physical and digital infrastructure and of the ownership of those assets, technologies and infrastructures remaining in the hands of Alliance nations. Furthermore, NATO should recognize the insidious loss of political independence that can occur when nations sell off such infrastructure and become beholden to outside debt holders that do not share their values.
- Establish a NATO-China council. Such a council could give NATO nations an opportunity to debate China issues and address China together with one, unified voice. □

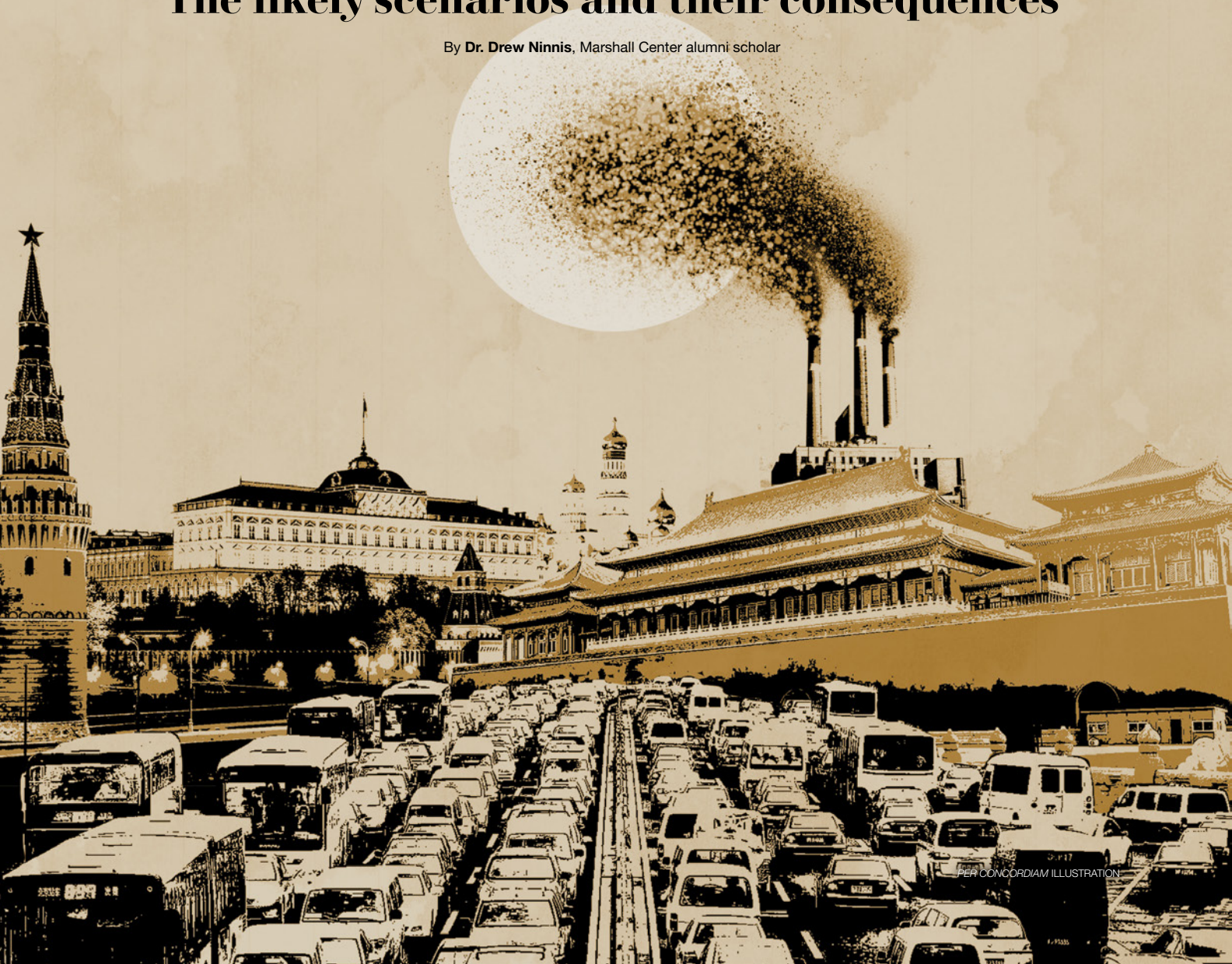
DOES

RUSSIA'S FUTURE

INCLUDE CHINA?

The likely scenarios and their consequences

By Dr. Drew Ninnis, Marshall Center alumni scholar



PER CONCORDIAM ILLUSTRATION

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“How much anger those European gentlemen have accumulated!” proclaims Andrei Danilovich Komiaga, a loyal *oprichnik* (guardsman) of the new czar. “For decades they have sucked our gas without thinking of the hardship it brought our hard-working people. What astonishing news they report! Oh dear, it’s cold in Nice again! Gentlemen, you’ll have to get used to eating cold foie gras at least a couple of times a week. Bon appétit! China turned out to be smarter than you ...”

At least, that is the Russian (and Chinese) future that the post-Soviet provocateur Vladimir Sorokin depicts in his novel, *Day of the Oprichnik*. Set in the New Russia of 2028, the czarist regime is back in full swing and has erected a big, beautiful wall on its border with Europe to keep out the “stench [of] unbelievers, from the damned, cyberpunks ... Marxists, fascists, pluralists, and atheists!” Russia is rich and awash in Chinese technology but inward looking, while reverting to the feudal structures of Ivan the Terrible (or the Formidable as this new generation of Russian leaders might have it).

While the answer that Sorokin provides may be fanciful, the questions he poses are worth asking — what might Russia look like in 2028 and beyond? Does Russia’s future include China? And what are the consequences of these potential futures for Europe and the rest of the world? The intertwined trajectories of Russia and China will force consequential decisions for the United States, Europe and their allies that will shape the 21st century. One way to anticipate, inform and prepare for these decisions is by contemplating the potential futures they might imply.

Of course, the future is inherently uncertain and futures analyses, such as this one, deal less in making likely calls about the future and more in envisioning future scenarios. This isn’t done entirely in the flamboyantly satirical style of Sorokin; instead, the analysis below considers key trends and indicators, available empirical data for tentative forecasts, and counterfactual cases before offering a range of possible future scenarios.

This analysis divides the questions of Russia’s and China’s potential futures into several sections: first, considering their mutual history and the possible ways in which these may be used; second, by considering the potential trends and futures of both; third, by examining the central role that China’s One Belt, One Road program has in shaping those futures; and finally, by considering the potential scenarios and strategies within these futures.

These speculations have a fundamental policy application, prompting clear thinking on which of these futures might we prefer and what can be done to achieve the best possible future for all. Ultimately, it is far better to have planned for many potential responses and not need them than to be caught by surprise and without options.

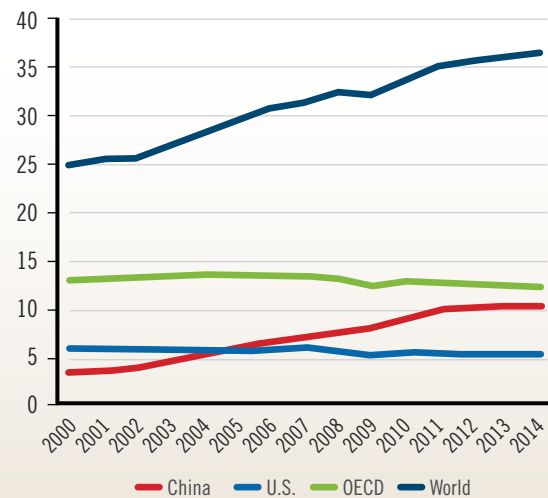
POTENTIAL FUTURES FOR CHINA

Let us turn to China’s future, and in particular the trends and sectors that are likely to define the realm of the possible. These are: China’s physical environment, its demographics, its economy, Chinese politics and society, and China’s

foreign relations and security. Finally, what are China’s future strategies likely to be and what options does China have in pursuing them.

In short, China’s environmental future does not look good — and that’s bad news because environmental trends are the least likely to suddenly turn around, and the Chinese Communist Party’s (CCP) options in tackling these long-term trends are limited. As Organization for Economic Cooperation and Development (OECD) data indicate, China’s CO₂ emissions are approaching those of the developed world combined and, without drastic intervention, are likely to dramatically exceed them by 2050 (Figure 1). While it has made some progress in increasing nonrenewable electricity production, China lags behind most other developed nations.

