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The "Asia-Pacific Dream": Is China Using Economic Integration Initiatives as Ideological Weapons? *– On The Link Between Free Trade Agreements, Soft Power and "Universal Values"*

Anke Berndzen[1]

Abstract: This article examines the function and role of the "Asia-Pacific Dream" (including the FTAAP) in China's foreign policy strategy by analysing the speech in which Xi Jinping promoted this dream, and creating a link between China's push for regional economic integration, soft power strategy and "universal values". While China is promoting this concept and the FTAAP to increase its influence in the region, the U.S. have also been rebalancing to Asia through different means, such as its push for the TPP. These two free trade agreements (FTA), though not mutually exclusive, are considered to be directed against each other, indicating a struggle for influence in the region, and also seem to entail an ideological agenda. As both the "Asia-Pacific Dream" and the U.S. "pivot to Asia" are connected to major FTA's, this paper argues that the motives for promoting these FTAs go far beyond economic interests; the research suggests that they are used to increase soft power in the region as well as to influence the discourse on "universal values".

Keywords: Asia-Pacific Dream, Chinese Foreign Policy, U.S. pivot to Asia, soft power, universal values.

Introduction

Over the past decades, the influence of the People's Republic of China (hereinafter referred to as China) in East Asia has increased remarkably; not only in terms of economic and military might, but also in terms of soft power that has played a major role in increasing influence in the region. China's increasing engagement in international institutions and regional cooperation in East Asia has been subject to growing concern in the international community, and China's neighbors in particular, who are wary of the rising superpower and thus engage in hedging activities against China. At the same time, the United States are also trying to increase influence in the region, shifting major resources away from the Middle East and its war on terror to the East Asian region. This movement is also known as the U.S. "pivot to Asia". Currently, there are several FTA initiatives that the two world powers are pushing for, including the U.S.-led Trans-Pacific Partnership (TPP) and the China-led Free Trade Area of

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the Asia Pacific (FTAAP) – the latter playing a significant role in Xi Jinping's promotion of an "Asia-Pacific Dream".

In his speech at the opening ceremony of the 2014 APEC CEO Summit in Beijing, Chinese President Xi Jinping pointed out three major topics for APEC which are: advanced regional economic integration; promoting innovative development, economic reform and growth; and strengthening comprehensive development in infrastructure and connectivity (Xi, 2014). The three key elements that constitute the concept of China's "Asia-Pacific Dream" similarly focus on (1) development, (2) economic connectivity, and (3) Asian unity with an emphasis on harmony, mutual benefits and prosperity in the region.

As the economic reasons for promoting the "Asia-Pacific Dream" and the connected FTAAP are obvious, the intention of this article is to find out which role the "Asia-Pacific Dream" plays in China's soft power and ideological strategy. The focus here will be on China's intentions for promoting this dream and its potential hidden agenda. This article argues that one potential reason for China's free trade initiatives is to increase its soft power in the region and to undermine "universal values". In other words, China may use the FTAAP and other economic integration initiatives as tools to fight an ideological battle with the U.S. By using the "Asia-Pacific Dream" as an example, this article is an approach to generate the link between economic integration, soft power and "universal values". Hence, the aim of my research is to fill in the gap in the existing literature by generating this missing link. With this approach, I seek to find answers and explanations for the following research questions:

RQ 1) Which role does the "Asia-Pacific Dream" play in consolidating China's soft power in the East Asian and Southeast Asian region?

RQ 2) How and why may the promotion of the "Asia-Pacific Dream" reshape the discourse on "universal values"?

This article is a summary of an extensive research project that I finished in 2016. Within my original research, I also closely examined the applicability of prevailing IR theories, such as realism, liberalism and constructivism, in order to understand China's interest and behavior in the region. There are various opinions in academic circles on whether or not IR theories, which are mainly of Western origin, are relevant and applicable in explaining Asian international relations. Since they are often criticized of being too abstract and disconnected

from everyday reality in Asian affairs, Acharya (2014) suggests combining them with an empirical or policy-related analysis, such as analyzing speeches and writings of policy makers, because they reflect mental or social constructs that provide a better understanding of different paradigms than prevailing theories alone. The method that I have used within my research paper is a "disciplined-configurative" case study; I have used established theories and applied them to one specific case in order to generate new facts, concepts and hypotheses (George & Bennett, 2005: 75). The specific case used in this research is Xi Jinping's promotion of the "Asia-Pacific Dream", based on his speech at the opening ceremony at the 2014 APEC CEO Summit in Beijing. The theoretical framework comprised both international relations and soft power theories that are used to strengthen my arguments in the analysis and act as an explanatory framework. This means that while my argumentation may partly be based on assumptions and hypotheses, the theories function as a theoretical tool to prove, justify and validate my hypotheses and arguments put forth in the analysis and discussion.

However, the part in which I used IR theories as a framework to explain how and why China is using the "Asia-Pacific Dream" to position itself in a certain way, will be omitted here due to the limited scope of this article. Instead, my focus here will be on the link between free trade agreements, soft power and "universal values".

China's Soft Power Strategy

According to Li (2015: 30), China's diplomatic strategy in the East Asian region has several objectives, i.e., to maintain stable and friendly relationships with its neighbors and build mutual trust, obtain stable supply of resources to maintain economic growth, obtain a strong position of political influence, prevent the formation of a strategic alliance that is directed against China, gain the region's support in its international strategy, create a multipolarized world and expand its soft power. Regarding China's soft power strategy, Young and Jong (2008: 460) have identified two main directions: one is directed at finding appropriate countermeasures to American soft power strategy, and the other direction is based on how foreign policy measures will path China's way to becoming a global power.

In line with the first identified direction of China's soft power, this article argues that various elements in China's soft power strategy, including the "Beijing consensus", the concept of a "harmonious world", and the newly promoted "Asia-Pacific Dream" function as tools to

balance against American soft power. Furthermore, they may help to improve China's international image and support China's political legitimacy, while simultaneously undermining U.S. influence in the region. This direction is of strategic importance for China because U.S. soft power, including the promotion of "universal values", puts a major threat to China's political legitimacy and nourishes international wariness toward China's peaceful rise. At the same time, a successful "Asia-Pacific Dream" and FTAAP may strengthen China's position as a regional and global power player due to the entailed economic interdependencies.

The Role of the "Asia-Pacific Dream" in China's Soft Power Strategy

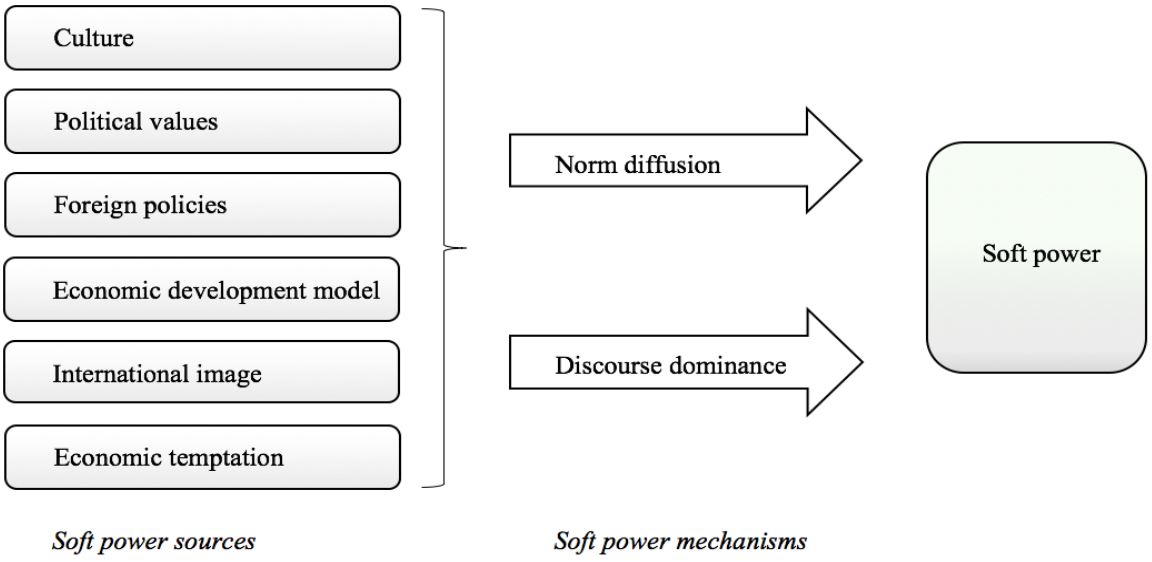
Joseph Nye defined soft power as "the ability to get what you want through attraction rather than coercion or payments. It arises from the attractiveness of a country's culture, political ideals, and policies" (Nye, 2004: X). With regard to the changing role of military power, technological developments and interdependencies among states, McCormick (2007: 11) argues that the most powerful state actors today are those who have attraction power and create opportunities instead of posing threats to other actors.

In order to explain how the "Asia-Pacific Dream" is closely linked to and incorporated in China's soft power strategy, I will use an extended soft power concept that is based on six soft power sources (i.e. culture, political values, foreign policies, economic development model, international image, and economic temptation) (Nye, 2004; Men, 2007; Li & Worn, 2010) and two soft power mechanisms (i.e. norm diffusion and discourse dominance) (Rothman, 2011).

In order to validate my argumentation put forth in this article, it is crucial to understand how these soft power sources, including foreign policies and economic development models, turn into soft power. The soft power mechanism *norm diffusion* plays a key role in this regard: it refers to a mechanism in which a country is attracted to another country's culture, policy practices or ideals if these are perceived to be successful, beneficial or ethically right (Rothman, 2011: 56-57). The success of the particular culture, policy or ideal thereby increases its attractiveness to another actor. Due to this dependency on success or failure, competitiveness is a main element of the mechanism of norm diffusion. Since norms do not follow rational calculation, actors influenced by norm diffusion behave according to what they perceive as being normal or right. Norms can be diffused through either teaching and learning or a successful demonstration of the norm in operation; a successful demonstration

will furthermore enhance the prestige, credibility and acceptance of the norm's implementer (Rothman, 2011: 58).

Figure 1: Extended Chinese Soft Power Concept



Source: Illustration compiled by author; based on Nye (2004), Men (2007), Li & Worm (2010), and Rothman (2011).

By linking the elements of this extended soft power concept to the three key elements in the "Asia-Pacific Dream" (i.e. development, economic connectivity, and Asian unity with an emphasis on harmony, mutual benefits and prosperity for the whole region), I will explain the role of the "Asia-Pacific Dream" in consolidating China's soft power in the region:

(1) Development

A major part of Xi Jinping's speech at the 2014 APEC CEO Summit in Beijing was devoted to highlighting China's stability and remarkable achievements in economic growth, as well as its leading position and importance in the region. He invited all countries to "get on board the train of China's development", thus indirectly implying that they have to either accept China's leading role and underlying conditions, or risk falling behind the development of other nations (Tiezzi, 2014). Due to China's tremendous economic achievements since the opening up reform in 1979, along with the country's huge and cheap labor force, the Chinese market has become very attractive for companies worldwide. This advantage gives China a high potential for enhancing its soft power in terms of *economic temptation*. As Xi (2014)

emphasized new paths and models for development, we can also draw a connection between the "Asia-Pacific Dream" and the soft power sources *economic development model* and to some degree *political values* due to the special characteristics of China's development model, often referred to as the "Beijing consensus". Furthermore, we can draw a connection to the soft power mechanism of *norm diffusion* as China's neighbors may adopt attributes of the "China Model" if they perceive it as being beneficial for them.

The "China Model", or "Beijing consensus", was first coined by Joshua C. Ramo in 2004 as an alternative political and economic framework to the "Washington consensus". He identified three main characteristics of the "China Model": (1) focus on innovation and experimentation, (2) sustainable and equitable growth, and (3) adherence to national self-determination (in Liu, 2010). Many Western and Chinese scholars go far beyond this definition, and since the CCP is not using this term in its official rhetoric either, there seems to be no clear consensus on what the "China Model" actually is. However, the literature suggests some overlapping characteristics that are: a strong leading role of the political authoritarian party, market liberalization in the absence of political liberalization, gradual reform and innovation to achieve economic growth, self-determination and a non-interventionist approach (Kyriakides, 2010: 19-20; Liu, 2010; Smith, 2010: 30-31). According to Ramo (2004: 3), the "Beijing consensus" is not only a model for China, but it "has begun to remake the whole landscape of international development, economics, society and, by extension, politics".

Despite its authoritarian nature, the success of China's political economy and outstanding economic growth has made the "Beijing consensus" more attractive to developing countries - in Asia, Africa and Latin America - than the prevailing "Washington consensus", and China is promoting this model - and thereby increasing its attraction to those regions - by economic aid and by allowing market access without any political strings attached (Wesley-Smith, 2007: 23; Li & Worm, 2010: 81). According to Li and Worm (Ibid.), the "Beijing consensus" is China's most important soft power source, because it provides a stronger attraction power to many countries in the developing world than other aspects of China's soft power, such as *culture*.

However, one has to be prudent when using this argument as China is not using the term "Beijing consensus" in its official rhetoric and the Chinese emphasize that they respect each country's diversity and own development model (Cong, 2013). Because of this, it is difficult to argue that China is trying to export the "Beijing consensus" to its neighboring states;

however, as will be discussed below, Xi Jinping is pushing for new models of development and may at least attempt to gain some credibility and legitimacy for China's own path of development.

(2) Economic Connectivity

Another important element that Xi Jinping emphasized in his speech is economic connectivity. Since the economic dimension constitutes the core of his dream, China's push for the FTAAP and its idea of a Silk Road Economic Belt and Maritime Silk Road are closely related to it or can be regarded as a part of this dream (Tiezzi, 2014). The "Asia-Pacific Dream" entails strong economic incentives for China's neighboring states, including an investment of $40 billion in the newly established Asian Infrastructure Investment Bank (AIIB) and Silk Road Fund that will foster the establishment of the Silk Road Economic Belt and Silk Road Maritime Belt. Furthermore, China plans to invest $1.41 trillion until 2025 to support development projects in the region (Shambaugh, 2015a). From this it becomes obvious that China is providing strong incentives for its neighboring countries to tighten regional economic bonds. Although Xi (2014) said that the door should always be open to the entire world, the "Asia-Pacific Dream" implies the exclusion of non-Asian actors such as the United States since it promotes an "Asia for Asians" (Tiezzi, 2014). Similarly, Shambaugh (2014) regards the FTAAP as a countermeasure against the TPP and furthermore argues that Xi's ideas of a Silk Road Economic Belt and Silk Road Maritime Belt are directed against the U.S. pivot because of their emphasis on Asian connectivity and infrastructure connectivity from which the United States are naturally geographically excluded.

China-U.S. relations have been locked in a long-term competitive relationship, including economic, strategic, military, diplomatic, and cultural competition, as well as a competition for soft power (Ibid.). In order to become a comparable player to Western countries, not only in terms of hard power, including military and economic might, but also in terms of soft power, China will need to put more effort into promoting Chinese values and ideas that will contribute to becoming a future leader. These efforts also include China's strengthening of ASEAN diplomacy, establishment of the Shanghai Cooperation Organization (SCO), introduction of a new security concept and push for FTA through ASEAN (Young & Jong, 2008: 472).

Also, the internationalization of the Chinese Renminbi plays an important role here. Not only will it benefit China's image as a stable and global power player, but it will also

strengthen China's voice in international affairs. Du (2010) argues that the internationalization of the RMB will bring far more benefits and "soft gains" for China than costs; it will provide China with higher economic, political and diplomatic influencing power and, hence, be beneficial for the country's soft power. Also, it will help China counteract any negative effects of U.S. policies (Wang, 2016).

According to Razeen Sally (2013), who examined China's trade policies and preferential trade agreements, China's approach to trade agreements is rather light on trade; not even the trade agreement between China and ASEAN, that came into effect in January 2010 and covers 11 economies with a total population of 1.7 billion people, will likely lead to significantly more trade and investment. Regarding the driving force behind China's trade agreements, he explains that "foreign-policy 'soft power', i.e. diplomacy and relationship-building, is paramount" (Sally, 2013: 188), including motives such as securing influence and competing for leadership credentials in the East Asian region. This can be seen in the promotion of trade through institutions such as APEC, which will not only strengthen economic relationships but also serve as a foundation to improve the relationship on the political level. As this may lead to mutual trust and more political cooperation, it could also be beneficial for China's interests in the South China Sea. It can therefore be argued that the intentions behind the "Asia-Pacific Dream" go far beyond economic interests; through soft power, China intends to improve its political relationships with its neighbors by increasing economic cooperation and interdependence.

With regard to what has already been discussed above, Xi's grand gesture of economic aid may increase China's soft power and *international image* in a positive direction. Here, we can see a connection to the soft power concepts *economic temptation* and *foreign policies* that are perceived to be beneficial for China's neighboring countries.

(3) Asian Unity and The Emphasis on Harmony, Mutual Benefits and Prosperity for The Whole Region

The "Asia-Pacific Dream" is intended to promote Asian unity with shared destinies, and centers around peace, development and mutual benefits (CCPIT, 2014). The emphasis on harmony is closely related to some of China's already existing soft power concepts, such as "Five Principles of Peaceful Coexistence" and "harmonious world". Hence, the notion of harmony appears to be a reoccurring concept in China's soft power strategy, and it is in China's strategic interest to further promote harmony because it may improve the country's

international image that has been overshadowed in the past due to Mao's rule, human rights violations, the "China threat theory", and incidents such as the Tiananmen Square massacre. The Chinese government has continually tried to improve its image and uses these concepts to convince its neighbors of China's peaceful rise and intentions. Xi Jinping's emphasis on Asian unity also entails the idea of shared *culture* and values, including the spread of Chinese *political values* and governing principles (Ni, 2014) that are, again, related to the "Beijing consensus". In terms of *culture*, the "Asia-Pacific Dream" is intended to increase communication and various forms of interaction between the countries that will facilitate the spread of Chinese culture, and therefore may also help to increase socialization and a shared Asian identity, as it is believed by constructivist scholars. Due to increased interaction and communication between the countries, *norm diffusion* as a soft power mechanism will eventually also become more effective, since norms and values can be diffused through teaching and learning, or a successful demonstration of the norm in operation (Rothman, 2011: 58). According to Xi's speech, China intends to create win-win situations that are mutually beneficial for all countries in the region and will create prosperity for the whole region. Again, this idea is connected to the soft power source *economic temptation*. This win-win approach is often emphasized by the Chinese, not only in international politics but also in business relations, but it is criticized as being a zero-sum game instead (Dujarric, 2011; Fang, 1998) and it seems like Chinese policymakers have an "I win, you lose" mentality.

The above analysis of the key elements of the "Asia-Pacific Dream's" provides us with the realization that the concept is deeply incorporated into and resembles China's prevailing soft power sources and mechanisms. This leads me to the supposition that the intentions behind the "Asia-Pacific Dream" exceed a push toward regional economic integration. Instead, the concept itself can be regarded as part of China's soft power and it affects various other dimensions of political, strategic and ideological importance. As Samm Sacks stated, the idea of the Chinese government is to use trade and investment to gain more political support from its neighbors and to foster a Chinese-led form of economic prosperity to enhance China's image as a great power (in Rosen, 2014). However, Shambaugh (2015a) criticizes China's latest soft power initiatives, including the "Asia-Pacific Dream" as being relatively fruitless. He pointed out that China is investing billions of dollars in a variety of public relations efforts in order to improve China's reputation and image. China has pledged to invest US$1.41 trillion worldwide until 2025, which is unprecedented in human history. However, China's

investments seem to yield a low return due to the country's contradictive behavior. Hence, he argues that China is trying to buy influence in the region which does not seem to work:

> The Chinese government approaches public diplomacy the same way it constructs high-speed rail or builds infrastructure — by investing money and expecting to see development (Ibid.).

He concludes that as long as China's political system keeps controlling its citizens, opinions abroad, and does not enable free human development and direct interaction between its citizens and the outside world, its propaganda efforts and investments in soft power will not pay off.

The Discourse on "Universal Values"

While the discussion above has made clear that there is a link between China's economic integration and free trade initiatives and soft power, I want to take the discussion one step further and evaluate whether we can also draw a connection to the discourse on "universal values". According to the United Nations (2003), "human rights and universal values are almost synonymous" and refer to values of peace, freedom, social progress, equal rights and human dignity. These values have been agreed upon by the United Nations and enshrined in the Universal Declaration of Human Rights in 1948. Proponents of such values define them as either being valued and held in common by all, or at least the majority of, human beings; or, as Sen (1999: 12) claims, that something is of "universal value" if people anywhere in the world have reason to consider it as being valuable. Although democracy is not being universally practiced yet, it has achieved the status of being generally right and is widely considered as being a "universal value" because a democratic system is based on certain values that ensure citizens' political freedom, civil rights, social and political participation and other rights that enhance the wellbeing of society and individuals (Sen, 1999: 5, 10).

Because of this, China is still being sharply criticized, especially by Western countries, for human rights violations, lack of democratic rights and the authoritarian nature of the regime, which systematically curbs fundamental rights, such as freedom of expression, association and religion, if these practices are believed to potentially threaten the government (Human Rights Watch, 2015b). Also, the CCP's denial of genuine democracy in Hong Kong and the detention and later death of human rights activist Cao Shunli in 2014 clearly demonstrate the party's hostility toward "universal values" and human rights activists. Other issues that are of

great concern are the ethnic discrimination and religious and cultural suppression in Xinjiang and Tibet, violations of the freedom of religion and the freedom of expression, and discrimination against women, disabled people and homosexuals. Also, the detention and trial of the famous Chinese human rights blogger and lawyer, Pu Zhiqiang, has gained international attention. Observers expect that he will have to face eight years in prison for publishing seven microblog posts on Weibo that, according to the indictment, "incited ethnic hatred", "created disturbances" and led to "adverse social impact" (Human Rights Watch, 2015a; BBC, 2015). Due to this case, China is again sharply criticized for its lack of the "rule of law" and a new low point in the worsening climate of freedom of speech (BBC, 2015). Altogether, the Human Rights Watch (2015b) concluded that China has taken major steps backwards on human rights issues under the leadership of Xi Jinping.

In China, the term "universal values" (普世价值 *pushi jiazhi)* is relatively new in the political debate, though its associated concepts, such as freedom, human rights and democracy, have been discussed for many decades, especially after the massacre at Tiananmen Square in 1989. From a philosophical perspective, one can argue about the actual existence of "universal values" since values are subjective beliefs, morals or cultural norms that differ from person to person and culture to culture. Even the same kind of value may have a different meaning for each individual. However, in recent years, the discourse has changed from a philosophical question into a political and ideological battle. One the one hand, there are universalists who believe that "universal values" are commonly demanded by all humankind and that China should eventually converge on democratic norms. On the other hand, there are exceptionalists who believe that China is different from other countries and deny the existence of "universal values", hence China should preserve its authoritarianism (The Economist, 2011). Many liberal scholars are worried about some of the views amongst the exceptionalist wing, such as the belief that the West is using the promotion of "universal values" to undermine China's achievements and power. Wang (2013) claims that "universal values" have been used as a tool to ensure U.S. hegemony and that they have resulted in various forms of the "China threat theory". Some also worry that this may have a negative influence on Chinese behavior, resulting in a confluence of nationalism and deep feelings of victimhood, along with an increasing military force (The Economist, 2011).

Zhou Xincheng (2009), professor at the School of Marxism at Renmin University of China, criticizes the promotion of "universal values" as they are not really universal, because each kind of value always reflects the system of values of just a fraction of people. He defines

values as being the meaning and function of an object or issue that is different for each person. Of course, he says that people in a society form a certain range of behavioral norms and standards, but due to each person's and culture's background, the meaning of these norms differs for each individual; therefore, he concludes that values can never be universal and are specific to each individual. Also, since the values and behavioral norms of a certain society change over time and are influenced by the underlying circumstances, such as social conditions and economy, the historical and cultural context of a society's values always need to be taken into consideration. His main criticism is that advocates of "universal values" simply extract a commonality or overlap of different systems' sets of values and declare it as being universal while neglecting the actual meaning and function that it has for each system and society (Ibid.). The Marxist scholar Li (2011) moreover criticizes "universal values" because even though it seems that the discussion of "universal values" is just a theoretical topic in the philosophy of values, it is in reality a concept that comes from Western countries which is used for political and ideological purposes. This view is also shared by Zhang (2013: 259) who believes that the West is promoting these values "behind a deceptive veil" to achieve their political and ideological objectives. Li (2011) alleges "universal values" to be a specific political proposition aimed at changing the development of China's political system and society. According to him, a society's core values should be based on cultural and historical inheritance rather than the exploiting class' core values (i.e. the Western capitalist countries, particularly the United States of America).

Another Marxist scholar, Hou Huiqin (2011), argues that the basic purpose of promoting "universal values" is to bring China's current reform politics onto the path of the capitalist world civilization and to intervene in China's democratic politics, as well as putting an end to the national power construct of CCP leadership. Therefore, he sees the promotion of "universal values" as an expression of the current Western discourse hegemony and mode of value infiltration. Furthermore, "universal values" deny the establishment of democratic politics of China's special socialism (中国特色社会主义 *zhongguo tese shehui zhuyi*); and adopting a Western democratic model, especially a U.S. democratic model, would totally change and interfere with the socialist direction of China's democratic politics, in which the paramount interests of the nation over the individual are being emphasized. However, he does not really criticize the essence of the values, rather how their promotion intervenes in China's special socialism and reform politics.

Based on evidence from public speeches and quotes, the attitudes of China's recent leaders toward "universal values" seem to be quite mixed, though the actual implementation of their proclamations always requires some critical examination. In April 2006, Hu Jintao made a speech at Yale University, saying that the Chinese government vigorously promotes economic and social development, ensuring that the citizens enjoy freedom, democracy and human rights, as well as social fairness and justice (in Wu, 2008). In an interview in September 2006 with five overseas news media, Wen Jiabao said that,

> democracy is a system of values commonly pursued by the human race and commonly created achievement of civilization, but in different stages of history, in different countries, its forms and ways of realization have nothing in common with each other, there is no unified model (own direct translation, in Wu, 2008).

According to him, a socialist system and democracy do not deviate from one another, as he considers a high degree of democracy and a complete and faultless legal system as being the innate requirement of a socialist system (Wen, 2010).

Unlike Hu Jintao and Wen Jiabao, Xi Jinping seems to reject Western beliefs and opposes "universal values", personal freedom and civil society that are espoused by the United States and other nations (Kemp, 2015). Recently, one of the CCP's state organs stated the importance of preventing party officials from becoming disoriented to Western ideals, and, furthermore, Xi Jinping shuns Western values in order to "avoid being lost in the clamor for Western democracy, 'universal values' and civil society" (in Sands, 2014).

The "Asia-Pacific Dream" - A Threat to "Universal Values"?

Before beginning my argumentation on whether or not the "Asia-Pacific Dream" poses a threat to "universal values", I want to make clear that Xi Jinping in no words directly mentioned or attacked the concept of "universal values" in his speech at the 2014 APEC CEO Summit in Beijing. Therefore, my argumentation will be based on the interpretation of his speech, China's foreign policy goals, and my own assumptions and hypotheses that I will back up with evidence found in other sources. The aim of this section is to bring new light into China's diplomatic strategy and its conceivable influence on the discourse on "universal values".

When closely examining Xi Jinping's speech at the opening ceremony of the 2014 APEC CEO Summit in Beijing, it becomes conspicuous that his idea of an "Asia-Pacific Dream" resembles some principles of the "Beijing consensus" both in terms of the promotion of and focus on economic development and growth with the absence of political reforms and constraints.

In his speech, he said that, "we need to jointly build an open economy in the Asia Pacific. Openness brings progress, while closed-up policy leads to backwardness" and that "we need to […] actively explore a new path and model that meets our own development needs and look for new growth points and impetus" (Xi, 2014). From this, we can see that Xi Jinping emphasizes the need for openness, innovation, reforms, and a new path and model for growth. He furthermore stresses new and open economic institutions and reforms without imposing other countries to adopt certain values, political systems or demand that they meet certain requirements. This proposed openness stands in stark contrast with the TPP that comes with tight political constraints from the U.S. and requirements to meet the "platinum standard" (Lim, Elms & Low, 2012: 203). The TPP's "platinum standard" addresses stronger protection of labor and intellectual property rights, investment, e-commerce, environment, as well as regulations of state-owned enterprises, regional integration and development, thus making it difficult for developing and transitional economies to join the agreement, most noticeably China (Armstrong, 2011; Bush, 2014: 7). Also, the high TPP standards would require China to substantially change some policies, such as altering the structure and operation of state-owned enterprises as well as information control and censorship policies (Yu, 2015).

China's push for new institutions and reforms becomes even more evident in Xi's speech, in which he utters quite clearly that he wants to break with the status quo and prevailing institutions and models. It is therefore very much conceivable that he intends to promote a Chinese-led model of development, such as the "China Model", and new ways for an open economic integration, as well as the establishment of new and open institutions. All of these stand in contrast to the U.S.-led development model, the "Washington consensus", that includes political reforms, the promotion of democratic systems, practices and values, and other political reforms, of which some are also included in the U.S.-led trade agreement. Due to their connection to "universal values" (especially democratic values and human rights), it is in China's strategic interest to promote certain new models and concepts, or at least gain legitimacy for them, that disregard such political reforms, constraints and "universal values".

Interesting to mention here is the fact that Liu (2010, 11) describes the "China Model" as a system that does not acknowledge the existence of "universal values".

In Xi Jinping's eyes, the "Asia-Pacific Dream" can be seen as an extension of the "Chinese Dream"; in order to become the Eastern dominant power and an important influencing and driving force of Asian-Pacific development, the "Chinese Dream", "Asia-Pacific Dream" and even "World Dream" must be closely connected to each other (Ni, 2014). By doing this, the *governing principles* of the Chinese Communist Party and economic development will contribute to the Asia-Pacific region and each country in the world, and will furthermore give new impetus for global and Asian-Pacific development through mutual trust, cooperation and a win-win approach (Ibid.). Ni's (2014) article was published on the CCP's online news website and reflects the government's intention of not only promoting economic cooperation through the "Asia-Pacific Dream", but also of spreading the idea of a Chinese development model with Chinese political values and governing principles, including strong power of the ruling political party with an absence of political liberalization.

As the "China Model" has become more attractive in Southeast Asia, many countries, such as Thailand, have implemented strategies based on the Chinese development model over the past decade; examples of this include the recentralization of political decision-making, re-establishment of the one-party rule, taking back state control of certain industries, internet monitoring and other tools of control (Kurlantzick, 2013). Zhou and Peng (2009: 132) argue that due to China's rise and the "China Model", China's socialist system is also having increasing influence worldwide, which the United States and other Western countries regard as a threat to their ideology and system of values. Similarly, Wang (2013) argues that Western countries feel threatened by the "China Model" because its incorporated Chinese values may eventually replace dominant Western values. One of these political values that could pose a threat to Western values may include political meritocracy as an alternative to direct election of politicians.

According to Ren (2015: 14), the United States have been using the "China threat theory" repeatedly as a political means and as an excuse to build and strengthen its allies and relationships with China's neighboring countries, such as Japan, Vietnam and Myanmar. He furthermore points out that the struggle for and holding of a cultural and ideological position is among the core interests of countries in today's world. In his eyes, the United States as a superpower is naturally attempting to firmly control ideological leadership authority (Ren, 2015: 15). He argues that the United States have always had self-confidence in their

development model, but that China's outstanding performance during the world financial and economic crisis in 2008 marked the success of the "China Model" and downfall of the American model which is one of the reasons why the United States feel threatened by China. The success of the "China Model" furthermore undermines the attractiveness and influencing power of the American model to developing countries, as well as the U.S. ability to control the world economy and international affairs. Because of this, Ren (2015: 15) concludes that the vilification of China's image by means of the "China threat theory" is an inevitable strategy of the United States to impair China's international influence.