Figure 1: CO₂ emissions — China, U.S., OECD and world (millions of kilotons)



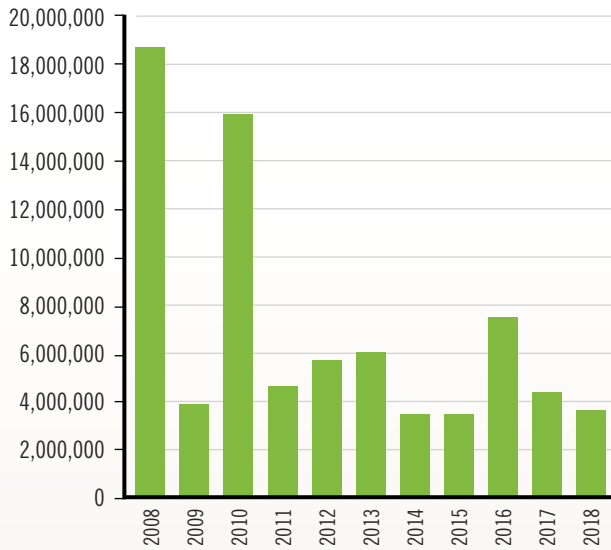
Source: OECD

While this has significant global consequences, it also has severe local consequences. China’s arable land has decreased dramatically, from 118 million hectares in 2000 to 106 million just 15 years later, while its population has continued to grow — making food security a huge issue. Compare this to the U.S., which over the same period went from 175 million hectares down to 154 million. While this is also a sharp decrease, it indicates that despite the short-term effects of the ongoing trade war with the U.S., China is likely to remain dependent on agricultural imports from the U.S. unless it can quickly grow the number of trade-partner farming superstates through One Belt, One Road.

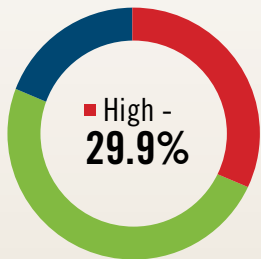
Other environmental indicators for China tell a similarly alarming story — with the number of people internally displaced by natural disasters remaining high, averaging 7 million each year. Its level of water stress is extremely high, and the mean annual exposure to air pollution far outpaces the rest of the world (Figure 2).

Figure 2: China's key environmental indicators

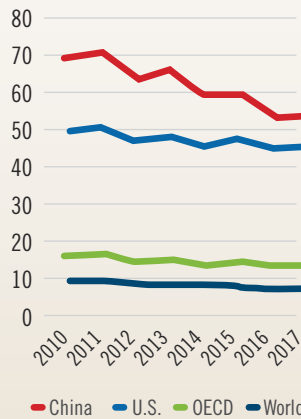
Internal Population Displacement from Natural Disaster



Level of Water Stress



Air Pollution, Mean Annual Exposure (micrograms per m³)



Source: OECD

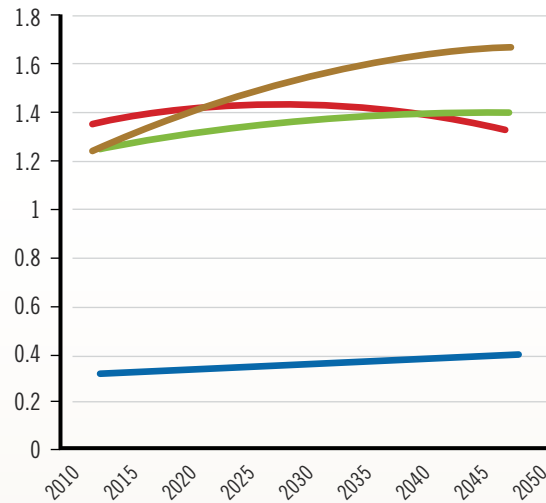
The point of this survey is to establish that China faces significant limits on the growth of its other sectors (demographics, economy) that stem directly from the future environmental problems it will face. A key source of these problems is the water-food-energy nexus, because as these environmental issues grow alongside Chinese demand for food and energy, there will be less and less water or other key inputs to support this growth.

A second limiting factor on China's growth, and its future, is its demographics. A surprising and direct legacy of China's draconian population controls (including the "One Child" policy) is that by 2025 China will no longer be the most populous nation on Earth — that honor will go to India, whose growth rate is projected to continue rising until 2050. In fact, by as early as 2030 China's population will have begun to shrink, being surpassed by the total population of OECD members in 2040 (Figure 3). The very foundations on which China has

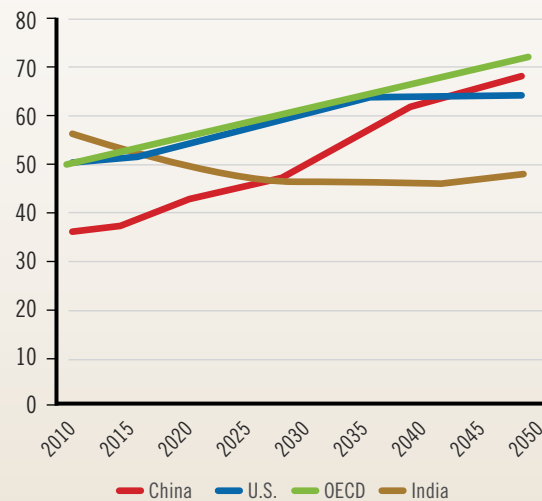
built its wealth — a manufacturing economy with cheap and plentiful labor, a limitless capacity for economic growth built on the backs of an enormous population — will quickly erode. If the size and growth of global economies remains linked to the youth and size of a nation's population, then we may soon be asking whether India's rise is coming at China's cost.

Figure 3: A projection of China's population and age dependency ratio

Population Projections to 2050 (billions)



Age Dependency Ratio (1% of working age population)

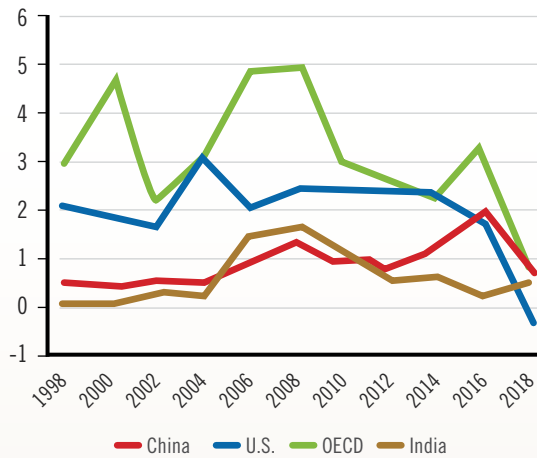


Source: World Bank

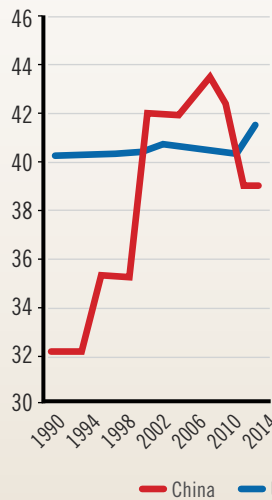
And the news gets worse; as China's population shrinks, it also grows older, meaning that a smaller proportion of workers must support the retirement of a larger number of Chinese citizens. This leads to the question of whether China will succeed in growing rich — and moving up the value chain of the global economy — before it grows old.

Figure 4: Key Chinese economic indicators

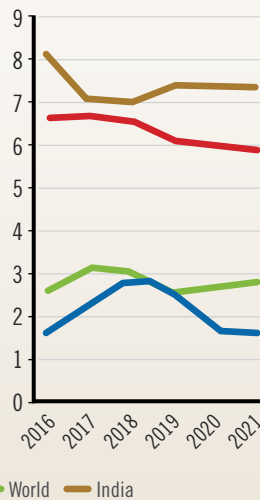
Foreign Direct Investment, net outflows (% of GDP)



GINI Coefficient (higher = greater inequality)



GDP Growth (constant 2010 USD)



Source: World Bank

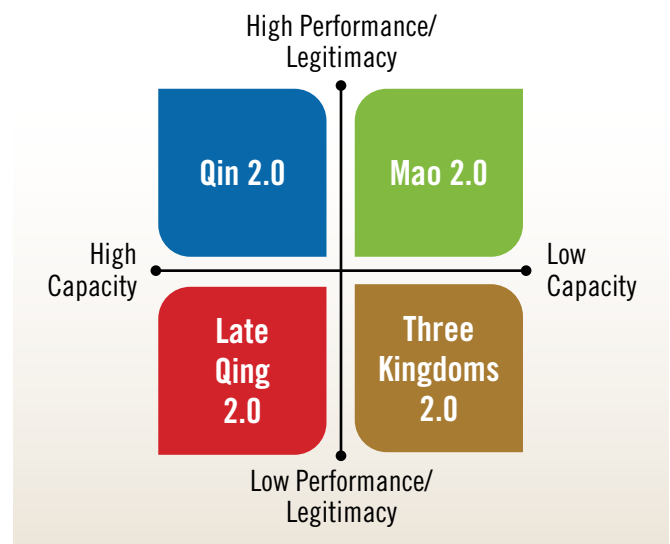
In turn, China’s political stability continues to depend on the strength and effectiveness of the CCP — a proposition that is likely to be stress tested in a variety of unexpected ways over the decades to come. First, there is the internal stability of the party itself, which may seem monolithic under President Xi Jinping but is far more factional and prone to internal disagreement than it seems. Indeed, Xi’s coronation was almost disrupted when he disappeared for two weeks in September 2012 — an absence, *The Washington Post* reported, caused when a chair thrown by a senior Chinese leader during a contentious meeting injured Xi when he tried to intervene.