With regard to the U.S. "pivot to Asia" and the relationship-building between the U.S. and China as global powers, U.S. Secretary of State John Kerry declared in a speech delivered at the Tokyo Institute of Technology in April 2013 that, "Our [American] Pacific Dream is to translate our *strongest values* into an unprecedented security, economic, and social co-operation" (in Fu, 2013, emphasis added). Even though Kerry did not explicitly define what their strongest values are, it becomes evident that American values (that are likely related to "universal values") constitute an important function in the U.S. pivot and relationship-building in Asia. Kai (2015) furthermore states that,

> the West and especially the United States tend to use these concepts [i.e. democracy and other "universal values" such as freedom, equality, and justice] as 'weapons' for intended regime or social changes in different regions.

The U.S. intentions also become clear when listening to Obama's speech at the 2014 APEC CEO Summit, where he said that,

> we [the United States] look forward to China to become an innovative economy that values the protection of intellectual property rights (…), and yes, to stand up for human rights and freedom of the press.

In a later speech, Obama (2015) furthermore said that the TPP "reflects our values in ways that, frankly, some previous trade agreements did not".

From this, it becomes evident that "universal values" play a role in the promotion of the TPP and it is therefore very much conceivable that China's current diplomatic strategy, including the promotion of the "Asia-Pacific Dream", aims to undermine U.S. influence in the region and the spread of "universal values". The Human Rights Watch (2015b) revealed that the CCP has issued directives to correct ideology among party members, lecturers, researchers

and journalists, warning them "against the perils of 'universal values' and human rights, and assert the importance of a pro-government and pro-CCP stance". Also, in recent years, the CCP has been emphasizing Confucian values in its political narratives; these values include e.g. social stability, hierarchy, respect for authority and harmony, as they are deeply rooted in the Chinese culture and can be used by the CCP to legitimize its authority and one-party rule (Dotson, 2011:5). Chinese scholars, such as Yan Xuetong and Zhao Tingyang, believe that a political system based on Confucian ideas may be a better philosophy and system for world governance than the prevailing Western systems (in Ford, 2015: 1044). Hence, Ford (2015: 1045) points out that international ambitiousness is an obvious element in some of the political Confucian ideas; therefore, he interprets pronouncements in the CCP's political rhetoric talking about "breaking [the] hegemony of Western 'universal values'" and "re-globalization" as a Chinese attempt to replace "global development based upon Western values with a 'real globalization' in which 'Chinese dreams' enrich the world" (Ibid.). Regarding the CCP regime's official discourse, Ford (2015: 1047) concludes that,

> the most interesting trend today may not be 'de-ideologization' but in fact the emergence and increasingly self-assertive promulgation of an ideological program of action self-consciously girding itself for battle against a Western democratic pluralism that it regards as its mortal enemy.

Scenario Thinking

Although U.S. President Donald Trump withdrew from the TPP in 2017, two scenarios will be presented below, i.e. either the TPP or the FTAAP will become effective, although they are not mutually exclusive. The probability of these policy outcomes and also the possibility that none of these trade agreements become effective will not be discussed. These scenarios only serve as examples to compare different policy outcomes in order to strengthen my argumentation and to indicate how regional economic integration, in this case FTA, may influence soft power and "universal values". The actual probability of these outcomes is therefore irrelevant for this section.

Scenario 1: Success of the U.S. TPP and "Pivot to Asia"

If the United States succeed with rebalancing to Asia and making the TPP become effective, they will also secure their position as a balancing power and will be able to exert more influence in the region - economically, politically and socially - compared to if the FTA

would not become effective. Since the TPP is supposed to bring economic benefits to the region and lift the member countries' standards to the so-called "platinum standard", a successful and efficient cooperation will naturally lead to a positive association with American standards and values. This may provide a solid basis for further promoting American political culture and (Western) "universal values".

In this scenario, China of course would not lose its entire influence in the region, but the U.S. promoted values will pose a challenge to the Chinese ideology, and China will have to continue justifying itself and being criticized for violating human rights and not allowing its citizens democracy-related political rights. Furthermore, an effective TPP may have a negative impact on the image of China's development model, because the explicit exclusion of China in the FTA is accounted for by China's inability to reach the "platinum standard". Thus, China's economic development model - the "Beijing consensus" - and its appertaining ideological values may seem to be less appealing to other actors or regarded as being backward.

Scenario 2: Realization of the "Asia-Pacific Dream" and FTAAP

It is quite obvious that there is little space for the United States in China's "Asia-Pacific Dream" due to the emphasis on Asian unity and connectivity. Although Xi Jinping, on the one hand, states that "the door of the Asia Pacific will always be open to the entire world" (Xi, 2014), this emphasis on Asian unity and connectivity, on the other hand, subtly excludes the United States from this dream. In his concept, Xi exactly addresses and promotes those issues that are necessary for consolidating China's influence in the region, i.e. strengthening economic bonds, mutual trust and prosperity that derives from China's economic development model (Xi invited the other Asian states to hop on China's road of success and, therefore, indirectly to reach prosperity in the region in the Chinese way). If China successfully manages to promote and implement this idea, other actors may feel less strategic necessity to have the United States present in the region due to increased mutual trust and prosperity. Furthermore, a regional cooperation that is based on friendship and unity that everyone benefits from, as Xi promoted it, may result in Asian countries being less willing to express their distrust in China due to closer interdependencies. Altogether, this will gradually decrease America's chance in terms of exerting influence in the region. Moreover, as China's image and cooperation with other actors in the region improves and its development model

becomes more appealing to other states, certain Chinese values that are related to the "Beijing consensus", as mentioned above, and simultaneously disregard Western values (including democratic and other "universal values") may be spread throughout the region. According to the constructivist theory, this may happen due to the process of socialization that shapes other actors' perceptions and may result in different countries identifying with each other's values. Since China itself disregards Western democratic and other "universal values", an assertive spread of Chinese values will undermine the foundation of "universal values". This is due to the assumption that the more people and cultures that follow other values than the "universal" ones, the more questionable it will become whether these "universal values" are actually universal or just Western values in disguise.

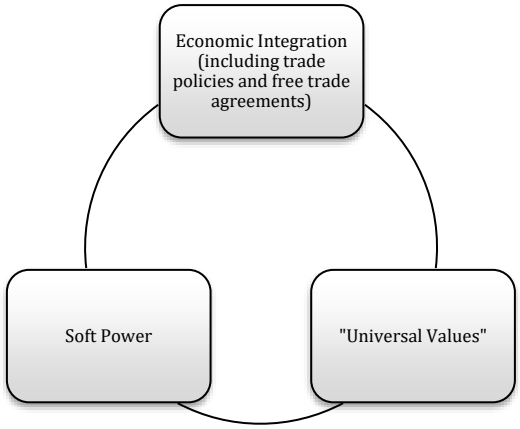
This scenario case envisions an Asian regional cooperation in which China plays a leading role and gives direction to regional development. It displays a future prospectus that would be ideal for China's foreign strategy goals and it is conceivable that this is one of China's intentions behind the "Asia-Pacific Dream".

Main Findings and Theoretical Contributions

We need to look at international relations, China's rise and promoted foreign policy concepts, such as the "Asia-Pacific Dream", from a multidimensional perspective. The above analysis and discussion provide evidence that Xi Jinping's promoted "Asia-Pacific Dream" can be considered as being part of China's soft power strategy. Based on the extended soft power model introduced in this article, the soft power sources *political values, foreign policies, economic development model, international image, culture* and *economic temptation,* as well as the soft power mechanism *norm diffusion* are reflected in the "Asia-Pacific Dream". Also, the three key elements of the "Asia-Pacific Dream" (i.e. development, economic connectivity and Asian unity with an emphasis on harmony, mutual benefits and prosperity for the whole region) are closely related to and resemble prevailing concepts of China's soft power, including the "Beijing consensus", China's peaceful rise, "Five Principles of Peaceful Coexistence", and "harmonious world". This research indicates that the aim of Xi Jinping's promotion of this dream is not only to strengthen economic bonds with its neighbors through FTA and to pose counter trade policies against the U.S. "pivot to Asia" and its entailed FTA initiative, the TPP; moreover, the "Asia-Pacific Dream" may become a powerful tool in consolidating China's soft power and leadership position in the region.

While the research clearly shows that the "Asia-Pacific Dream" is deeply incorporated into China's soft power strategy, it is more complex to elaborate on the link between the "Asia-Pacific Dream" and "universal values". Here, my argumentation is based on the concept's connectedness to the "Beijing consensus" and the fact that it is directed against the U.S. "pivot to Asia". A major objective of the TPP is to foster U.S. culture and values, including democracy, human rights and other values, rules and norms that the Americans perceive to be universal and progressive. Since the "Asia-Pacific Dream" is considered to be a counterpoint to the U.S. "pivot to Asia", it is conceivable that one of the reasons for promoting this dream is not only to prevent the U.S. from exerting more influence in the region, but also to undermine "universal values". In his speech at the opening ceremony of the 2014 APEC CEO Summit, Xi Jinping also stated quite clearly that he wants to break with the status quo, prevailing institutions and development models, while continuously emphasizing innovation, reforms and new paths and models of development. One reason why he is not content with the status quo is most likely because China still has to pit itself against "universal values" and is often criticized for violating human rights and democracy-related values, including freedom of political speech and freedom of press. Since these pose a threat to the CCP's political legitimacy and international image, China therefore has a strong interest in undermining "universal values". Because of this, it is very much conceivable that Xi intends to use the "Asia-Pacific Dream" to promote a Chinese-led model of development, i.e. the "Beijing consensus", along with new ways for an open economic integration, as well as the establishment of new and open institutions. This would challenge the prevailing U.S.-led development model, the "Washington consensus", and some scholars believe that China intends to break the hegemony of (Western) "universal values" and strives for a new form of globalization in which Chinese values and dreams enrich the world. Hence, this article argues that the intrinsic motives behind the free trade initiatives, that are entailed to the U.S. "pivot to Asia" and China's "Asia-Pacific Dream", are not only of economic nature, but represent a competition for soft power and influence in the region. Moreover, they may play a significant role in ideological battles and the discourse on "universal values" as figure 2 illustrates.

Figure 2: The Link between Economic Integration, Soft Power and "Universal Values"



Source: Illustration compiled by author.

If China's regional development model proves to be fruitful, it may pose a major challenge to some Western ideas and values such as the "Washington consensus" and associated "universal values". This is due to the assumption that a successful regional cooperation in line with the "Asia-Pacific Dream", the Chinese-style development model and associated ideologies and values would demonstrate a path of development for a major part of the world's population that dispenses with Western democracy-related development concepts and values altogether. This process is theoretically realistic due to the soft power mechanism of *norm diffusion,* in which values or an economic development model may more likely be adopted by other actors if they are perceived to be successful or beneficial for them. Here, economic integration and FTA may serve as a door opener or accelerator for this process due to increased interaction between the actors, which may facilitate the spread or infiltration of values. Hence, it is conceivable that some (Western) "universal values" may lose their universality, which would in turn result in the United States forfeiting legitimacy to a certain degree in other foreign policies and affairs as well.

While China's rise and increasing efforts in consolidating its soft power in the region are posing major and diverse challenges to U.S. interests in the region, it remains uncertain how international relations and power constructs in the Asia-Pacific region will develop in the future. Currently, international relations in Asia are mainly based on economic ties and many countries are wary of China's peacefulness due to several disputes, e.g. in the South China Sea and between Mainland China and Taiwan. It is therefore not surprising that other regional actors perceive the need of U.S. military presence in the region. If China manages to improve

its international image through the promotion of the discussed soft power concepts, international relations in the region may be strengthened in terms of mutual trust, co-operation, establishment of networks and regional integration. However, although China is putting tremendous efforts in international propaganda and investing huge amounts of money into economic development projects in the region, the major future challenge will be to gain some credibility in its peaceful rise and intentions behind the "Asia-Pacific Dream" because China is still facing sharp criticism due to its contradictive behavior in regional territorial disputes and lack of certain political and "universal values". Another concern that remains unanswered is the likelihood that the trade policies will come into effect and an exact prediction of the future of Asian international relations remains elusive at this point in time.

By taking the example of the "Asia-Pacific Dream", this article provides a new theoretical approach to elaborate the link between FTA (as a form of economic integration), soft power and "universal values". It thus contributes to the theoretical discussion of China's foreign policy strategy, its potential hidden intentions and the struggle for influence in Asia between China and the United States. My intention here is not to actually accuse Xi Jinping of using the "Asia-Pacific Dream" as a weapon to fight ideological battles. However, as the discussion above shows, there is at least reason enough to assume that shaping the discourse on "universal values" may be one of the intentions behind Xi Jinping's "Asia-Pacific Dream". Undoubtedly, further observation of China's behavior and deeper academic discussion will be necessary to further prove my arguments.

For future research, the questions remain whether my theoretical supposition also proves to be valid in real life. For this, future empirical research will be necessary in order to find out if China's free trade policies and investments actually lead to e.g. the diffusion of certain non-universal or Chinese values in the region, and how this may influence the discourse on "universal values". Also, the research leaves us with the question of whether my theory can be generally applied to other forms of economic integration and FTA as well. As for now, this article brings new insights into the prevalent discussion and provides an impetus for further academic discussion on this subject matter.

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Xi Jinping and The Sino – Latin American Relations in The 21st Century: Facing The Beginning of A New Phase?[1]

Diego Leiva Van de Maele[2]

Abstract: Sino-Latin American relations experienced an extraordinary "intensification process" throughout the first sixteen years of the 21st century. The present article analyses Sino-Latin American relations in the 21st century and proposes three major ideas. First, Sino-Latin American relations experienced an inflection point in 2001, which initiated an unprecedented process that intensified the relationship. Second, since the inflection point in 2001, the relationship established its foundations by transiting through an economic phase between 2001 and 2008, and a soft power phase between 2008 and 2013. Finally, since Xi Jinping took office in 2013, Sino-Latin American relations might be entering a comprehensive new phase that goes beyond trade and soft power, including the political and military-strategic dimensions. The article will be structured as follows: 1) it provides an overview of Sino-Latin American relations in the 21st century; 2) then it describes how the foundations of the relationship were established in its first two phases; 3) finally, this article provides a proposal of a new phase of Sino-Latin American relations since 2013.

Keywords: Sino-Latin American relations, Chinese Foreign Policy, Xi Jinping, China-CELAC Forum.

Introduction

Despite the large geographic distance dividing China and Latin America, they have both shared a similar position in the international system post-World War II. From Mao Zedong's perspective, both Latin America and the People's Republic of China were considered to be part of the "third world" (Jiang, 2008), being aware of their shared peripheral position in the international system and dependent on the developed western "centres." To avoid isolation in such disadvantaged position, China and the Latin American countries supported each other throughout the Cold War. They established diplomatic relations and recognised their common and uncomfortable situation in between the United States and the Soviet Union.

However, the paths of Latin America and China diverged completely after the end of the Cold War in 1989-91. China started to consolidate a major economic reform driven by Deng

[1] For practical reasons, most of the time, we will use the term "Latin America" instead of "Latin America and the Caribbean", making explicit reference to the Caribbean each time we consider it necessary to underline a point, or to highlight a particularity of the relations between this sub-region and China.

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Xiaoping in the late 1970s, and to experience the beginning of a large process of economic growth, which enabled China to rise to the top positions within the international system's hierarchy. China moved away from Mao's economic system to a new focus on production and exports of manufactured and high technology goods, products with a higher added value. Latin America, however, did not succeed in such effort. In the 1950s and 1960s, many Latin American governments tried to industrialise their economies through the implementation of the import-substituting industrialisation, also known as the ISI Model (Zarate, 2010).

Despite some initial success of the ISI model in Latin America, the experiment ended in the 1970s and 1980s due to both internal and external problems. Internally, the Latin American countries had problems with fiscal imbalance, public debt, and the state's incapacity to absorb enough workers to the industry sector (Bonfati, 2015). The external problems included the vulnerability of Latin American economies to external shocks (Bárcena, 2014), the dynamics and constrains of the Cold War system, crystallised in the actions and influence[3] of the United States in the region, and later establishment of neoliberal economic systems in almost every country in South America (Martínez Rangel & Soto, 2012).

Without industrialisation, Latin America and the Caribbean remained in a peripheral and dependent position within the international system and with a limited capacity of insertion in the global value chains (ECLAC, 2013). This outcome was both a curse and a blessing for the region. On the one hand, the position was a curse because the Latin American and Caribbean economies remained vulnerable to external shocks, as it became clear in the 1980s Debt Crisis and the 1990s Asian financial crisis. On the other hand, the position was a blessing because it made them attractive to a growing China that needed raw materials and energy resources to sustain its "pacific rise/development," especially since the beginning of its "going out" strategy in the late 1990s (Cui, 2016). Ironically, the failure in the industrialisation experience gave Latin America the opportunity to become a strategic asset to the now awoken dragon of Asia.

[3] Sometimes intervening directly, as in the case of the U.S. actions against Cuba in 1961 (Bahia Cochinos), Guatemala and Chile with the CIA-sponsored coup d'état against the Arbenz government in 1954, and Allende's in 1973, respectively, among others in the Cold War period (Paz, 2012).

The present article analyses Sino-Latin American relations in the 21st century and proposes three major ideas. First, Sino-Latin American relations experienced an inflection point in 2001, which initiated an unprecedented process that intensified the relationship. Second, since this inflection point in 2001, the relationship established its foundations by transiting through an economic phase between 2001 and 2008, and a soft power phase between 2008 and 2013. Finally, since Xi Jinping took office in 2013, Sino-Latin American relations might be entering a comprehensive new phase that goes beyond trade and soft power, including the political and military-strategic dimensions.

The article will be structured as follows: 1) it provides an overview of Sino-Latin American relations in the 21st century; 2) then it describes how the foundations of the relationship were established in its first two phases; 3) finally, this article provides a proposal of a new phase of Sino-Latin American relations since 2013.

1. Sino – Latin American Relations in the 21st Century: An Overview

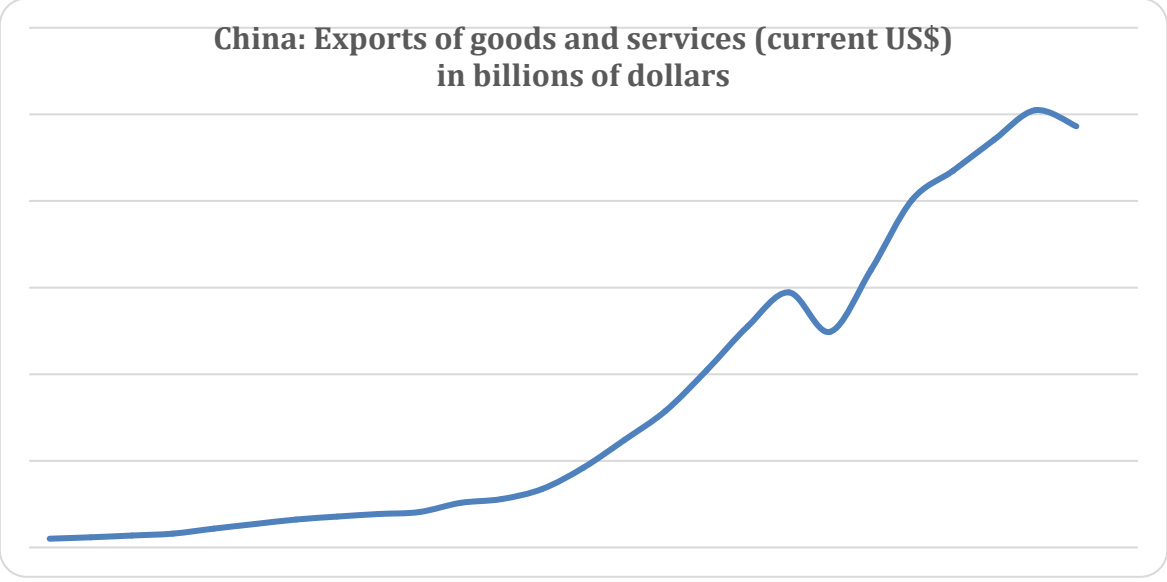
There is no consensus about the first contact between China and Latin America. One very interesting hypothesis, but extremely hard to verify, goes back to before the Spanish colonisation of the continent, with the Chinese sailor Zheng He and his expedition to the West in 1421 (Jiang, 2015). Nonetheless, if we put aside this more anecdotic hypothesis, we can track the beginnings of the current Sino-Latin American relations to the early years of the People's Republic of China, particularly since 1960 when Beijing established the China – Latin America and the Caribbean Friendship Association (CHILAC) as a part of its people-to-people diplomacy (Jiang, 2006).

As previously mentioned, throughout the Cold War both China and Latin America supported each other to avoid international isolation, especially since the success of the Cuban revolution of 1959 and the establishment of diplomatic relations with La Habana in 1961, nine years later with Chile, and after that with most of the region during the 1970s and 1980s. During that period, both parties backed each other on important political matters, such as the vote for granting Beijing's entrance to the United Nations, and the Latin American claim for 200-mile territorial sea limits in the Law of the Sea negotiations (Salinas de Dosch & Dosch, 2015).

Nonetheless, Sino-Latin American political and economic interactions were rather limited until the beginning of the 21st century, restricted to some political and cultural exchanges between politicians and scholars (Jiang, 2006) and an almost irrelevant bilateral trade that represented only 1% of Latin America's exports and less than 1% of its imports in the 1990s (Kotschwar, 2014). Another key characteristic of the relations between China and Latin America between the 1970s and the beginning of the 21st century was its pragmatism. The pragmatic approach of the relations enabling China to keep the political and economic ties uninterrupted even after the emergence of several dictatorships in Latin America (Domínguez, 2006), even with those that were openly Anti-Marxist as was the case with Pinochet's dictatorship in Chile.

The first and most important inflection point of the current Sino-Latin American relations came with the advent of the 21st century. During Jiang Zemin's presidential term (1993 – 2003), China started to consolidate the economic reforms driven by Deng Xiaoping which extended the market system and the openness of the economy (Tisdell, 2009). A major achievement of these efforts was China's accession to the World Trade Organisation (WTO) in 2001; the negotiation process began in 1986. This accession is one of the main landmarks of "Jiang's era", leading to a large trend of trade and exchange rate expansion, as seen in Table 1:

Table 1:



Source: The World Bank National Accounts Data (2017).

Year	1990	1998	2001	2009	2015
Exports of goods and services (current US$) in billions of dollars	51	193	279	1245	2431

Source: The World Bank National Accounts Data (2017).

To sustain this impressive progress, China needed to secure raw materials and energy resources and both were available in Latin America. The fact that China had increasingly become a major consumer of natural resources and commodities benefited the region directly (Fernández & Hogenboom, 2010) because it initiated a new phase in Sino-Latin American economic relations. As we can see in Table 3, the trade between China and Latin America was almost irrelevant until the beginning of the 21st century.

Table 3: Sino-Latin American Commerce (millions of dollars) 1950 - 2005

1950	1,9	1980	1.331	2000	12.600
1955	7,3	1985	2.572	2001	14.938
1960	31,3	1990	2.294	2002	17.826
1965	343,1	1995	6.114	2003	26.806
1970	145,8	1998	8.312	2004	40.027
1975	475,7	1999	8.260	2005	50.457

Source: Jiang (2006).

The rise of the Chinese economy and the international "commodities boom" put Latin America on China's radar, especially after the beginning of the Chinese "going out" strategy in the late 1990s (Cui, 2016). As Zheng et al. show using ECLAC statistics, China's demand for primary resources increased rapidly from 2000 to 2007, and ultimately occupied 1/2 of the global bean oil consumption growth, 1/3 of soybean, 1/2 of refined copper, 3/4 of refined aluminium and zinc spelter, 1/3 of steel products, and over 1/3 of petroleum (Zheng, Sun & Yue, 2012). This demand raised the primary product prices in Latin American enormously (Zheng, Sun & Yue, 2012).

The appearance of this huge market for Latin American exports had a significant "game changing effect" on bilateral relations (Hardy, 2013). In addition, Beijing's accession to the WTO made things easier and "safer" for Latin American countries, especially considering that it now allowed them to trade under the WTO rules and act against China through its

mechanisms if necessary. In fact, Argentina, Brazil, Chile, Colombia, Mexico, Peru, and Venezuela instituted 204 anti-dumping investigation cases against Chinese products, and they placed 140 anti-dumping measures against Chinese commodities between 1995 and 2010 (Lu, 2012).

In spite of these investigations, Sino-Latin American trade remained stable even during and after the global financial crisis of 2008 and 2009. During the global financial crisis, China's exports to the region dropped by 20%. Its imports from Latin America dropped as well, by 10%, rapidly recovering to the pre-crisis level of both exports and imports by 2010 (Lu, 2012). Between 2000 and 2013 Sino-Latin American trade increased by 22%, going from US $12 billion in 2000 to nearly US $275 billion in 2013 (ECLAC, 2015), decreasing 11% between 2013 and 2015 as a consequence of both the Chinese and Latin American economy deceleration processes, reaching US$ 247 billion (ECLAC, 2016).

In the next sections, I will propose a new way of organising the Sino-Latin American relations since 2001 that includes three distinct phases. It is important to clarify that these phases are not independent from each other. On the contrary, every phase sets the foundations for the next phase and in this manner, each time period should not be considered a "zero starting point" separated from the preceding period, but should instead be regarded as a gradual and incremental process.

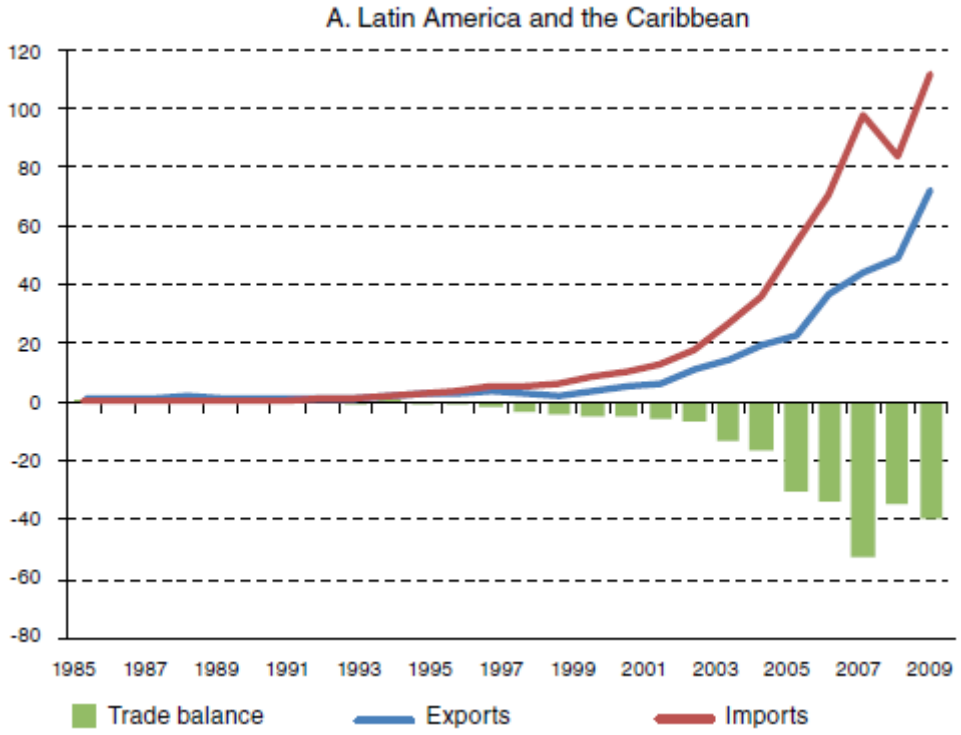
2. Establishing the Foundations of the Relationship: First Two Phases

The economy (and more specifically, trade) was the first and most important dimension developed between China and Latin America in the first phase of their relationship. I label this time period **the Economic Phase (2001 – 2008)**. I consider 2001 as the first inflection point[4] of Sino-Latin American relations, even though some authors prefer 2004 due to the relevance of Hu Jintao's trip to the region (Dosch & Jacob, 2010; Jenkins, 2015; Salinas de Dosch & Dosch, 2015). I use 2001 in order to be more accurate in the analysis by highlighting Jiang Zemin's contributions to breaking the inertia of the relationship after 30 years of diplomatic relations with limited advances.

[4] Several scholars agree that the current state of the relationship began in the 2000s (Domínguez, 2006; Arès, Deblock & Lin, 2011; Lu, 2012; Zheng, Sun & Yue, 2012; Rodríguez & Leiva, 2013; Kotschwar, 2014; Cypher & Wilson, 2015).

Sino-Latin American trade began to increase rapidly after the very first years of the new century. This was especially true after 2001 because of the "commodities boom" and the entrance of China in the WTO, surpassing the 10 billion dollars of bilateral trade mark in 2000 and beginning with the "super cycle" of growth that endured until 2009:

Graph 1: China, Latin America and the Caribbean trade 1985 – 2009 (billions of dollars)



Source: ECLAC (2011).

As Domínguez suggests, the 2001 visit of Jiang Zemin to the region should be considered as a major milestone for the new relations between Beijing and Latin America, because it "sparked a wave of subsequent visits by senior officials and business leaders between China and Latin America to discuss political, economic, and military concerns" (Domínguez, 2006: 2). Visits that yielded positive results in terms of agreements and improved mutual understanding.

Although the latter was of great significance in the beginning of the process, the main milestone of this first phase was Hu Jintao's 2004 trip to the region to attend the APEC summit in Chile. He spent fourteen days in several countries in order to foster the long-term construction of China's policy towards Latin America (Domínguez, 2006). After the summit, Hu Jintao returned to Beijing after having started the negotiations with Chile to consolidate

the first Free Trade Agreement (FTA) in Latin America—the agreement was consolidated in 2005 and in force in 2006. The foundations of the relations were established, but remained within the economic dimension.