In terms of China’s foreign relations and security, this translates into three key projects that the CCP must advance — deliver Xi’s “China Dream,” stand firm on its geopolitical “must-haves” and avoid conflict as much as possible. China Dream rests on the CCP’s calculation that it has a 20-year

window of opportunity in which China can grow rich enough to build a firm foundation for the future of Chinese wealth and power. During this time, the CCP is unlikely to fundamentally challenge the post-World War II economic or political order because most parts of it work in China’s favor for now and it costs China little to maintain. On top of this, China looks to quietly lay the foundations to replicate the CCP’s control of its internal circumstances to control its external circumstances, first economically but eventually politically. One Belt, One Road performs a fundamental task in this transition. While doing this, China must remain firm on its geopolitical must-haves — maintaining the primacy of the CCP in all sectors, maintaining its territorial integrity in Xinjiang and Hong Kong while closing in on Taiwan, and remaining internally postured while deterring outside intervention through an anti-access/area denial military strategy. Lastly, the CCP almost certainly wants to avoid open military conflict with other capable nation states, believing that even small conflicts over issues beyond its geopolitical must-haves will compromise the window of opportunity for the China Dream.

China’s future, therefore, depends on the successful execution of these goals — particularly growing rich before it grows old and evenly distributing the gains. One Belt, One Road is a central means of achieving this. It is also likely that the CCP fears internal threats and instability more than it does outside actors, although it still plans for the latter. Two key factors drive China’s potential futures — whether its economy is running on all cylinders (and is high capacity), and the performance and legitimacy of the CCP. If we arrange these two trends on X and Y axes, we get four interesting potential futures for China (Figure 5).

Figure 5: Four potential futures for China



In a high capacity, high performance/legitimacy future, we get a high-tech repeat of China’s first emperor — a ruling party that uses future tech to tightly control the lives of its populace and its internal security (the “iron grid” of Qin Shi

Huang implemented on Chinese life that pinned every subject in their place), while still delivering a rich and comfortable life for the majority of its citizens. In a high capacity, low performance/legitimacy scenario, we get a late-Qing redux — with a booming economy and much wealth being transferred to actors both internal and abroad, but a slow, and then rapid, fracturing of the hold of the CCP, which may lead to a liberalization of Chinese society or a division of the spoils among its most wealthy and influential actors. Alternately, in a high legitimacy/performance, low capacity scenario, we may see a repeat of Chairman Mao Zedong's repeated attempts to transform China amid bitter circumstances — with the CCP exercising draconian control but to little effect, and with growth stalling and a poor populace seeing global economic progress migrate elsewhere. Finally, the worst of all possible worlds is contemplated in a low performance/legitimacy, low capacity scenario where a return to the instability of China's Three Kingdoms brings less romance and more collapse.

This simple way of thinking about China's futures doesn't predict one or another as more likely; indeed, the truth is likely to be a unique variant on all these scenarios and far more complicated. But it does allow us to envision a number of different states, and then contemplate the place that the success or failure of One Belt, One Road, and China's relationship with Russia, could have in these different futures.

POTENTIAL FUTURES FOR RUSSIA

In terms of future strategies, it is likely that Russia will attempt to walk a fine line of provocation and concession with the West and bet that European allies won't have the staying power to commit to a full confrontation or containment policy, and try to extract concessions where they can. At the same time, it would be valuable for Russia to advance its hedging strategies in China and Eurasia, seeking out new

markets and allies where possible. Finally, the regime is likely to attempt to strengthen internal resilience and dependency while trying to mitigate the effects of any down times during a resource supercycle. What is most interesting about these strategies is that the three latter objectives seem to intersect directly with One Belt, One Road and the pressing question of whether Russia forms a fundamental part of it. It would not be too far from Sorokin's future to envision a resurgent Russia that has successfully staved off pressure from the West, forged close economic and security relationships in China and Eurasia, found new markets and means to mitigate its current economic problems, and therefore steadied itself at home.

This leads Russia into an interesting but potentially perilous set of alternate futures (Figure 6). While one of China's axes of alternate futures rests on the CCP's effectiveness and authority, in Russia's case it might be more accurate to pin the trend on the level of dissent within the nation and how that impedes the objectives of Russia's elites. Similarly, while China's economic capacity and ability to power the global economy are key questions, for Russia it is a simpler matter of whether it is economically resurgent or depressed. The four scenarios that present themselves are subtly different from China, representing Russia's different internal structures and sources of strength and vulnerability, but they again have very rough historical analogues. An economically strong and united Russia might present something of Peter the Great 2.0, allowing Russia's future leaders and elites the scope to challenge or co-opt certain parts of the West while forging a unique relationship and identity in the East (a new treaty of Nerchinsk, or special friendship). The world may have a lot to fear from this geopolitical alignment, and indeed it has been a topic of conversation among crusty old Cold Warriors such as Paul Dobb and Henry Kissinger. An economically strong but politically fractured Russia, on the other hand, might resemble an early Khrushchev

A worker washes a statue of Peter the Great in St. Petersburg, Russia. An economically strong and united Russia might present something of Peter the Great 2.0, allowing Russia's future leaders and elites the scope to challenge or co-opt certain parts of the West while forging a unique relationship and identity in the East.

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period redux in which elites struggle to contain popular dissent while rotating between periods of thaw and crackdown that are not completely within their control. As with China, this would likely lead to a less consistent and more volatile Russia on the world stage, as foreign policy is driven by internal fluctuations. An economically weak Russia with low internal dissent might represent a return to the stagnation of the Brezhnev years, where no one is particularly happy and Russia is withdrawn, but a fear of the potentially far worse prevents drastic action either internally or externally.

Figure 6: Russia's alternative futures



And finally, the most feared situation for Russia, would be a return to a period of high dissent and economic collapse represented most potently in the Russian imagination by the transition from Gorbachev to Yeltsin and the years of “shock therapy” to reform the economy. While China’s worst-case scenario represents a collapse of institutions and uncertain transition, it does not necessarily represent the collapse or split of China itself. In Russia’s case, we should not be so certain — given the numerous frozen conflicts (Chechnya, South Ossetia and Abkhazia, Donetsk, Crimea) that Russia maintains to solidify its borders and what it perceives as its satellite states. Russia might just split apart under the pressure, simultaneously igniting numerous cold conflicts into hot wars. We may be faced with the reality that the only thing worse than an aggressive and resurgent Russia is one that is collapsing.

ONE BELT, ONE ROAD

Finally, it is worth considering One Belt, One Road and how it might act as a key pivot between these different alternate futures. Specifically, One Belt, One Road was announced in 2013 by Xi as part of his broader China Dream and “Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era,” and the name was changed to the Belt and Road Initiative in 2016. Consisting of \$575 billion worth of railways, roads, ports and other projects, it establishes

six overland corridors of the Silk Road Economic Belt and the 21st Century Maritime Silk Road as defined by China. As of March 2019, 125 countries had signed collaboration agreements with China as part of the initiative — although this should be taken with a grain of salt, as the World Bank assesses that only 71 of those 125 economies are in any meaningful way connected to One Belt, One Road. There is also confusion over the Belt-Road part that is worth clarifying: the land routes are “belts” because they allow economic corridors of industry and markets across their length, which will fuel China’s global ambitions, while the “road” routes are sea lanes, which simply convey goods from port to port.

As several commentators have pointed out, China’s economy faces the reality of a slowdown. China must continue its high rates of growth, even with this slowdown, to generate employment and stability. But for many years, the tools of choice for the CCP to do this have been debt and uncompetitive state control. This is no longer likely to deliver the results that the CCP needs. Second, China must rebalance its economy from that of a cheap exports manufacturer to one that supplies higher-value products and services (such as cars, indigenous technology, finance) to internal and external markets. All of this is aimed at avoiding the middle-income trap, or the country growing old before it grows rich.

So far, there are two competing theories of how One Belt, One Road achieves this. The “maximalists,” such as Bruno Maçães, see it as nothing less than the start of an economic new world order presided over by China. Maçães writes that “whoever is able to build and control the infrastructure linking the two ends of Eurasia will rule the world. ... By controlling the pace and structure of its investments in developing countries, China could transition much more smoothly to higher value manufacturing and services.” The World Bank has also observed that the “countries that lie along the Belt and Road corridors are ill-served by existing infrastructure — and by a variety of policy gaps. As a result, they under trade by 30 percent and fall short of their potential FDI [foreign direct investment] by 70 percent. One Belt, One Road transport corridors will help in two critical ways — lowering travel times and increasing trade and investment.” Therefore, China is simultaneously filling a gap and building goodwill within the developing world, hoping to lead the next phase of the global economy as it overtakes more developed OECD countries that currently sit atop value chains.

But there is also the “minimalist” theory, arguing that the so far successful publicity campaign elements of One Belt, One Road disguise something that is much less than it seems. For example, Jonathan Hillman, senior fellow at the Center for Strategic and International Studies, argues that the “Belt and Road is so big it is almost impossible for one person to have mastery of it, sometimes I wonder if China grasps the whole thing,” while the World Bank places a large caveat on its previously mentioned analysis. In the same report, the authors argue that the program works “only if China and corridor economies adopt deeper policy reforms that increase transparency, expand trade, improve debt sustainability, and mitigate environmental, social, and corruption risks.” This

theory argues that the program is a clever narrative to get more out of what is simply stimulus for the Chinese economy, particularly the construction sector, and that it is a simultaneous marketing pitch to get foreign capital and buy-in for a program that is only going to benefit China. Further, some commentators have highlighted that rather than helping bordering economies, the projects that make up the program are useful debt traps that give China leverage over neighboring governments. Finally, several have highlighted that the program is a useful cloak for the CCP to buy the loyalty of interconnected party cadres and businesses, and that corruption siphons off a good proportion of any investment.

So, which is it? This is a particularly important question, as the program is a key pivot that may decide whether a certain set of China's or Russia's alternative futures are more likely than others. And while One Belt, One Road is a huge undertaking that will take many years to assess, so far the picture is not good. It has operated as a debt trap for more vulnerable nations, with Sri Lanka borrowing heavily to invest in new ports but then allowing a state-owned Chinese company a 99-year lease in exchange for debt relief — leaving little for Sri Lanka but setting up a strategic facility for China along its key shipping lanes. The \$62 billion China-Pakistan Economic Corridor offered a promising demonstration of One Belt, One Road's potential with a key partner but has been stalled amid Pakistan's significant debt problems. Burma has scaled back its initial \$7.5 billion port deal with China, settling for \$1.3 billion, while the Malaysian government has canceled \$3 billion worth of pipelines and is threatening to abandon an \$11 billion rail deal. The Maldives is seeking debt relief and cancellation due to widespread corruption among its Belt and Road projects, while a power plant in Kenya has been halted by the country's courts due to corruption and environmental concerns.

Yet One Belt, One Road has scored genuine gains. The World Bank estimates that it has seen trade growth in connected economies of between 2.8% and 9.7% (1.7-6.2% worldwide), while offering significant advantages to China and its trading partners in time-sensitive sectors such as fruit and vegetables or electronics supply. It further estimates that low income countries have seen a 7.6% increase in FDI due to new transport links. But it is also clear that One Belt, One Road is likely to fall well short of the claims of the maximalists; and indeed, placed in historical perspective, this is what we would expect. Against China's \$500 billion of investment, the post-World War II economic order was shaped by the U.S. and its allies with trillions of dollars of investments over decades, including the reconstruction of West Germany and Japan. Simultaneously, scholars are still grappling with the costs the Soviet Union outlaid to build a parallel communist order that eventually collapsed. It was perhaps optimistic to think that China could accomplish a similar epoch-making transformation on the cheap.

AN ANSWER

But back to the original question, or at least a variation of it. Does China's future include Central Asia, Southeast Asia, Iran, Turkey, Europe and Africa? Clearly, the answer is yes.

Even if only modest elements of One Belt, One Road are delivered, China will be looking to establish mutually beneficial markets in all these regions — whether it be for resources, food security, new industries or other elements of China's value chain of production. They simultaneously offer the access, cheap labor, skills and resources that China needs to improve the wealth and satisfaction of its citizens. These markets are close to China, they are amenable to Chinese investment and degrees of control, and they and China stand to gain from the same outcomes.

But does China's future include Russia? After examining the evidence previously mentioned, while it is possible, on balance the answer is no. And this is for a few overlapping reasons — namely resources, markets, geography, competition and Russia's outlook. On resources, Russia has a narrow range to offer, mainly energy and natural resources, which China is able to source from a variety of nations closer to its economic arteries than Russia is likely to be. China is not just after supplies, but also a reciprocal market for its value-added goods to ensure a strong two-way trade — Russia is unlikely to provide the latter as it gets smaller and relatively poorer. Despite their treaty of friendship and the construction of an extensive network of pipelines, the inability of Xi and Russian President Vladimir Putin to reach a natural gas deal is emblematic of this problem. Related is the issue of markets — Russia is just not a large enough or convenient market for value-added Chinese goods, which tend to bypass it and instead flow to Europe.

Then there is the issue of geography. While images of One Belt, One Road show grand railways traveling through Russia, or perhaps Sorokin's superhighway, the reality is that unless these "belts" have lucrative markets along the way, shipping remains the cheapest way for China to move goods by an order of magnitude. While the opening up of Arctic shipping may help Russia in the short term, it is simply more cost effective for China to bypass Russia and seek transport (and markets) by other means. Additionally, the World Bank has also pointed out that Russia is not within China's economic corridor and that the benefits of the program are far likelier to flow to regions like Southeast Asia, Africa and Central Asia. It is also worth bearing in mind that Russia and China remain geopolitical competitors, seeking influence in Central Asia and elsewhere. Both view formal alliances or constraints on their actions warily and would rather decide issues on a case-by-case basis — making anything beyond the rhetoric of a "special relationship" unlikely. Institutions such as the Shanghai Cooperation Organization and Eurasian Economic Union remain, for Russia-China relations, more akin to forums for discussion than organizations for long-term action, such as the European Union and NATO are.

Finally, there is the issue of Russia's attitude and disposition more broadly (as well as that of China's). Despite having loose, common grievances against the West, it is unlikely that relations would be any easier with China in the driver's seat. Russia likely would have the same problem it has with the West — resentment at not being treated as an equal. This is fundamentally because it isn't one and certainly is not going to

gain in stature to 2050, given the trends previously mentioned. Under a Chinese new order, China would be even more likely to actively pursue its interests and ignore Russian ones. Russia might even grow wistful and miss its old geopolitical competitors in the occident.

POTENTIAL STRATEGIES

But futures analysts must consider a range of alternate futures. If China and Russia do grow closer, what might be the West's options? Four strategies to deal with Russia, and forestall China, present themselves: A new "Marshall Plan"; "self-strengthening" under China; integrating Russia; or confronting and isolating (... forever).

A new Marshall Plan — option one — would entail the U.S., its allies and partners competing with One Belt, One Road by offering developing nations, and those China is trying to capture, access to other markets and opportunities. This would entail spending a great deal on infrastructure, investments and other development projects. It would be nation building for new markets, creating an alternative to China and opening more attractive opportunities to countries in Southeast Asia, Africa and the Middle East. Different nations could specialize in niches of the global economy (something Japan tried in South and East Asia in the 1990s). It would be a big, expensive plan with all the drawbacks that come with a project of that size. This would require a huge amount of coordination and agreement, which Russia and China would try to undermine at every opportunity. Yet, there are precedents — the EU, the European Organization for Nuclear Research, the work of the World Bank and the International Monetary Fund. But have the days of George C. Marshall, Franklin D. Roosevelt, reconstruction and nation building come to an end?