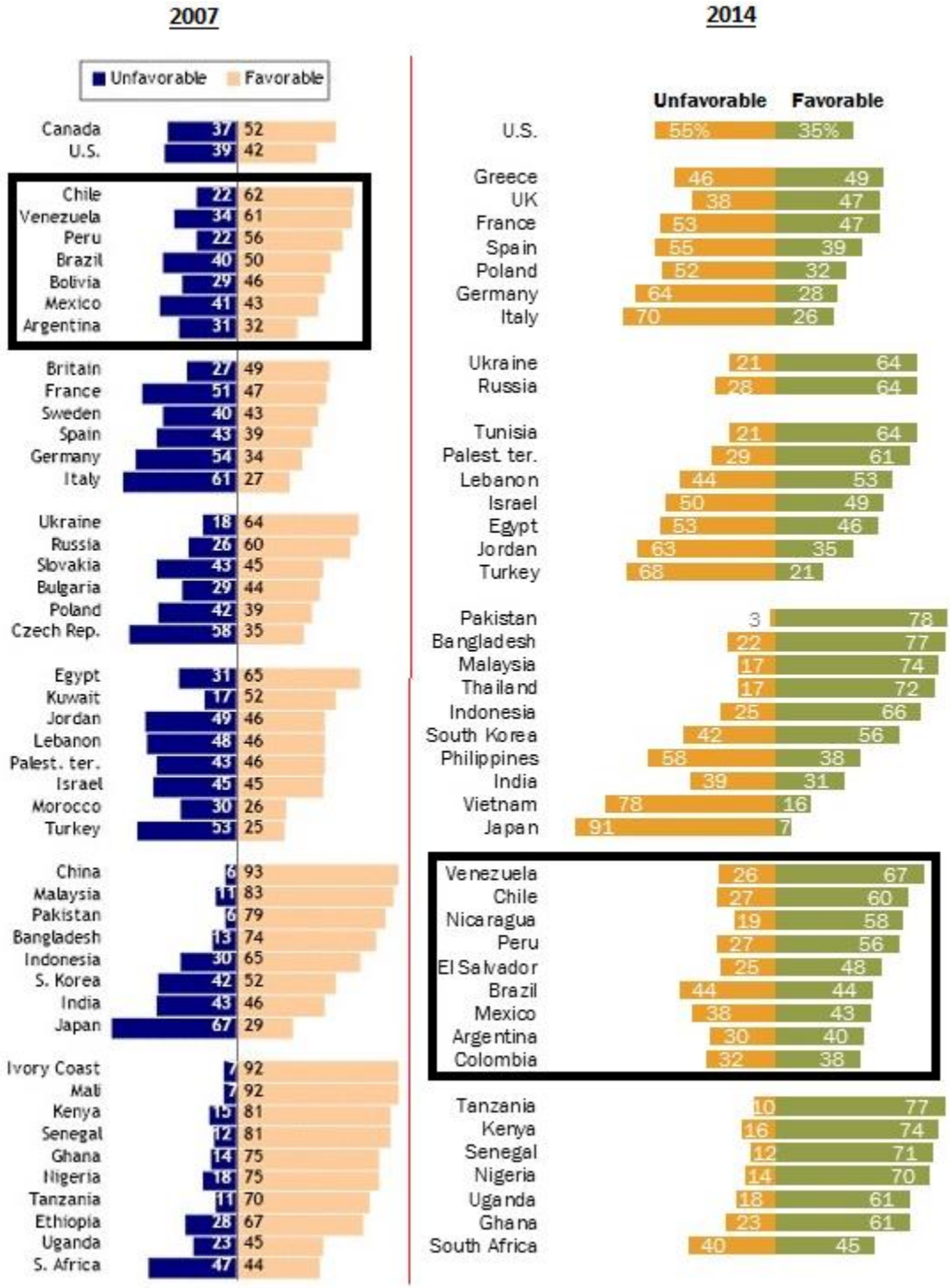
The second phase, or **the Soft Power Phase (2008 – 2013)**, started with the release of the 2008 Chinese White Paper "Documento sobre la Política de China hacia América Latina y el Caribe" (Document on China's Policy towards Latin America and the Caribbean).[5] This document made a major effort to clarify, in Spanish, what China was doing in the region and how it intended to continue doing it. The document became a significant soft power tool to counter the "Chinese threat" theories emerging in the West and Japan. The document also represents the addition of the political dimension into the Sino-Latin American relations.

Hu Jintao was the first Chinese president who explicitly strived for the expansion of the Chinese soft power in the world. He incorporated the idea in official speeches and assigned resources to public diplomacy to fulfil that task. He also established a new foreign policy strategy under the concept of "China's peaceful development" (he changed the original name, pacific "rise", to avoid misunderstandings). In 2005, he released a White Paper entitled "China's Path to Peaceful Development", explaining China's new foreign policy objectives (Cho & Jeong, 2008; Glaser & Murphy, 2009).

The expansion of the Chinese soft power in the region included efforts to increase political, economic, cultural and even military cooperation (Rodríguez & Leiva, 2013). It also included fundraising for cultural and artistic exchanges, expanding its media coverage to the region (Xinhua and CCTV started to broadcast in Spanish) and establishing more than 30 Confucius Institutes in Latin America (Hanban, 2016). The image of China had to be enhanced, and as regards that task, Hu Jintao seems to have succeeded, at least by maintaining a stable favourable image of China in the region. China's efforts to maintain a favourable image can be seen on the following graphs:

[5] The document includes an introduction about Sino – Latin American relations, a characterization of the Chinese policy towards the region (goals and ways to achieve them), and it describes the economic, political, cultural and security dimensions of it.

Table 10: How the world sees China



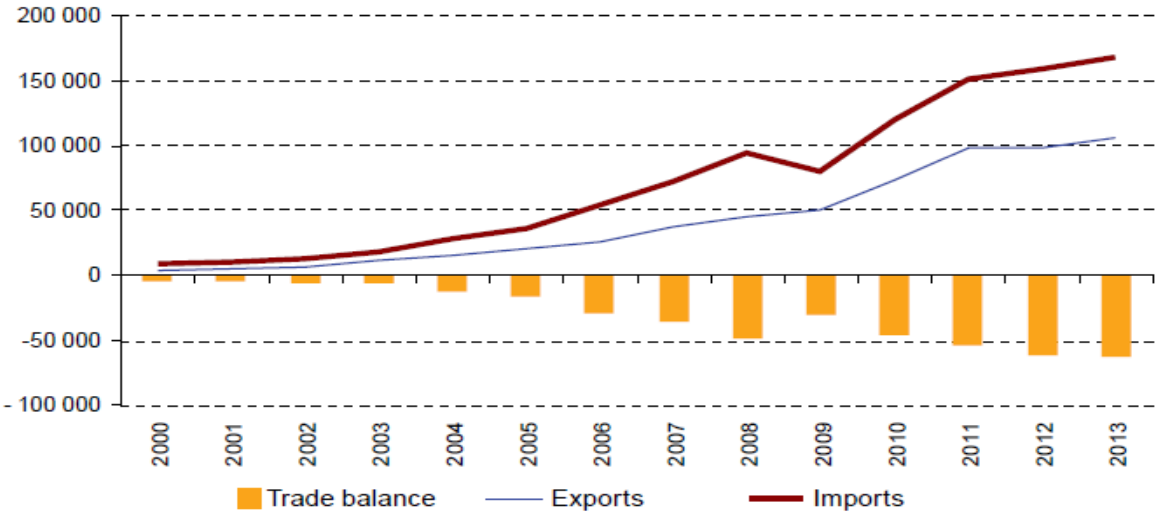
Source: Pew Research Center's Global Attitudes Project (2007, 2014).
Black squares were added to the original tables by the author.

As clarified before, each phase builds upon the bases of the previous one, and that is exactly what Hu Jintao's government did in the economic dimension. In order to sustain the

"economic momentum" and overcome the global crisis of 2008 and 2009, the Chinese government strove to push the relationship one step forward. The government established "strategic partnerships" with Peru (2008) and Chile (2012), signed the FTAs with Peru in 2008 (in force in 2010) and with Costa Rica in 2010 (in force in 2011). The government also increased investment in the region, doubling the Chinese stock in the region until 2009 by spending 14 billion dollars in 2010 (ECLAC, 2016).

Another factor worth considering is the fact that China helped Latin America overcome the global finance crisis (Vadell, 2013). This is in sharp contrast with the efforts of the United States, which decided not to come to the rescue of the region (Chávez, 2015). This decision contributed to the positive image that China managed to maintain during Hu's term. As we can observe in the following graph on the goods trade between 2000 and 2014, all these efforts helped sustain the stable and growing Sino-Latin American economic relations, reaching the bilateral trade value (imports plus exports) of US$ 275 billion in 2013 (ECLAC, 2015).

Graph 2: Goods Trade between China and Latin America 2000 – 2013 (millions of dollars)



Source: ECLAC (2015).

Hu's government also succeeded, after a long diplomatic effort, in getting Costa Rica to have a recognition "flip" from Taiwan to Beijing in 2007. It would have been an even greater success if it had started a "Domino effect" of recognition in the region, however, this never happened.

Along with the economic success and the enhancement of the Chinese soft power in the region, Hu Jintao's government incorporated the political and military dimensions to the Sino-Latin American relations equation, increasing the number of bilateral official visits. Hu Jintao visited the region to discuss these matters four times—in 2004, 2005, 2008 and 2010—and Jiang Zemin only visited once in 2001. China expanded its soft power in the region and incorporated political and military issues by developing and releasing the 2008 White Paper on China's policy towards the region and opening the cooperation in the military dimension through high ranked bilateral visits. China also held an incipient conventional arms sales, participated in the UN Stabilisation Mission in Haiti (MINUSTAH) from 2004 to 2012, and participated in the 2010 joint humanitarian exercise held with Peru among other activities (Rodríguez & Leiva, 2013).

3. The Arrival of Xi Jinping: Entering A New Phase in Sino - Latin American Relations?

In the previous section, I presented the first two steps of an ongoing process of deepening and intensifying Sino-Latin American relations. As we observed, since 2001 the relationship has gradually incorporated different dimensions, though it focused predominantly on the economic realm between 2001 and 2013.

Since the arrival to office of Xi Jinping in 2013, the Chinese foreign policy seems to be experiencing some significant changes. These changes are characterised by a transition from a low profile strategy to a more active and assertive one (Ríos, 2013; Zhao, 2013; Yan, 2014; Cook, 2015; Szczudlik-Tatar, 2015; Zheng & Gore, 2015). Either directly or indirectly related to this foreign policy shift, as of 2013 we can observe some evidence of changes in the Chinese approach towards the region, signs that might suggest the beginning of a new phase in Sino-Latin American relations, here labelled **the Comprehensive phase (since 2013)**.

Political Dimension

The first hints of change can be found in the political dimension. Building on the advances made by Hu Jintao in the political realm, Xi Jinping seems to be willing to strengthen the relationship with Latin America and the Caribbean as a whole and go beyond bilateralism. He also has a different discourse and approach from the one presented and projected by Hu and the 2008's White Paper. With only three years in office, Xi Jinping has already visited the region on three occasions. In 2013, he visited Mexico, Costa Rica, Trinidad and Tobago and

arranged high level meetings with officials in Antigua, Barbuda, the Bahamas, and Jamaica. In 2014, he visited Brazil, Argentina, Venezuela, and Cuba. Then in 2016, he visited Peru, Ecuador and Chile. Overall, Xi Jinping has already made almost the same number of trips that Hu Jintao made in his entire governmental term.

As in the case of Hu Jintao, every trip Xi Jinping took to the region had a specific purpose; it was either to sign agreements or to push forward particular projects or initiatives. The difference with Hu relies on the character of those purposes; while he still focused on economic matters, he also had a much stronger political dimension. The two examples that illustrate this point are the foundation of the China-CELAC Forum in 2014 and the release of a new Chinese White Paper on China's policy towards Latin America and the Caribbean in 2016.

Established in 2011 the "Community of Latin American and Caribbean States" (Comunidad de Estados Latinoamericanos y Caribeños, CELAC, in Spanish) represents the most recent Latin American effort to achieve a higher level of autonomy. It includes all 33 members of the region and, contrary to the Organisation of American States (OAS), it excludes the United States and Canada. Thus, CELAC is gradually replacing the OAS as the main Latin American arena to discuss and resolve regional issues and conflicts. The appeal of the new organisation is hard to overlook, considering the fact that for the first time in history Latin America and the Caribbean managed to establish a proper regional organisation without the presence of the northern hegemon.

Xi Jinping's government quickly understood the relevance and opportunities behind the creation of CELAC and pushed forward a process to institutionalise China's relation with the organisation in 2014. This assertive move was noticed by one of the most relevant U.S. specialists on Sino-Latin American relations, Evan Ellis, stating that,

> the "China-CELAC Forum" is strategically important for the P.R.C. because it allows it to engage with the region as a whole, in a way that excludes the United States and Canada. The action highlights the boldness of Chinese President Xi Jinping and the new 5th generation of P.R.C. leadership in not refraining from an action simply because it might be seen as a threat by some parties within the United States (Ellis, 2014: 1).

The outcomes of that first summit were the Beijing Declaration, the institutional arrangements of the forum, and the "China-Latin America and the Caribbean Cooperation Plan 2015-2019". This declaration and plan crystallise Xi's new initiative, the "1+3+6" cooperation framework, which consists of "one" plan; "three" engines to promote the comprehensive development of the cooperation (trade, investment and financial cooperation); and "six" fields that has to be prioritised (energy and resources, infrastructure construction, agriculture, manufacturing, scientific and technological innovation, and information technologies) (Inter-American Dialogue, 2015). The Cooperation Plan aims to increase Sino-Latin American trade by 500 billion dollars and to invest 250 billion dollars into the region (Xinhua, 2015).

It is extremely ambitious and it goes from economics (trade, investment, infrastructure, etc.) to sociocultural, political, and even security matters (including cyber-security). If it is actually implemented, this would represent a significant effort to push the relationship one step further. Moreover, the plan includes all 33 members of CELAC, this is a relevant fact for two reasons. First, this is a huge potential market. Second, behind Xi Jinping's approach to the regional organisation we can find a very important political factor directly related to one of the most complex issues on Chinese politics: the international recognition of Taiwan.

From the 20 countries that still maintain diplomatic relations with Taipei (21 if we consider the Holy See), 12 are located in Latin America and the Caribbean (Ministry of Foreign Affairs of the Republic of China, 2016). These include Belize, El Salvador, Haiti, Nicaragua, Paraguay, St. Lucia, the Dominican Republic, Guatemala, Honduras, Panama, the Federation of Saint Christopher and Nevis, and Saint Vincent and the Grenadines. As mentioned before, Hu Jintao's efforts to start a "Domino effect" of recognition in the region after the Costa Rican flip in 2007 did not succeed. The *status quo* remains untouched, especially after the commencement of the diplomatic truce between Beijing and Taiwan in 2008.

However, the truce may be coming to an end. Since Gambia, Sao Tome and Principe flipped recognitions to Beijing in March and December 2016, respectively, the Taiwan issue in Latin America and the Caribbean could become important again. Although it is too soon to affirm this claim with certainty, there are some signs that Xi Jinping is interested in tackling the issue by strengthening China's relation with the Caribbean. As Antonio Hsiang suggests, Xi Jinping's trip to Trinidad and Tobago in 2013 had a strategic purpose of increasing China's

influence in that sub-region, taking advantage of the United States' continuous withdrawal in Central America and the Caribbean (Hsiang, 2016).

Moreover, it was the first visit of a Chinese leader to a Caribbean country different from Cuba, a traditional destination chosen by Jiang Zemin and Hu Jintao as well. During that trip, Xi Jinping had the opportunity to hold high level meetings with officials of Antigua and Barbuda, Bahamas, and Jamaica. That was the starting point of an unprecedented intensification process of Chinese cooperation in the Caribbean. This cooperation included 3 billion dollars in loans to the Caribbean in 2013 (Goodman, 2013) and a military agreement between China and Trinidad and Tobago worth 4.7 million dollars (Caribbean News Now, 2014). It also includes Chinese funding and construction of Jamaica's North South Highway Project—the largest development project on the island that began in 2014, with an investment of 600 million dollars in loans (Cann, 2016). China also helped with the construction of a 40 billion dollars stadium in Grenada, commenced in 2014 and finished in 2016 (Niland, 2016); and the funding and construction of a 40 billion dollars hospital in Dominica (Dominica Vibes News, 2016), among several other projects in the region.

Even though most of the cases before presented are countries that recognise Beijing as the legitimate government of China, this unprecedented flow of cooperation could eventually attract some of the Taiwan allies to Beijing's side. The second major example of the rising political character of Xi Jinping's government approach towards Latin America and the Caribbean was the release of a new White Paper titled "China's Policy Paper on Latin America and the Caribbean"[6] in November 2016. It was published in Spanish and English (covering the languages of the 33 countries of Latin America and the Caribbean). Similar to the 2008 version, the White Paper of 2016 builds on the documents elaborated within the first China-CELAC Forum summit of 2015. Unlike the White Paper of 2008, which focused mainly on the economic and sociocultural dimensions of the relationship, Xi Jinping's paper has a strong political and ideological approach.