Option two would be self-strengthening under China, a phenomenon the Chinese are intimately familiar with. Following the reign of unpopular but powerful emperors, or even lower-level, corrupt officials, actors would simply bide their time and gather what resources they could while avoiding the pitfalls of the regime. This could involve the West letting China take the lead under One Belt, One Road, working out where it can be used to its advantage, and making what profits it can while the going is good. Developed nations could integrate into China's supply chain, offer opportunities for Chinese investment and smooth the way for China (e.g., via World Trade Organization market economy status). This would also entail accepting Chinese-mandated limits on political speech and the interventions that nations could engage in — for example, criticizing China's human rights abuses or protecting the status of Taiwan. Indeed, Facebook, Google, Disney and other companies have already shown a willingness to engage in exactly this sort of self-strengthening (with some hitches) and may be willing to do more. The recent National Basketball Association controversy in China shows what this would entail — the opportunity to make billions in Chinese markets, but no room for negative tweets about China's actions in Hong Kong. But are we willing to pay this price?

A third option would be the most drastic — avoiding a

close relationship between Russia and China by reintegrating Russia into Europe and into the global community. Given Russia's recent adventurism and delinquency, this may be a hard option to embrace. But it would isolate China as the only major holdout to the post-World War II international order. Allowing Russia back into the club would allow the West to make use of its influence in Central Asia and the Middle East to shut out China from its main One Belt, One Road objectives. It would involve negotiating an end to current Russian hostilities and outsider status (almost certainly to the disadvantage of Ukraine) and let Russia achieve the European integration it hoped for prior to 2008. The U.S. and its allies would have to accept a Russian sphere of influence, as well as the Russian way of doing business within it, and possibly in the rest of Europe (a way which generally involves petro-politics and varying degrees of corruption or gray-zone legality). This would incentivize Russia and its dependencies to work with the West, while closing out China, almost in a mirror image of Nixon's 1972 opening to China. But can we live forever with Russia as it is now? And can we sell important allies short to achieve it?

The final option would be to continue our current approach, now and forever. This would continue the strategy of profiting off China and Russia where we can while reducing dependency — and confronting them strongly on nonnegotiable issues. It would push China and Russia to bend to the post-World War II consensus, while acknowledging that this is likely to have limited success. It would continue to turn economic problems (One Belt, One Road) into security problems (a parallel system, and therefore a base of Chinese power). The U.S. and its allies would have to advance significantly into gray-zone and hybrid warfare to counter Russian and Chinese below-the-threshold operations. It would entail the creation of parallel economic and political systems, while pushing nations in between the two blocks to pick sides. Ultimately, it would contemplate complete economic decoupling and deinvestment from China and Russia, potentially leading to Chinese instability and Russian collapse. But the question remains, what would be the desired end state of this strategy?

CONCLUSION

There is no obvious reason to believe that a close Russia-China relationship is more likely than their current relationship of convenience and occasional strategic alliance. Yet, it is useful to contemplate, and attempting to formulate responses to a range of alternate futures allows us to expand our thinking and the realm of the strategically possible. Several things are clear — we must think carefully about what our preferred future might be, consider the range of scenarios and how we might respond to them to get there, and keep a sharp eye out for indicators that will signal in which direction events are heading.

Andrei Danilovich Komiaga may not get his desired comeuppance for the complacent gentlemen of Nice, but achieving a better future than the dystopia Sorokin envisions will require a great deal of planning, forethought, futures analysis and smart strategy from us and from our future leaders. □

PROXY POWER

THE
CHALLENGE
OF RUSSIA'S
PRIVATE
MILITARY &
SECURITY
COMPANIES



PER CONCORDIAM ILLUSTRATION

In the early post-Cold War period, there was hope that the great powers would cooperate to stabilize conflict-affected countries and promote peaceful development around the world. However, such optimism proved ill-founded. Great power competition has returned and with it the commensurate risk of military conflict. The United States' status as the world's strongest military power is increasingly challenged. Russia and China, along with less powerful adversaries such as Iran and North Korea, contest U.S. reach and influence, a development acknowledged in recent U.S. defense and security strategies. China's territorial claims in the South China Sea have strained relations with neighboring states and could potentially draw China and the U.S. into direct armed conflict. Russia's seizure of Crimea in 2014 and violent support for pro-Russian separatists in eastern Ukraine have generated tensions between Russia and Western states unprecedented since the Cold War era.

Nevertheless, a traditional war between the major powers would pose huge military, political and financial risks for the states involved, as well as unimaginable destruction even if nuclear weapons were not employed. Therefore, great power armed conflict remains less likely than aggravated great power competition. This competition is evolving toward a zero-sum contest not unlike the rivalry between the West and the Soviet bloc during the most challenging years of the Cold War. Rather than use direct military force, conflict takes place in the so-called gray zone between peace and war. States employ information and cyber operations, covert special forces deployments and proxy warfare to advance their objectives, while seeking to stay below the threshold that would prompt a robust military response. In an environment of increased tension between the most powerful global players, any low intensity war in which one of these powers is involved, even peripherally, tends to be viewed through the lens of great power competition. This includes contemporary armed conflicts in Afghanistan, Libya, Syria and Ukraine.

PMSC: THE GLOBAL CONTEXT

Proxy forces are not a new phenomenon in armed conflict. There are many historical examples where major powers have provided support for terrorist or insurgent groups operating on a rival's territory. The use of proxy forces can provide a government with "plausible deniability," a term that refers to covert activities against rival states executed in such a way that the antagonist can, if necessary, disclaim responsibility with a measure of credibility. Cold War examples include Soviet support for left-wing terrorist groups in Western Europe and U.S. backing for insurgents

fighting against pro-Soviet governments in Nicaragua and Afghanistan. In the 21st century, the use of proxy forces has increased significantly, and the current tendency to outsource warfare to nonstate agencies seems set to continue. Proxy forces can reduce the political and financial costs and risks of a direct confrontation, especially in circumstances where there is a danger of wider conflict and limited public support for military involvement. In Syria, the U.S. has partnered with the Syrian Democratic Forces, which took the lead in military operations against the Islamic State. Iran has built a network of ideologically committed nonstate proxies to provide a so-called resistance axis against Israel, Saudi Arabia and hostile Western powers.

Proxy forces can include local militias, insurgents and, most important in this context, private military and security companies (PMSCs). A PMSC can be defined as an enterprise organized along corporate lines that is formally contracted to provide military and related security services. These services can be restricted to training and support functions but may also include combat activities. The media and some lawyers routinely refer to PMSCs as mercenaries. But according to the relevant United Nations convention of 1989, mercenaries are individuals hired to fight for private gain who are not members of the armed forces of a party to an armed conflict. Although the legal status of private companies that engage in direct combat remains ambiguous, PMSCs are not proscribed by the U.N.

Until the 19th century, the private sector supplied much of the armed forces of most European states. However, for most of the last two centuries, a state monopoly on armed force was a characteristic of national sovereignty and the accepted norm for developed states. This changed after the Cold War as political, technological and societal developments combined to change the character of armed conflict, state armed forces shrank in size, and many logistical and training functions were contracted to the private sector. All major powers now employ PMSCs, and civilian contractors provide critical combat support and combat service support to state military forces. PMSCs also perform peacekeeping tasks for the U.N. and other nongovernmental organizations.

The South African-based PMSC, Executive Outcomes, conducted successful offensive military operations in Africa in the 1990s. In 2015, a successor group took the lead in operations in Nigeria against Boko Haram. However, Western states have not accepted direct combat operations as a legitimate role for PMSCs. Although not hired to take part in direct combat, PMSCs in Iraq, notably Blackwater and Triple Canopy, engaged in firefights with insurgents early in the conflict. These events and reported abuses by private contractors



Members of the pro-Russian 1st Cossack Regiment guard a checkpoint just outside Pervomaïsk in eastern Ukraine, in 2014.

elsewhere led to a backlash against PMSCs and the introduction of regulatory regimes.

Blackwater, in particular, generated significant controversy over its heavy-handed use of lethal force and the apparent lack of oversight. Blackwater's notoriety led the U.S. to reinforce existing limits on the combat role of PMSCs, restricting them to self-defense and the protection of clients against unlawful attack. The Montreux Document of 2008 established an international, nonbinding, regulatory framework for PMSCs. It emphasized the defensive role of these companies and their obligations under international humanitarian law. Most major states signed the agreement and it has had a major effect on the way in which Western states employ PMSCs. The Montreux Document was also welcomed by legitimate military-service providers anxious to protect the reputation of their businesses. Major PMSCs also instituted a code of conduct to provide ethical and legal accountability for their clients.

China was one of the original signatories of the Montreux Document, and its approach to PMSCs is broadly similar to that of Western states. Although China employs a proxy maritime militia controlled by its military to back territorial claims in the South China Sea, it does not employ PMSCs in this role. There are a number of domestic and foreign private security companies providing protection for Chinese personnel and assets abroad, but there is no Chinese equivalent of Blackwater or the Wagner Group from Russia.