The 2016 White Paper starts summarising everything that has been done up until 2016, and

[6] Available in English: http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1418254.shtml; and in Spanish: http://www.fmprc.gov.cn/esp/zxxx/t1418256.shtml.

mentions the 2008 White Paper and the achievements of the new China-CELAC Forum. The White Paper explicitly states that,

> since 2013, the Chinese leadership has set forth a series of major initiatives and measures on strengthening China's relations and cooperation with Latin America and the Caribbean in a wide range of areas, which has provided new development goals and new driving forces for the relations (Ministry of Foreign Affairs of the People's Republic of China, 2016: 1).

Thus reaffirming the idea of the beginning of a new phase in Sino – Latin American relations by explicitly stating that, "the relations have entered a new stage of comprehensive cooperation" (Ibid.).

One of the most significant changes from the previous version is the new emphasis given to international collaboration and peace/security issues. The White papers focus on more than just economic multilateral coordination, they specifically mention the importance of the Sino-Latin American cooperation on "international political affairs," and strive to promote

> multi-polarization and democracy in international relations, enhance the voice of developing countries in international affairs, and safeguard common interests of both sides as well as other developing countries (Ibid.)

- especially in the United Nations.

Furthermore, the 2016 document addresses the security/military dimension in a different more assertive manner than the previous one. The 2016 document explicitly mentions the need for collaboration in Cyber Security and a willingness to,

> expand pragmatic cooperation in humanitarian relief, counter-terrorism and other non-traditional security fields, and enhance cooperation in military trade and military technology (Ibid.).

If everything presented is developed, this will signal the beginning of a new comprehensive phase in Sino-Latin American relations.

As it is only a document, and a very recent one, I cannot state with certainty that it will guide the Sino-Latin American relations in that comprehensive direction. However, it is worthwhile

to highlight that it could eventually become a significant factor in China's foreign policy towards the region. After all, this happened with the 2008 version. This new 2016 version was perceived positively in Latin America and its approval crystallised in the Beijing Declaration. This 2016 document has received more support than the previous document which only had the official support of Mexico, Chile and Brazil (Creutzfeldt, 2013).

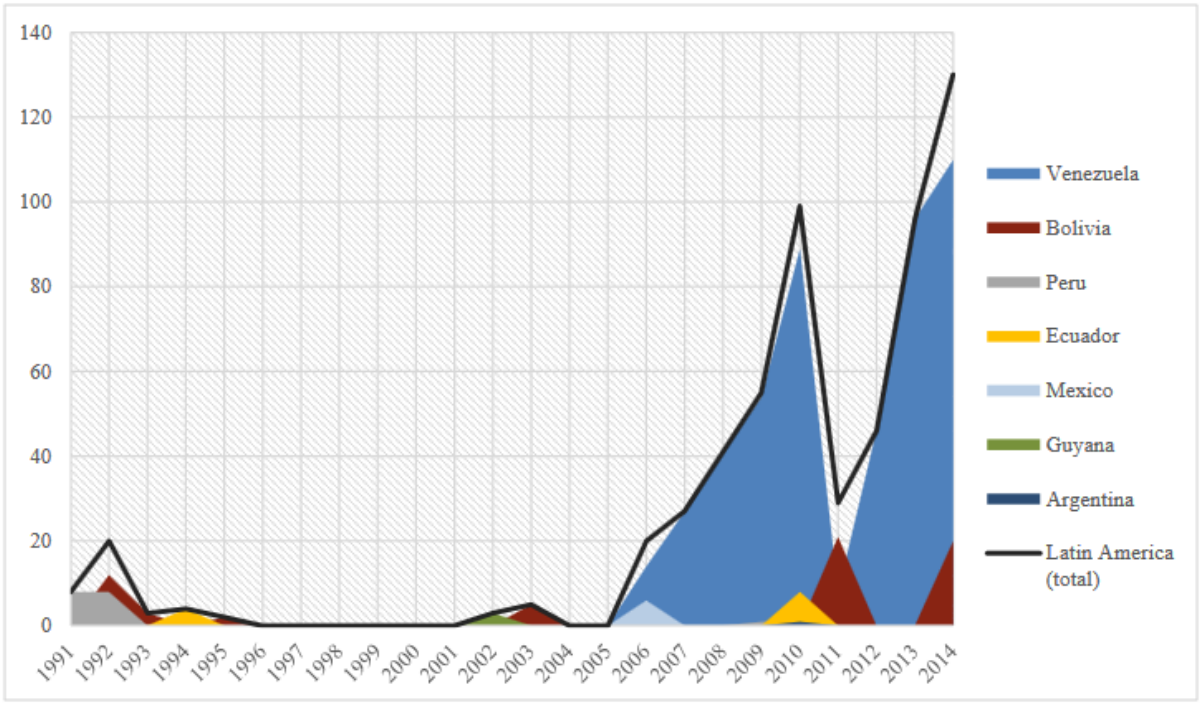
The recent establishment of the BRICS New Development Bank and the implication that it has on the strengthening of the South-South cooperation framework can be considered as another political factor that might have an indirect effect on the current Sino-Latin American relations. The involvement of Brazil, the main Latin American regional power, as founding member of the New Developing Bank and the Asian Infrastructure Investment Bank (AIIB), could eventually help to increase the influence of the region in the global system, and to attract more funding and investment to the region. This is part of a broader process to strength South-South relations as pushed forward by Xi Jinping (Ministry of Foreign Affairs of the People's Republic of China, 2016).

Military/Strategic Dimension

Since 2013, the military/strategic dimension has also developed significantly, reaffirming the idea of a new comprehensive phase in Sino-Latin American relations. The first evidence of this deepening process can be observed in the Chinese arms sales to the region, which was mostly limited during the first fifteen years of the 21st century with the exception of the Sino-Venezuelan case. The slow pace of arms sales was understandable considering Beijing's low profile strategy and the unwillingness of Jiang Zemin and Hu Jintao's governments to raise concerns in Washington about its presence in Latin America, a situation that may be changing with Xi Jinping.

In the following graph, we can see patterns of the value of arms imports from China by country:

Graph 3: Value of Arms Imports from China by Latin American Country



Source: Wilson (2015).

Although not exclusively, left wing ALBA (Alternativa Bolivariana para los Pueblos de nuestra América) countries of South America, such as Venezuela, Ecuador and Bolivia have had the most arms imports. They have imported K-8 combat airplanes and JYL-1 radars, MA-60 transport airplanes, WMZ-551 Armoured Personnel Carriers (APCs), AK-47 assault rifles and boats, artillery, and infantry ammunition and trucks, among several other items (Malena, 2012). The value of those arms sales and exchanges bordered the 100 million dollars per year between 2000 and 2015 (Piccone, 2016). This limited trade allowed China to develop its military cooperation relations with the region without raising concerns in the United States.

Nevertheless, as Jordan Wilson suggests, the Sino-Argentinean military agreement of 2015 might represent an inflection point in this dimension (Wilson, 2015). The agreement is valued in 500 million to one billion dollars, it contains a wide range of items including aircrafts, naval vessels, amphibious APCs, military to military exchanges (exchange programs between the People's Liberation Army and the Argentinean Army), space cooperation, among other dimensions within the military/strategic field.

If implemented, it would,

> alter the scope of China's military exports to the region, representing a new level of volume, competitiveness, and technological sophistication and potentially creating inroads to other regional markets (Wilson, 2015: 3).

Just by looking at the numbers it would represent a significant "leap forward" from the nearly 130 million dollars of Chinese military sales to the region in 2014 (Piccone, 2016). It also represents an expression of the increasing credibility of the Chinese technology quality in the military field within Latin America.

Even though some analysts have some doubts about the actual crystallisation of the agreement after the triumph of the right wing candidate Mauricio Macri (Fiegel, 2016; Piccone, 2016), the more recent signals of the Argentinean government seem to confirm that the agreements with China will be honoured, beginning with the space and nuclear cooperation. This is especially the case after and partly due to Donald Trump's election as president of the United States (Tomás, 2017).

The second and third domains in which we can find some evidence of deepening relations between China and Latin America are the satellite and nuclear cooperation. The cooperation process for the satellite began in Brazil during the late 1990s and during Hu Jintao's government (2003 – 2012) for Venezuela and Bolivia[7]. The cooperation continued with Xi Jinping and Bolivia successfully launching the first Bolivian "Tupac Katari" Satellite in 2013 (Salvacion, 2015). Brazil also successfully launched a satellite in 2013 and 2014 (CBERS-3 and CBERS-4, respectively) (Satélite Sino-Brasileiro de Recursos terrestres, 2017). In addition, in 2016, Venezuela announced its third satellite called "Sucre", which is intended to be launched in September 2017 (La Radio del Sur, 2016).

However, in the case of arms sales, Argentina is the country that is breaking new ground as regards the Sino-Latin American relations. Argentina is allowing China to increase and deepen its cooperation dimensions by agreeing to let China construct its first Space-Monitoring station outside its territory, which will be located in Neuquén, Patagonia. As I will explain below, it has a significant strategic importance, and it represents an unprecedented

[7] The satellite launches were in 1999, 2003 and 2007 for Brazil, and 2008 and 2012 for Venezuela, starting the process with Bolivia in 2010 (Ellis, 2012; Quinones, 2012; Satélite Sino-Brasileiro de Recursos terrestres, 2017).

milestone in the Chinese physical presence in the region as the station is controlled by the PLA. The construction continued even after the elections of President Mauricio Macri and it is in its final stage, awaiting the approval to operate by the Argentinean government (INFOBAE, 2017).

Buenos Aires has also broken new ground in the nuclear field. Once again, Argentina is the country that seems to be most willing to trust and cooperate with China in the military/strategic field and has been working with and allowing Beijing to develop and use its own technology. In 2015, both countries signed an agreement for the construction of the fourth and fifth nuclear power plants (INFOBAE, 2015), the first one with Canadian technology (CANDU reactor) and the second one with Chinese technology (Clarín, 2016). As I have explained before, despite the doubts about the new Argentinean government's willingness to honour the agreements with China, Argentina reaffirmed most of them when Donald Trump was elected president of the United States.

In this case, Mauricio Macri explicitly said "Por suerte tenemos las centrales" ("Luckily we have the nuclear power plants") referring to the Chinese projects and his determination to push them through (Tomás, 2017). Brazil also seems to be willing to follow that path of joint cooperation in the nuclear domain and started negotiations in 2016 to construct the ANGRA – 3 nuclear power plant with China (Globo, 2016). These significant projects lead us to the last set of evidence of the changing character of Sino-Latin American relations as of 2013, one characterised by strategic infrastructure projects.

The first enormous infrastructure project was the Nicaraguan Canal. It was approved in 2013 after extensive negotiations between the Nicaraguan government and the Chinese consortium Hong Kong Nicaragua Development (HKND). The project involves an investment of 50 billion dollars and a 50-year concession to HKND in order to build a 278 km Canal, three times longer than the Panama Canal, and two times wider and deeper (Fuente, 2016).

The project began in December 2014 and it is supposed to be finished by 2020, with a promise of generating 200,000 jobs (BBC Mundo, 2014). However, it has experienced a lot of problems, especially due to the resistance from the local community (Ray, Gallagher & Sarmiento, 2016), who are worried about the environmental damage that it will bring (BBC,

2015). The construction stopped in order to undergo more social and environmental impact studies. However, the HKND Chairman Wang Jing announced that the project should restart between 2016 and 2017 as he congratulated the re-election of Daniel Ortega as president of Nicaragua (La Gente, 2016).

Figure 1: Nicaraguan Canal Project

Source: BBC news (2014) [http://www.bbc.com/news/world-latin-america-28206683].

The relevance of the Nicaraguan Canal is not just economic, although it will be a major game changer in terms of trade considering the fact that it could replace the monopoly of the Panama Canal on that route[8]. It is also a strategic project, because it will enable China to obtain control of a key route of the world's commerce, as the United States did with the Panama Canal a century ago. Moreover, the massive investment could help to reinforce the Chinese relationship with the Nicaraguan government, who still maintains diplomatic relations with Taiwan.

The second infrastructure megaproject on the list is the Trans-Oceanic Railroad connecting Brazil and Peru (and possibly Bolivia as well), with an estimated cost of 10 billion dollars (Lissardy, 2015). The negotiations started in 2013 and by 2014, the first agreement was signed in order to create a working group on railway development (Inter-American Dialogue, 2016). However, the negotiations are still ongoing. Bolivia has manifested its intention to become a part of the project (Ibid.), Europe has presented an alternative project (El Comercio,

[8] China has already started to increase its participation in the Panama Canal by investing 110 million dollars to expand Panama's Balboa Port, a port controlled by Panama Ports Company, a unit of Hong Kong-based conglomerate Hutchison Whampoa Ltd (Reuters, 2014).

2016), and there are several environmental and social obstacles involving more than 600 indigenous communities that could slow down the development of this project (Ortiz, 2015).

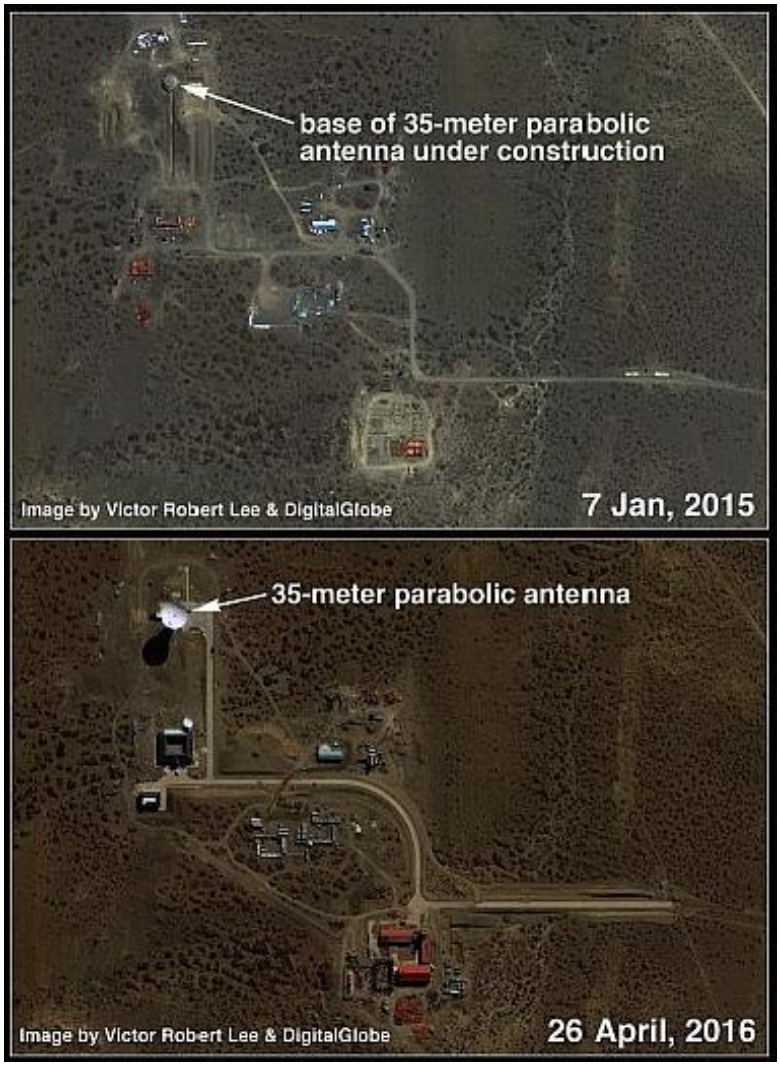
Figure 2: Trans-Oceanic Railroad Project

Source: The Guardian (2015)
[https://www.theguardian.com/world/2015/may/16/amazon-china-railway-plan].

This project has also enormous economic and strategic relevance. It would not only significantly facilitate trade between China and Latin America, but it would "add points" and increase Beijing's influence in the region by helping it to tackle one of the main historic economic problems of Latin America, the lack of proper transport infrastructure connectivity (ECLAC, 2014).