RUSSIAN PMSCs

Russia does not subscribe to the international PMSC regulatory regime and, unlike other powers, deliberately employs PMSCs offensively in direct combat as well as in supporting roles. Much about the relationship of Russian PMSCs with the state remains opaque. Russian journalists investigating the Wagner Group have been murdered in mysterious circumstances. However,

operating alongside the Russian Army, special forces and local militias, PMSCs are well-suited to what Russian analysts refer to as “new generation” or “new type” warfare. In terms of great power competition, Russian PMSCs act as a force multiplier for the Russian armed forces, allow plausible deniability for gray zone operations, and provide a means by which Russia can seek to reestablish influence in regions of strategic or economic interest.

Military provider companies are illegal under the Russian constitution and criminal code, but these enterprises are registered abroad, allowing the state to distance itself from their activities. The Kremlin, for example, has denied that Russian “volunteers” in Ukraine and Syria are accountable to the state or its armed forces. However, Russian President Vladimir Putin acknowledged in an interview in 2012 that PMSCs were “a way of implementing national interests without the direct involvement of the state.” Like their Western counterparts, Russian PMSCs are also significantly cheaper to employ than regular contract soldiers. Using PMSCs in combat also reduces casualties in the official armed forces, while the loss of operatives widely considered to be illegal mercenaries provokes little public concern. The memory of the negative impact on Russian public opinion of conscript casualties during the Afghan and Chechen wars is certainly a major factor in the state’s readiness to employ PMSCs in war zones.

Wagner is by no means Russia’s only PMSC, although it is by far the most prominent. The U.S. Army’s Foreign Military Studies Office at Fort Leavenworth, Kansas, estimates that there are roughly 700,000 security contractors in Russia. Operatives belong to three distinct types of nonstate irregular forces, although the differences between categories are often blurred. First, there are PMSCs that provide personnel and infrastructure security and logistic and training support in a similar fashion to Western PMSCs. These companies are profit-seeking enterprises that, unlike military providers, have been technically legal in Russia since 1992. Examples include the Russian Security Service (RSB) and the Moran Security Group. These companies provide services for Russian and international clients, including the U.N. Although RSB, in particular, claims not to take part in military conflicts, its founder, Oleg Krinitsyn, has boasted about his group’s ability to supply highly trained fighters. Elements of Moran Security also set up the ill-fated military-provider company, Slavonic Corps, to take advantage of opportunities provided by the war in Syria.

The second category is volunteer citizen militias. These have historically exercised security, combat and civil administrative functions on behalf of the state. Cossack groups are the most significant. Their reach has increased since Putin came power and they have been used as an informal arm of the state to suppress street protests against his rule. The major Cossack group, the All-Powerful Don Host, has operated with Russian troops or independently in combat in Chechnya, Georgia and Ukraine. Cossack organizations tend to share the current Russian government’s ideological antipathy to the West and could, therefore, be used along

with other proxy forces and organized crime groups to destabilize pro-Western states on NATO’s periphery. Militarized Cossacks, for example, have a central role in Kaliningrad-based paramilitary formations prepared for both defensive and offensive operations in and around the enclave. In 2019, there were about 200,000 government registered Cossacks in Russia. The Cossacks provide a considerable reserve of manpower, although in general they do not have the military skills of the PMSCs that recruit retired military personnel and train with heavy weaponry.

The third category is military provider companies such as Wagner. These PMSCs are the major nonstate actors for Russia’s new type of warfare. Although technically private, these enterprises often act as state proxy forces working directly or indirectly with the Russian armed forces. PMSCs are also used to further their owners’ business interests, while the threat of potential prosecution ensures that their profit-generating activities do not clash with Russian state interests and priorities. Wagner director Yevgeny Prigozhin, for example, is believed to have received 25% of the proceeds from recaptured oil wells in Syria. Conversely, two leaders of the Slavonic Corps, an earlier PMSC, were convicted of mercenary activities after falling afoul of the Federal Security Service.

The Vostok Battalion was Russia’s first modern military provider PMSC. Vostok was formed during the second Chechnya war, where it distinguished itself by terrorizing the civilian population. Despite engaging in criminal activities during the war, the company’s activities were clearly sanctioned by the state as it worked closely with the Main Intelligence Directorate (GRU). Vostok also fought alongside Russian forces in South Ossetia during the 2008 invasion of Georgia and played a significant operational role in eastern Ukraine. This reportedly included coercive action against local separatists who threatened to become too independent of Russian control.

THE WAGNER GROUP: RUSSIA’S PREMIER PMSC

The Wagner Group also has close links with the GRU and was led in Ukraine by Dmitry Utkin, a retired senior officer of Spetsnaz, the Russian special forces. Despite being an “illegal” organization, Wagner’s training bases are on Russian soil and its leaders have received state gallantry awards. The Wagner Group first came to prominence operating alongside covert special forces in Crimea. The Wagner Group also fought in eastern Ukraine, including at the major battle of Debaltsevo in 2015. Like the Vostok Battalion, it enforced a pro-Kremlin order on local militias. Wagner deployed over 2,000 troops in Syria organized into four brigades, structured and commanded similarly to the Russian Army. The group was used in direct combat in lieu of Russian troops, notably in the battle for Palmyra in March 2016. However, after 2016, the Russian Defense Ministry ceased direct involvement with the Wagner Group. Instead, the PMSC was contracted by the Syrian government to recapture Islamic State-held oil and gas facilities. Consequently, the Syrian authorities took over pay, logistical and tactical support.



This business center in St. Petersburg, Russia, is home to a “troll factory” that practices internet sabotage and is said to be controlled by Yevgeny Prigozhin, director of military-provider company Wagner Group.

The Wagner Group received unwelcome global publicity when, along with Syrian militias, it mounted a major attack against a U.S.-supported, Kurdish-controlled military base at Deir el-Zour in February 2018. U.S. retaliatory airstrikes caused hundreds of casualties. Both before, during and after the attack, the Russian high command denied involvement or any responsibility for the fighters. However, the Kremlin was aware of the attack, and wounded Wagner fighters were evacuated on Russian military aircraft to Russian military hospitals. The Deir el-Zour battle illustrates the complicated nature of the Russian state’s relationship with PMSCs, what Mark Galeotti and other analysts describe as Russia’s “hybrid state,” where public and private, military and civilian, legal and illegal all interact under Putin’s patrimonial rule. There remains much speculation as to why the assault was allowed to take place. Some have suggested that official indifference to the fate of the Wagner operatives was the result of

rivalry between the Russian Defense Ministry and Wagner’s director, Prigozhin, a prominent oligarch and convicted criminal who is close to Putin. He has developed a portfolio of enterprises, including the Wagner Group, which, like other oligarch-owned Russian businesses, generates profits and serves the interests of the state when required.

The Wagner Group has expanded its area of operations since 2018 and increasingly can be regarded as something of an umbrella organization. Working with Russian military advisers and instructors, Wagner and affiliates provide military, security and training services in Burundi, the Central African Republic (CAR), Libya, Sudan and a number of other states. Russian PMSCs are cheaper and tend to be less squeamish about human rights abuses than their U.S. or British counterparts. Wagner, for example, has been linked to the torture of prisoners in Syria. Russia’s activities combine strategic and commercial interests. Libya, Mozambique and Venezuela

are rich in natural resources, which Russian oligarchs seek to exploit. PMSC operations also provide Russia with political influence in client states, confounding Western interests by protecting authoritarian and repressive regimes, such as those in CAR, Nicaragua and Venezuela.

Private contractors are also involved in “patriotic” education and information warfare, including operations directed at the West. The E.N.O.T. Corp, for example, organizes military training in youth camps in Russia and elsewhere in the post-Soviet space, including a camp held in Serbia in 2018. It is believed to act as a recruitment agent for the Wagner Group and may also have been involved in training far-right extremists from the West. Prigozhin also funds the troll factory known as the Internet Research Agency in St. Petersburg, which notoriously sought to influence the outcome of the U.S. presidential election in 2016. Wagner and affiliates have also conducted disinformation campaigns in Africa on behalf of client governments through local media. Since the cyber denial of service attacks against Estonia in 2007, Russian private cyber operatives, including members of leading PMSCs, have mounted consistent information warfare against Western targets as proxies for the Russian intelligence services.

Most Russian military-provider contractors have proved motivated and determined fighters, even when overmatched as at Deir el-Zour. Despite relatively high casualty rates, Russian PMSCs have no trouble attracting recruits, especially in the current economic circumstances. However, the military provider PMSCs are not nearly as effective as Russian regular forces. Combat successes to date have been achieved against weakened Ukrainian opponents or technologically limited enemies, such as anti-Assad militias. In Syria and Libya, the Wagner Group has suffered significant casualties and reversals when undertaking offensive operations against sophisticated opponents. In May 2020, Russian aircraft were deployed to Libya to provide close air support to the Libyan National Army and its Wagner Group proxies after they had suffered a series of defeats at the hands of the Turkish-backed Government of National Accord. Despite hard evidence to the contrary provided by U.S. Africa Command, Russian officials continued to deny any involvement, stretching “plausible deniability” to the limit. Wagner operatives that deployed to Mozambique in 2019 were ill-suited to the terrain and the tactical situation in Cabo Delgado and had to be withdrawn from operations against Islamic State-affiliated

insurgents. This failure suggests that Russian PMSCs may get sucked into counterinsurgency operations in Africa for which they have no experience or aptitude.

CONCLUSIONS

As noted, Russia wages its gray-zone, hybrid competition with the U.S. and its allies through psychological and information warfare, political subversion, espionage and proxy forces. Contemporary Russia operates in a way that would be recognized by its Soviet predecessor, employing “active measures” for the 21st century. In comparison to China, the U.S. or the European Union, Russia lacks persuasive economic or soft-power resources with which to influence client states. Except for its hard-power, military, strategic assets, it operates from a position of relative weakness. Nevertheless, Russia effectively leverages these means to project power and influence with military assistance, including direct combat, arms sales and information warfare capabilities. It has also been willing to capitalize on current American unwillingness — following bruising campaigns in Iraq and Afghanistan — to intervene in fragile states or against rogue states and oppressive rulers.

Although plausible deniability has its limits, Russian PMSCs, along with other proxy forces, offer the state a means of power projection with relatively low risks to the state’s diplomatic and military reputations. Despite a

growing awareness of Russian stratagems, the lack of incontrovertible evidence of Russian state involvement might confuse and complicate NATO and EU members’ decision-making in a crisis, as was the case with Ukraine in 2014. Like Western states, Russia uses PMSCs to reduce the human and financial costs of military intervention. But unlike the West, the leaders of the Russian state use its notionally private military companies to mix geostrategic considerations with business interests.

Western policymakers and military and security officials have yet to focus on the hybrid threat from Russian PMSCs as instruments of Russia’s foreign and security policy. In 2017, the U.S. Treasury Department applied sanctions against the Wagner Group and Prigozhin, but there has been a general reluctance in NATO to link the Russian state directly to the activities of PMSCs. As PMSC scholar Christopher Spearin argued in 2018, naming and shaming the Russian state for employing mercenaries in contrast to the regulations that govern Western PMSCs — and asserting that states cannot deny the activities of private companies undertaking military activities on their behalf — would at least be a start. □



Yevgeny Prigozhin



Conclusions:

REFLECTIONS ON GREAT POWER COMPETITION IN A TIME OF COVID-19

By Dr. Graeme P. Herd, Marshall Center professor

If great power competition is the defining paradigm of our current era, COVID-19 acts as its X-ray. The pandemic reveals and reinforces a central feature of the structure of the current international system, namely its state- and network-centric nature. Leadership is forced to address tradeoffs involving political liberty, economic growth and public health. In this trilemma, states cannot be healthy in all three dimensions. States could, for example, adopt a China-style algorithmic, authoritarian surveillance state with no political liberty but with the prospect of post-COVID economic growth with a healthy labor force. Alternatively, states may preserve a healthy public and political liberty but kill their economies. While this proposition has the virtue of clarity and clear lines, in reality such trilemma tradeoffs are never absolute and never fully manifest, and negotiable.

Russian and Chinese official narratives generated by state-controlled media strive to convince the public that Vladimir Putin and Xi Jinping are strong leaders (with Xi de jure president for life and Putin de facto the same after constitutional amendments resetting presidential terms were accepted) of effective centralized states. Each claims that their “strong hand” and “iron will” empower them to take necessary but unpopular decisions for the good of the state. Both pose as custodians of stability and curators of order. How viable are these rhetorical claims when set against the reality of their performance in the face of COVID-19?

With regard to the state-centric nature, the United States has demonstrated a hegemonic position, with the means to generate and enforce the norms, rules and

arrangements that govern the international order. COVID-19 spotlights global public health governance as one arena in this great power “soft” competition. As the U.S. froze its World Health Organization (WHO) funding pending a review of the WHO’s alleged pro-China bias and then announced in July 2020 its withdrawal from the organization, China in particular seeks to champion, coordinate and underwrite international responses to COVID-19. China leads four of the 15 United Nations specialized agencies and seeks to lead a fifth. Within the U.N. Human Rights Council, it seeks to redefine the meaning of human rights. Does COVID-19 represent a change in the world order if the U.S. loses its hegemonic position?

For Russia, the U.S. acts as a strategic benchmark, with Russia sending medical equipment to the U.S. to help counter COVID-19 on the basis of equality, reciprocity and parity, as well as to declare victory over and place blame on the U.S. Russian official media reported that COVID-19 was a man-made weapon created by NATO and endorsed the unproven allegation by a Chinese Foreign Ministry spokesman that “it might be U.S. army who brought the epidemic to Wuhan.” Allegations of Russian disinformation are met by Russian claims of Russophobia. In March 2020, the Russian military orchestrated the “From Russia with Love” COVID-19 humanitarian relief operation to Bergamo in northern Italy. This represented a geopolitical and diplomatic coup for Russia, helping to break sanctions and highlight Russia’s great power contributions to the international public good.

When we adopt a network-centric lens and apply this to great power competition, we can note that pre-COVID-19 this network was characterized by cross-border flows of goods, services, money, ideas and data. This global network was underpinned by key socioeconomic hubs. The U.S. and European Union were hyperconnected “complex” financial and service hubs. China represented a “simple” manufacturing supply chain hub. Competition was over market and trade protections, connectivity and setting the norms that govern these interactions. COVID-19 demonstrates that these hubs, ever striving to optimize network efficiency and exploit economies of scale and specialization, also represent potential single points of failure, particularly susceptible to systemic shocks that result in systemic paralysis. Given this reality, temporary, coordinated decoupling and diversification reduce the risk to financial, public health and food supply networks. Functional redundancy makes them more robust and resilient and less vulnerable — but at the same time more costly and less efficient. Does COVID-19 force great powers to rethink globalization, making it more digital and greener? Or does it promote populism, protectionism and belligerent nationalism, replacing great power-led globalization with great power autarchy?

COVID-19 allows for real-time comparisons between great powers. Variables such as the health care sector’s ability to “flatten the curve” before the sector itself collapses, the length of immunization, the possibility of secondary infections, and a new strain of COVID-20 surfacing suggest an extended turbulent and cyclical period of peaks and troughs until a vaccine is found. For these reasons, post-COVID great power competition will not pick up where it left off after the virus is eradicated. “Back to the future” is not the most likely paradigm. One important factor in reshaping perceptions will be the impact of COVID-19 and how great powers will be judged by the power of their example. In this respect, we can highlight three important dimensions that track the pathology of the virus.

First, in terms of planning, the quality of expert advice and the ability to put preventive policies in place. Second, the ability to learn from the experience of others and in doing so flatten the infection curve and avoid a spike in mortality rates crashing the health care system and potentially the state. Third, the effectiveness of strategies that allow states to safely navigate an exit from the pandemic (managing to scale testing, tracing, isolating) will burnish or tarnish the reputations of individual leaders and the public’s perception of their competence and ability to manage complex crises, as well as the integrity of underlying democratic and authoritarian governance models. An important part of this third dimension will be the ability of great powers to develop and share new infection control technologies to address the pandemic quickly and effectively.

It is within this context that the strategic center of gravity of the political West remains the Washington-Berlin partnership. In Germany and the U.S., growing convergence

of thought about the risk and threat China poses is not matched, yet, at the policy level. On the military side, U.S. and German concepts about force differ in terms of scale and speed of military modernization and readiness. Because of this, time horizons, interoperability and risk calculus have yet to be aligned. COVID-19 has stress-tested the principles and practices that the EU claims are foundational and sources of strength: solidarity, civil rights, a social economy and institutional resilience. Prior to COVID-19, there was little or no agreement on a new unifying narrative that elites and societies could rally around and support. The German political class was not ready to lead Europe in great power competition, though the instruments were at hand.