The last project on the list is probably the most polemic one of the three: the Space-Monitoring Chinese Base in Neuquén, Argentinean Patagonia. In April 2014, the Argentinean government of Cristina Kirchner signed a 50-year contract with Xi Jinping's government for the construction and use of the first Chinese Space-Monitoring Base outside their territory, including steerable parabolic antennas 13.5 and 35 meters in diameter, computer and engineering facilities, lodgings for technical staff, and a 10 million dollars electric power plant, with the intention of becoming operational in March 2017 (Robert Lee, 2016).

Figure 3: Space-Monitoring Chinese Base Project



Source: The Diplomat (2016)
[http://thediplomat.com/2016/05/china-builds-space-monitoring-base-in-the-americas/].

The base will be controlled by the People's Liberation Army, raising concerns not only in Argentina but also in the United States, especially considering the fact that the Argentinean government will be able to use up to 10% of the station antenna time (Wilson, 2015), a very limited access despite being located on Argentine territory (Ellis, 2015). Evan Ellis (2013) goes a little bit further, raising concerns about the potential strategic significance of the base, and the Chinese telecommunications network in Latin America in general, considering the fact that these assets could eventually be used against the U.S. government and industries, stating that cyber-warfare is a real possibility.

The base is extremely relevant for Beijing in strategic terms, not only because it will facilitate the realisation of future missions to the moon and Mars[9], but also because it will provide China with a southern hemisphere node to communicate immediately with its satellites and spacecraft when they are positioned over the region. This will make it possible to download images or conduct orbital adjustments without waiting for them to fly over Chinese territory (Wilson, 2015).

Officially, the base will not be used for military purposes, though this position was not clearly defined in the first agreement and is raising the already mentioned concerns. In order to dissipate those concerns, in September 2016, the Chinese and Argentine governments signed an *addendum* to the original agreement, stating explicitly that the base will not be used for military purposes, but for pacific ones (Dinatale, 2016). As I mentioned before, the base is already in its final phase, only awaiting the approval of the Argentinean government to operate.

Economic Dimension

I have already presented the two major dimensions that have been incorporated into the Sino-Latin American relationship as of 2013. These include the political and military/strategic domains. There is enough evidence to suggest that we might be seeing the beginning of a new comprehensive phase of Sino-Latin American relations. However, it is worth mentioning two factors that could eventually reshape the character of the Sino – Latin American economic dimension as well. The first one is the decision of the Chinese government to move from upstream to downstream investment in the region, contributing to the development of supply chains within Latin America (Ray and Gallagher, 2017).

As Pérez states, one of the factors that could explain these changes is the slowdown of the Chinese economy and the impact that it has had on Chinese companies, which are more willing to invest outside of the country (Pérez Ludeña, 2017). In 2015, only 1/3 of the Chinese investment in the region has been on the primary sector (Ibid.), but it is still not enough evidence of a concrete diversification process.

[9] The Chinese government hopes to use the base to support an upcoming lunar mission in 2017 (Ray and Gallagher, 2017).

However, if it was actually happening it would be consistent with the 2016 White Paper, in which the Chinese government explicitly states that,

> efforts will be made to bring cooperation to upstream business such as exploration and development, so as to consolidate the foundation for cooperation and expand resources potentials; and at the same time, cooperation will be extended to downstream and supporting industries such as smelting, processing, logistics trade and equipment manufacturing, so as to improve added value of products (Ministry of Foreign Affairs of the People's Republic of China, 2016: 1).

Ray and Gallagher noticed some early signs, which suggest that China is taking the initial steps towards downstream industries. In 2016, the top five Chinese FDI (Foreign Direct Investment) projects in Latin America included investment deals on steel and iron mills, an automobile factory, and a prefabricated house factory. These are indicative of China's willingness to collaborate with Latin America on a new approach to the region's historical goal of industrialisation (Ray and Gallagher, 2017).

The second sign of change in the economic dimension of the cooperation comes from the establishment of the China Construction Bank in Chile in 2016. The approval to operate was granted in May 2016 after an extensive negotiation process that started in 2014. The bank opened with a 2.2 billion dollars currency swap agreement between China and Chile to facilitate the exchanges for three years (Reuters, 2016). It is too soon to make any assessments on its impact on Sino-Latin American relations, but it is safe to state that it could contribute to expand the internationalisation of the Chinese currency (renminbi). Both cases are too recent to be taken as concrete evidence of changes in the character of Sino-Latin American economic relations, but it is worth highlighting and keeping track of them as they have the potential to become relevant components of the new comprehensive phase.

Conclusion: More than Just Economics

Sino-Latin American relations experienced an extraordinary intensification process throughout the first sixteen years of the 21st century. Until now, the majority of the analysis on the subject has focused on the economic complementarity of the relationship, being the most noticeable developed aspect since 2001. Nevertheless, as I suggest in the present article, the economic dimension is not the only one that has developed since 2001. In fact, I state that

the relationship has evolved from the economic and soft power dimensions to the political, military, and strategic dimensions.

This article processes three phases; this diverts from most of the literature on Sino-Latin American relations, which highlights only two major moments: one in 2004 with Hu Jintao's trip to the region, and the other one in 2008 with the release of the Chinese Paper about its policy towards Latin America. By highlighting the arrival to office of Xi Jinping as an inflection point both for China's politics (internal and foreign policy) and Sino-Latin American relations, I present evidence of the beginning of a new comprehensive phase that started in 2013 and focuses on political and military/strategic fields, along with the still relevant economic field.

In the political dimension, I highlighted the increasing influence of Xi Jinping on the Caribbean as a relevant factor related to the Taiwan issue, along with the establishment of the China-CELAC forum and the China-CELAC cooperation plan for 2015-2019. I also presented evidence of changes in the military dimension. For instance, there has been an increase in arms sales values after the 2015 Sino-Argentinean agreement, an emerging cooperation with satellites and nuclear energy, and a new focus on strategic infrastructure projects in the Nicaraguan Canal, the Trans-Oceanic Railroad Project, and the Space Monitoring Base in Neuquén, Argentinean Patagonia.

Moreover, I highlighted some signs of changes in the economic character of the relationship, both in investment (from upstream to downstream industries) and in the expansion of the Yuan in the region. However, these last trends are too recent to be considered at the same level as the political and military ones. Nevertheless, they are changes worth highlighting so as to keep track of them, as they could potentially become important components of the economic relation.

As a recent article published by *The Economist* suggests, the election of Donald Trump as president of the United States could eventually consolidate the changes presented in this article, as there are signs of the lack of willingness of Washington to re-fill the political vacuum left by George W. Bush and Barack Obama in the region. This allows China to present itself as "a stabiliser" of the region (The Economist, 2017).

Considering this potentially crucial external factor, along with all the previously presented factors, I can safely suggest that our main hypothesis is confirmed as we are experiencing significant changes in the dynamics and character of Sino-Latin American relations, which are still focused on economic relations, but are also going beyond the economic realm and incorporating the political and military/strategic dimensions; thus, consolidating a comprehensive relationship. Nonetheless, we will have to wait and see if China will seize the opportunity to consolidate the new comprehensive phase in Sino-Latin American relations in the following years.

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The Eurasian Economic Union: A Brittle Road Block on China's "One Belt – One Road" - A Liberal Perspective

Wolfgang Zank[1]

Abstract: In this article, I explore the development and character of the Eurasian Economic Union (EEU) and its compatibility with China's OBOR initiative. The genesis of the EEU is placed in the context of Russia's attempts to fill its "Monroe Doctrine" with substance, i.e. to claim the post-Soviet space as a zone of exclusive Russian influence. Russia's "Monroe Doctrine" was primarily formulated against the EU, its enlargement and its "European Neighbourhood Policy" (ENP) which offers privileged relations also to countries in the post-Soviet space. The logic of the Russian "Monroe Doctrine" works, however, against all countries trying to establish closer ties with former Soviet republics, China included.

In 2013, President Putin presented the EEU as a predominantly political project, shortly after the Chinese President had launched the OBOR initiative; all twelve states in the post-Soviet space were invited to participate. However, Georgia, Moldova and Ukraine opted for an association agreement with the EU, a move to which Russia responded by the annexation of Crimea and starting an insurgency in Eastern Ukraine. In 2015, the EEU officially started with the participation of only five countries: Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia. It implied the extension of the rather high Russian tariffs to the whole EEU, a move which had negative effects on Chinese transactions with the region. This, however, could not impede a rise of the Chinese presence in Central Asia. In its present form, the EEU is not compatible with the OBOR initiative. A free-trade agreement between China and the EEU could make it compatible, but this is not a realistic perspective for the near future.

The EEU seems to be an unstable construction, with many basic rules and norms being unclear, and many tensions and conflicts among its members.

Keywords: China, European-Atlantic Security Community, Eurasian Economic Union, "One Belt One Road" Initiative, Russia's "Monroe Doctrine".

Introduction: Some Problems in the Context of the One Belt - One Road Initiative

At the Nazarbayev University in Astana, Kazakhstan, on 7 September 2013, the Chinese President Xi Jinping presented the "Silk Road Economic Belt" project (Swaine, 2015: 2). The location chosen for his speech seemed logical, given that some branches of this new silk road have to go through Kazakhstan, just as the historical silk road had done; this was therefore one of the first countries whose cooperation China wanted to ensure. In Moscow, however, Xi Jinping's speech might have created some uneasiness because the Russian leadership had ideas of their own concerning this region.

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In front of the Indonesian parliament in October 2013, Xi Jinping announced a complementary project to establish a "New Maritime Silk Road." Since then, the two concepts have usually been dealt with together as the "One Belt, One Road" initiative. The exact meaning of this initiative has often been somewhat unclear, and various observers have proposed diverging interpretations. According to a paper issued jointly by the Chinese Ministry of Foreign Affairs and the Ministry of Commerce in March 2015 ("Vision and Actions on Jointly Building Silk Economic Belt and 21st Century Maritime Silk Road"),

> The Belt and Road run through the continents of Asia, Europe and Africa connecting the vibrant East Asian economic circle at one end and the developed European economic circle at the other, and encompassing countries with huge potential for economic development. The Silk Road Economic Belt focuses on bringing together China, Central Asia, Russia and Europe (the Baltic); linking China with the Persian Gulf and the Mediterranean Sea through Central Asia and West Asia, and connecting China with Southeast Asia, South Asia and the Indian Ocean. The 21st- Century Maritime Silk Road is designed to go from China's coast to Europe through the South China Sea and the Indian Ocean in one road, and from China's coast through the South China Sea to the South Pacific in the other.

It is thus apparent that this initiative aims at more than just better transport connections. It is about bringing regions together, some of them very distant from each other, and "encompassing" everything in between. The paper actually sketches quite an ambitious vision (Swaine, 2015: 4):

> The initiative to jointly build the Belt and Road, embracing the trends towards a multipolar world, economic globalization, cultural diversity and greater IT application, is designed to uphold the global free trade regime and the open world economy in the spirit of open regional cooperation. It is aimed at promoting orderly and free flow of economic factors, highly efficient allocation of resources and deep integration of markets; encouraging the countries along the Belt and Road to achieve policy coordination and carry out broader and more in-depth regional cooperation of higher standards; and jointly creating an open, inclusive and balanced regional economic cooperation architecture that benefits all.

The text mentions the promotion of connectivity, partnerships and networks among the countries. This will help align and coordinate development strategies, promote investment, consumption and job opportunities, enhance people-to-people and cultural exchanges, and encourage mutual learning, trust, understanding and respect (Ibid.: 5). All this could actually

be taken from an EU strategy paper and sounds rather similar to Article 3, 5 of the Treaty on the European Union.

In an obvious attempt to calm down concerns among some of China's neighbors, Xi Jinping declared in March 2015 (Ibid.: 6): "To develop the Belt and Road is not to replace existing mechanisms or initiatives for regional cooperation. Much to the contrary, we will build on the existing basis to help countries align their development strategies and form complementarity."

This statement provokes a question: How does the Chinese leadership envisage coping with existing mechanisms of regional cooperation if these were designed precisely to impede "the orderly and free flow of economic factors, connectivity, partnerships and networks, people-to-people contacts and cultural exchanges?" Perhaps the Eurasian Economic Union is a case in point?

In this paper, I explore the reasons for the creation of the Eurasian Economic Union (EEU). This will require reflection on some basic traits of Russian policies after 1991, not least the development of a Russian "Monroe Doctrine". I also attempt to assess the basic characteristics of the EEU. Furthermore, I ask whether the EEU is compatible with China's "One-Belt-One Road" Initiative and conclude that it is not.

Researchers analyzing politics in the post-Soviet space have adopted a variety of approaches. In the context of the Ukraine crisis, which is intertwined with the development of the EEU, Chicago scholar John J. Mearsheimer has authored a pointed contribution along the lines of the so-called Realist School (*Why the Ukraine Crisis Is the West's Fault*). Likewise, Roger E. Kanet argues mainly in "realist" terms, but he also integrates social-constructivist aspects (Kanet, 2015). The demise of the Soviet Union gave rise to a renewed interest in geopolitical studies. "Classical" geopolitics assigns an important role to geographical and spatial factors; in contrast, recent "critical" geopolitical studies focus on the use of geography in political discourses. A recent example dealing with Russia was provided by Astrov and Morozova. Meanwhile, Mette Skak works with the concept of "strategic culture" (Skak, 2011).

I fully accept that various perspectives are possible, but this does not mean that all of them are equally useful in a given context. As will become apparent, I find approaches particularly helpful that can be categorized as "liberal" and which, for instance, highlight the importance of internal developments. Joseph Nye's concept of "soft power" is also very useful. Its very unequal distribution goes a long way to explain different types of policies in the post-Soviet space. I will follow a chronological approach discussing various theoretical problems as they arise.

The European-Atlantic Security Community and Its Extension

The genesis of the Eurasian Economic Union can only be understood in the context of the "expansionism" of the European Union after 1989. We therefore begin by assessing this "expansionism" – the inverted commas indicating that recent European expansionism is different from expansionism before 1914.

For adherents of the "Realist School", post-1945 international relations in Western Europe and across the Atlantic may be somewhat puzzling. Great power rivalries, in which countries such as France, Germany, Italy, Spain or the United Kingdom had engaged for centuries, have seemingly disappeared. Conflicts no longer come anywhere near to armed hostilities. When it clashed with the UK over fishery rights, for instance, tiny Iceland remained unimpressed by the mighty British navy. As Andreas Hasenclever puts it: "A stable security community has become established in Western Europe and in transatlantic relations in which the use of military force, even far below the level of war, has become almost unthinkable" (Hasenclever, 2014: 136). Liberal scholars have attributed this stability to a high degree of interdependence and a high density of common institutions, particularly within the European Union. Some scholars have pointed to the common political systems. According to the democratic peace theory, democracies do not go to war against each other.

"Realists" have remained skeptical and see the Atlantic security community more as an alliance; under conditions of bipolarity and the Cold War, these countries simply kept the lid on their conflicts. Consequently, the realists predicted a return to power rivalry when the Cold War ended. In Robert Kagan's words, "the 21s century will look like the 19th". Andrew Moravcsik commented: "Few short-term predictions in social science are as clear as these, and few have been so unambiguously disconfirmed. Since 1989 Europe, the EU, and transatlantic relations have enjoyed two decades of extraordinary amity, cooperation, and policy success" (Moravcsik, 2010: 155). For this part of the world, the theory of "realism" has become obsolete.

However, the situation in the neighboring regions has remained unstable and dangerous. This pertains to the Arab world, but also to Eastern Europe, where the Soviet Union had imposed repressive regimes and, on various occasions (1953, 1956, 1968), intervened militarily. In 1989, however, all the dictatorships in the Soviet Orbit collapsed, and the Soviet Union began gliding towards dissolution.

In countries such as Poland or Hungary, which made a transition to a Western type of democracy relatively quickly, politicians soon advocated adhesion to the European Union. However, reactions in most EU capitals were decidedly unenthusiastic. In November 1989,

French President François Mitterrand declared that the EU had enough internal problems without burdening itself with "premature adhesions". In the summer of 1991, he spoke of *dizaines et dizaines d'années* before any Eastern EU enlargement could be a reality. The German chancellor Helmut Kohl expressed himself in similar terms (Zank, 2005: 5-9).