COVID-19 does not follow political calendars or follow a political agenda, adhere to state borders, or have an ego that can be intimidated or manipulated. It has no nationality and cannot be addressed through force. It is no respecter of wealth, ethnicity or ideology, nor whether a great power is deemed to be “too big to fail.” Moreover, it is accompanied and compounded by an oil price slump and global recession, if not depression.

Because of — rather than despite — these momentous challenges, COVID-19 presents an opportunity to reboot trans-Atlantic relations. The pandemic is a nonstate, systemic threat that no one state can address unilaterally and that demands a clear trans-Atlantic cooperative imperative. The EU has market power. It can insist on reciprocity with other great powers and flex its “moral muscle” when addressing China and Russia, promoting a counternarrative around open societies and the legitimacy of rule- and law-based systems. Because judgments about the ability of great powers to address the pandemic can be shaped so much by perception, a focus on the message — on strategic communication — is almost as important as reality itself.

Ultimately, the U.S. prefers a Europe open to U.S. ideas, goods and services, supportive of U.S. interests, and able to partner with the U.S. globally. Post-COVID-19, a weaker “balancing” Europe could be dominated by a Russia and a China hostile to U.S. interests. The values and interests of the U.S. and the EU are thus aligned and there is a joint need to exercise consistent, reinforcing and coordinated messaging to counter Russian and Chinese propaganda and disinformation (by emphasizing the successful Taiwan, South Korea, Germany, New Zealand and Japan approaches) and to highlight constructive EU and U.S. leadership in addressing the economic and development fallout from the pandemic.

Critical to this will be strengthening global governance as it relates to public health, as well as recalibrating globalization to build resilience. Great power status needs both to be declared by the holder and acknowledged by followers. Great powers will be those that can have the political will and agility to adapt and bridge the gaps between global problems and the capacity of states to address them. This suggests joint leadership in partnership for the common good as the underlying principle that will resonate with all societies, if not their elites. □

THE CONTEST FOR CENTRAL ASIA

AUTHOR: Alexander Cooley

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In the 1800s, Russia and Great Britain played a geopolitical “great game” to control trade routes from Central Asia through Afghanistan and into Imperial British India. Today, the epicenter for a new great game resides in Central Asia as well, but north of Afghanistan. This time there are three great power players: Russia as before, the United States rather than Great Britain, and China to the east. On the agenda for this “strategic triangle,” are five former republics of the Soviet Union, the “Stans,” which is the Persian word for “place of” or “land.” Hence, Turkmenistan — place of the Turkmen.

At first blush, one may question the value of controlling Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Turkmenistan. Some have great natural resources in gas and oil; some have valuable minerals locked in their mountainous terrain; others enjoy large quantities of that most basic commodity, water. While these are all important to the region, they are far from globally unique goods.

To understand why three great powers today play suiter to the Stans, one must look back a century to the hypothesis of the English geographer Sir Halford Mackinder. He posited in 1904 the existence of a “world island” encompassing Asia, Africa and Europe and later summarized: “Who rules East Europe commands the Heartland; who rules the Heartland commands the World-Island; who rules the World-Island commands the world.” This was an important geopolitical observation since the World-Island contained well over 50% of then-known global resources. The Heartland, as Mackinder dubbed what we today refer to as the Stans, presented an enormous central controlling position for whichever country dominated it.

After the Soviet Union subsumed the Heartland for its own devices and inside a communist iron curtain, the



Heartland theory of control fell into disfavor as Soviet control did not equal global domination. The dissolution of the Soviet Union in late 1991 freed the Stans from Moscow-based supremacy. Alexander Cooley’s compelling book, *Great Games, Local Rules, The New Great Power Contest in Central Asia*, examines the great powers’ influence on the region, explores their different strategic interests and their tools of influence, and assesses their impact on political institutions and practices in the Stans.

The U.S. has used the region for military bases and for transportation routes in support of its long Afghanistan campaign. It also exerts diplomatic pressure on the nations to democratize because it views such political systems as more prone to extend the benefits of friendly relations with the U.S.

China’s interest derives from a desire to ensure its western territorial integrity. It has ruthlessly suppressed

unrest among a largely Muslim Uighur population in its western Xinjiang province. China does not desire politically unstable neighbors who might give aid and comfort to the Uighurs and has offered incentives for economic development to purchase political stability in the Stans.

Russia, still reeling from losing the Cold War and its reputation as a great power, seeks to restore its geopolitical influence in Central Asia, albeit in a soft rather than hard way. It attempts to cajole these independent nations with an outstretched velvet glove of comity. The people of the Stans have rebuffed Russian attempts at a closer political association, however, remembering the hand inside that glove as a tightly clenched fist.

Despite the intimidating influence of these three nuclear great powers, Cooley argues that the Central Asian states, even the weaker ones, are not passive pawns in their strategic maneuverings, but instead are important actors in their own right. Despite linguistic ties — the Stans all retain the Russian tongue, a legacy from decades of Soviet rule — Russia has struggled to cement a closer political association because memories remain fresh from its heavy-handed rule. The U.S. offers Western prestige via its popular culture and its lingua franca, English, and from financial aid. But U.S. demands for immediate democratic reforms have alienated the authoritative governments run by strongman leaders. While China makes no such reformist demands, its invasive infrastructure investments threaten to weaken Central Asian states' political independence. Closer relations with each power offer different benefits and perils and none of the Stans seeks to embrace any of the three at the long-term expense of the other two.

Turkmenistan's firm policy of neutrality and independence is prevalent in varying degrees among all the Stans. Cooley explains that this construct has permitted Central Asian elites to directly play each external power against the others. If the U.S. presses too hard for democracy, economic reforms and better governance, political, economic and security alternatives can be found in Russia or China. In turn, the Stans can manage pressures inherent in their close geographic proximity to Russia or China by turning to the extra-geographical influence the U.S. exerts.

Still, geography and historical ties preclude the Stans from completely rebuffing Russia or China. For instance, Kazakhstan cannot ignore persistent Russian influence on its long border and still hosts landing zones for returning Russian cosmonauts. Ironically, the one Stan — Turkmenistan — farthest from the authoritarian stresses of Russia and China is also the most authoritarian. Nevertheless, while the other Stans conduct bilateral military exercises and security assistance training and operations with Russia on one day, with the U.S. on another, and with China on a third, none seeks a formal, binding and sustained military alliance with any of the great powers.

Cooley considers the temptation for great power policymakers and strategists to adopt zero-sum views to be the trickiest aspect of the emerging multipolar order in Central Asia, and instead encourages them to frame their goals in more pragmatic and expedient terms. A regional gain for China, such as the opening of a new pipeline that will transport Central Asian gas eastward, is not necessarily a loss for the U.S. and Russia, especially if it alleviates regional supply pressures and energy competition elsewhere. Nor should the opening of a new Russian military base in Kyrgyzstan or Tajikistan constitute a loss for the U.S. if it allows Moscow the prestige and political space to accept U.S. security cooperation with the Central Asian states.

Even as he acknowledges win-win-win scenarios among the great powers, Cooley still decided to assess their overall success in the 2000s, given what drives the politics in the various Stans — regime survival and private enrichment for its elites from national resources and foreign economic aid “commissions.” The U.S. has had to curb its early enthusiasm for immediate democratization — and therefore instant democratic partners — among the Central Asia states.

For Russia, Cooley noted that no Central Asian state wants to be exclusively under Russian tutelage. “If the Kremlin can accept such an elevated, but nonexclusive, regional role,” Cooley stated, “then Russia's privileged status in the region can endure for another generation.”

Cooley declared China the near-term “winner” in the contest, seeing it as “ahead on points, especially when we consider its initial starting position.” China's “effective diplomacy in Central Asia has been rooted in its nimble ability to pivot back and forth along the legs of the strategic triangle, forging partnerships with both Washington and Moscow when it was expeditious to do so, while remaining closely focused on its security priorities.” It is a prosperous power that is providing short-term crisis lending, development assistance and concessionary infrastructure financing, he states.

Cooley has penned an excellent primer for understanding this great power strategic triangle and its nuances. History and geography will always exert a large presence in the Heartland of Central Asian states, but such pressures are not determinative. The Stans that strive to be neutral and independent — and do not threaten their neighbors — can be engaged successfully to achieve mutual economic, political and security benefits to any of the great powers. This is true even if they remain autocratic in political nature. As the U.S. and Western Europe harbor no geographic designs nor historic political or military hostility toward Central Asia, they enjoy a privileged place in this new great game, which neither Russia nor China can match easily. The Heartland is open to all three but bowed to none. For the U.S. and its allies, this outcome that prevents Russian or Chinese domination may just suffice. □

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