By 1991, most of Eastern Europe looked alarmingly unstable. In August, the abortive coup against President Gorbachov ushered in the final demise of the Soviet Union, while Poland seemed to be paralyzed by competing forms of populism and Czechoslovakia was heading for divorce. The outbreak of the Yugoslav civil wars illustrated how terrible matters could become. All this created new security threats (in a wide sense) for Western Europe because civil wars and failed states can generate uncontrolled migration flows with drug and arms trafficking in their wake. Among EU politicians, the insight dawned that a firm prospect of EU membership was needed in order to stabilize these countries. The EU Commission had shown that Eastern enlargement was manageable, provided that the new members accepted the whole *acquis communautaire* - the bulk of existing EU legislation. At the summit in Copenhagen in June 1993, EU leaders opened a membership perspective for the first four Eastern European countries. Before accession, however, they had to become stable democracies with rights for minorities, working administrative structures, and economies which could stand the competition in the EU internal market.

In 1997, membership negotiations with the first group of countries began. The EU Commission monitored progress towards fulfilment of the conditions, and it administered targeted assistance. This construction gave the EU unprecedented leverage to influence the internal affairs of these countries because the EU had such a strong power of attraction. Finally, in 2007 the project was accomplished. The security community of Western Europe and the Atlantic was extended eastwards.

The eastern enlargement of the EU was not a pre-designed project of geographic expansion. Rather, it was a reaction to dangerous developments: building up new common institutions could dispel dangers and open new possibilities. EU policies thus followed the route sketched by Robert Keohane and Joseph Nye. In *Power and Interdependence*, published in 1979, they had distinguished three types of international leadership needed to reduce vulnerability: hegemony, unilateralism and multilateralism. In their view, multilateralism constitutes the best way to respond to the problems of interdependence; it is "based on action to induce other states to help stabilize an international regime" (as quoted in Spindler, 2014: 63).

The Rise of the Russian "Monroe Doctrine"

In the 1990s, many Westerns politicians hoped that it would be possible to integrate Russia into these new structures. EU membership was not on the agenda, but Russia and the EU signed a Partnership and Cooperation Agreement which came into effect in December 1997. It was supposed to be supplemented by the so-called Four Common Spaces (Economic Space, Space of Freedom Security and Justice, Space of External Security, Space of Research and Education). In short, the aim was very broad institutionalized cooperation (DeBardeleben, 2011: 246). However, hopes of integrating Russia into an enlarged security community remained unrealized, for several reasons. One was Russia's disorderly transition to a market economy. In 1991, President Yeltsin talked of "shock "therapy", but then proceeded in a non-systematic way. Meanwhile, a blend of "populism, crude Marxism and vested interests" (Åslund, 1995: 74) that opposed reform successfully blocked or at least retarded necessary steps. From a social point of view, the harshest problem was perhaps hyperinflation, which resulted in the large-scale exploitation of people who depended on money income, for instance pensioners. At the same time, it allowed well-connected persons to take up loans, buy companies and then let the debt be "inflated away". All this was understandably seen as deeply unjust.

During the same period, Russia lost its great-power status. Instead, the West in general and the EU in particular "expanded" eastwards and even "intruded" into former Soviet territory by accepting the Baltic countries as members. To counter this, Russian politicians soon reclaimed the space of the former Soviet Union or at least of the *Commonwealth of Independent States* (to which the Baltic countries did not belong) as a sphere of exclusive Russian influence. In 1994, Andranik Migranian, a member of Yeltsin's Presidential Council, formulated a "key idea" to inspire all leading politicians: "It is about the former Soviet Union's geopolitical space as Russia's vital space of interest. In order not to leave anyone in doubt, I drew a parallel to the 'Monroe Doctrine'" (as quoted in Skak, 2011: 144). Elaine Holoboff summarized this way of thinking as follows (Ibid.):

> Russia maintains that it now has a right to intervene militarily in regions of conflict in the FSU (Former Soviet Union), especially when its interests are threatened. Correspondingly, countries to the south such as Iran or Turkey are unwelcome on the territories of the FSU, as is any type of NATO involvement which would seek to draw the newly independent states into Western Europe's sphere of influence.

The text fails to mention China, but according to the logic of the argument, it would be no more welcome than Iran or Turkey.

The discourses related to a Russian "Monroe Doctrine" involved more than just words. In 1992, Russia undertook a military intervention in South Ossetia and in Transnistria in Moldova. In December 1992, Russia intervened in favor of separatists in Abkhazia, Georgia, and then supported the regime in Tajikistan. The interventions were justified as peace keeping, but the troops stayed on after the conflict, regardless of the responses of the countries in question.

Following Mette Skak, I find the concept of strategic culture very useful. As she defined it (Ibid.: 140):

> States, or rather their decision makers, are seen as being shaped in their outlook by factors such as geography, actual historical experience … and the particular ideological socialization of a given group of foreign and security policy decision makers. In all these respects the revolutionary Marxist Soviet superpower clearly different from its US counterpart.

In contrast to the situation in countries such as Poland or the Baltic States, the composition of the elites in Russia and other CIS-countries was only affected to a limited extent by the fall of communism, and they preserved much of their previous outlooks. To these belonged the "dialectics" of recognizing non-Russian republics as independent and yet treating them as provinces, or the habit of seeing themselves as innocent victims of Western imperialism. Moreover, Russia's recourse to armed intervention can best be seen as a continuation of Soviet practices, only briefly interrupted by negative experiences in Afghanistan. Andrew Bennett titled his book on the subject: "*Condemned to Repetition? The Rise, Fall and Reprise of Soviet-Russian Military Intervention, 1973-1996*". In my view, the strong inclination to use force is also due to a structural factor: The Soviet Union and Russia did not have any power of attraction or "soft power". Soviet/Russian leaders have tried to compensate for this profound weakness by using force.

The Failure of the CIS and Russia's Authoritarian Turn

On 8 December 1991, the leaders of Belarus, Russia and Ukraine declared the Soviet Union dissolved and proclaimed the foundation of a Commonwealth of Independent States (CIS). The three participating countries committed each other to cooperation in fields such as politics or culture, to the coordination of foreign policy and to the development of a common economic space (Molchanov, 2015: 26). A week later, the leaders of the five Central Asian republics declared their readiness to become "co-founders" of the CIS. In Alma-Ata (now Almaty) the new organization was formally established on 21 December, and Armenia, Azerbaijan and

Moldova also participated. For a while after Georgia acceded in 1994, the CIS comprised all former Soviet Republics except for the three Baltic states.

Decision-making continued on intergovernmental lines. The highest organs were councils of heads of states and governments, but the states reserved the right to opt out of any agreement and there were no enforcement powers. The Executive Secretariat had no autonomous competences, and the Economic Court could only pass advisory judgements (Aris & Webber, 2015: 137). By 2009, on average only 55 percent of the agreements were implemented, with a low of 7 percent in Turkmenistan and 14 percent in Georgia (Molchanov, 2015: 26).

In spite of the CIS, economic relations showed centrifugal trends. Thus, the share of the countries *outside* the CIS in the imports of large CIS countries developed as follows:

Table 1: The share (in percent) of countries *outside* the CIS in the imports of the major CIS members

	1995	2013
Belarus	34	41
Kazakhstan	30	54
Russia	71	88
Ukraine	35	64

Source: Statistical Committee of the CIS, as quoted by Molchanov (2015: 28).

All the countries in Table 1 received an increasing share of their imports from countries outside the CIS. This trend was particularly noticeable for Ukraine. Only in the case of Belarus was the trend relatively modest, due to its continued close economic cooperation with Russia. A corresponding table of the structures of exports shows a similar picture (Ibid.: 29). Moreover, other efforts at institutionalizing closer cooperation in the post-Soviet space, such as the Collective Security Treaty Organization (CSTO), were not very effective.

Stephen Aris and Mark Webber observed a contradiction involving "An awareness of the importance of functional coordination, but a marked reluctance among its members to invest the organization with the political mechanism for effecting it" (Aris & Webber, 2015: 135). They explained this in terms of adverse conditions such as insufficient administrative capabilities, or predominantly authoritarian regime types: "Interactions among non-democracies ... are unlikely to give rise to anything but temporary and opportunistic forms of cooperation" (Ibid.: 152). A strong additional factor has been mistrust towards Russia: "Whatever the challenges of independence, these leaders were reluctant to concede power to a large powerful neighbor that had contempt for their independence" (Brill Olcott, Åslund and Garnett, 1999: 16).

In the 1990s, the Russian leadership under Boris Yeltzin did not regard strengthening ties in the post-Soviet space as a priority. Matters began to change, however, in the new millennium after Vladimir Putin became president. On the one hand, Russia seemed to enter a lasting economic boom. However, Russia's boom was built on hydrocarbons (and minerals); these commodities accounted for about three quarters of its export sales. In contrast to China, Russia did not really manage to build competitive export industries, with the notable exception of weapons. The high hydrocarbon revenues helped to create the illusion that Russia "did not need" the outer world. More specifically, the many EU offers regarding common projects, cooperation and connectivity became uninteresting (Adomeit, 2012: 389).

Their different external economic regimes had a profound impact on China's and Russia's respective external relations: China became deeply integrated into the world economy and therefore dependent on its functioning. Observers, such as David Shambaugh, assessed China's diplomacy as remarkably "risk-averse", notwithstanding a "hypervigilant" stance on issues such as Taiwan, Tibet and maritime territorial claims (Shambaugh, 2013: 9). At the Davos World Economic Forum in 2017, President Xi Jinping spoke strongly in favor of an open global economic system, as do the documents mentioned earlier concerning the "One Belt – One Road" initiative. In contrast, Russia increasingly closed itself off from the surrounding world.

In the 2000s, the Russian leadership came to view EU offers with increasing mistrust. A key factor in this context was the EU's eastern enlargement, which included the three Baltic Republics and thus violated Russia's "Monroe Doctrine". Seen from the Kremlin, the situation did not improve when the EU launched its *European Neighbourhood Policy* (ENP) in 2004, offering its neighbors a "Stake in EU's Internal Market" involving rather close economic integration and proceeding to "deep integration" with approximation of norms, technical standards, common competition rules and the like.

Russian politicians began to criticize EU's "value imperialism" (Adomeit, 2012: 390), but from the point of view of the West, Russia has been moving away from Western values since 1999. For instance, the Parliamentary Assembly of the Council of Europe noted in 2004 and 2005 that there had been a "weakening of the rule of law and democracy"; the system of checks and balances that is indispensable for the functioning of democracy had become "seriously undermined". The legal process against Mikhail Khodorkovsky and other Yukos executives suggested that the "the interests of the state went beyond the mere pursuit of criminal justice" and included "weakening outspoken political opponents, intimidation, and regaining control of strategic economic assets" (Ibid.: 392). In 1991, Russia scored 3 on the dimensions of Political

Rights and Civil Liberty in Freedom House's rankings, giving it the status of "partially free". By 1998, both dimensions had deteriorated to 4, still "partially free". In 2005, however, Russia had become "non-free", scoring 6 on political rights and 5 on civil liberties. In 2015, Russia had also a score of 6 on civil liberties (Freedom House). Other comparative analyses (e.g. the Bertelsmann Transformation Index) showed a similar development.

This move away from Western democratic ideals was accompanied by a cultural shift which brought Russia on an atypical trajectory. According to the data of the *World Value Surveys*, the general worldwide trend from 1981 to 2007 was a move from "survival values" (emphasizing discipline, for example) to "self-expression values", which focus, among other things, on the right of people to be different; in parallel, there has been a move from "traditional" (e.g. religious) values to "secular rational" ones. According to Ronald Inglehart and Christian Welzel, this value shift has been conducive to democracy, but Russia went the other way. Traditional values became stronger, as did people's preferences for order and discipline (Inglehart &Welzel, 2009: 7f). This helps to explain the ease with which Putin could engineer the authoritarian turn that transformed Russia's political system.

Moscow rejected any idea of integration with the West. This was explicitly formulated in the Medium-Term Strategy for Russia-EU relations, which Prime Minister Putin communicated at the common Russia-EU summit in Helsinki in October 1999 (Adomeit, 2012: 391):

> Russia, as a world power situated on two continents, should retain its freedom to determine and implement its domestic and foreign policies, its status and advantages of a Eurasian state and the largest country of the Commonwealth of Independent States (CIS), and likewise the independence of its position and activities in international organizations.

Russia intended "to use the positive experience of integration within the EU [only] with a view to consolidating and developing integration processes in the CIS" (Ibid.: 393).

The important point in our context, then, is that the example of the EU was supposed to inspire Russian-led integration in the post-Soviet space, but not integration between post-Soviet territory and areas outside (for instance, the EU). As the medium-term strategy underlined, "Russia will counteract any attempt at hampering economic integration in the CIS. In particular, it opposes 'special relations' of the EU with individual countries of the CIS to the detriment of Russian interests" (Ibid.). Putin pointed out in 2014 that "no vacuum" could exist in international relations (Ibid.). If "Russia were to abstain from an active policy in the CIS or even embark on an unwarranted pause, this would inevitably lead to nothing else but other,

more active states resolutely filling this particular space". He did not explain who these "more active states" might be, but, with its borders with Russia and three Central Asian republics, China certainly had the potential to become a "vacuum filler".

As seen from Moscow, strengthened ties between the post-Soviet republics and simultaneously block contacts with the outer world would entail another "advantage": it would restrict the inflow of ideological contraband which might accompany economic or social transactions. Since Russia's authoritarian turn, Western ideas about the rights of individuals, free speech and democratically responsible political power have been seen as decidedly unhelpful in Moscow and other post-Soviet capitals.

The Genesis of the Eurasian Economic Union

By 2006, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan had formed the so-called Eurasian Economic Community (EurAsEC). Armenia, Moldova and Ukraine sent observers (Molchanov: 41). The countries had agreed to develop free trade among themselves with non-tariff regulations and common markets in fields such as energy, financial services and transportation; to create a customs union with a common external tariff; and to unite their foreign economic policies. However, it quickly became apparent that it was very difficult to achieve practical progress with the whole group. When they decided on the establishment of the EurAsEC customs union in August 2006, it was with the understanding that only Belarus, Kazakhstan and Russia would be its first members. Technical discussions in this group took some two years. In June 2009, however, Putin (again Prime Minister) announced that Belarus, Kazakhstan and Russia would join the World Trade Organization (WTO) together as a customs union. A common external tariff was established on 1 January 2010, and by July 2011, controls had been transferred to external borders and customs clearances among the members had been abolished for goods intended for domestic consumption. Belarus, Kazakhstan and Russia also established a single economic space, with a program of common governance structures to ensure the free flow of goods, services, capital and labor. However, much of it remained dead letter for the time being. The customs union and single economic space were to be integrated into one Eurasian Economic Union, officially to start in 2015. The basic decision-making rule was unanimity. Every post-Soviet republic was invited to join this new union. In 2014, Armenia accepted the "invitation", so the Eurasian Economic Union started in January 2015 with four members: Armenia, Belarus, Kazakhstan, and Russia. Kyrgyzstan soon followed as the fifth.

In the formation of the new customs union, the Russian tariffs were taken as the basis for negotiations. These were rather high, however, compared with the tariffs of other CIS countries. Thus Russia's trade-weighted average, as agreed in the WTO, was 9.9 % in 2011. It was only 3.6 % for Armenia, 3.8% for Kyrgyzstan, 2.7% for Ukraine and 3.7 % for Moldova (Popescu, 2014: 12). Consequently, these countries had to introduce substantial tariff increases. The higher tariffs would not only affect imports from the European Union and China, but also from CIS countries outside the customs union. Consequently, the free-trade agreement among the CIS members signed in October 2011 was given up (Åslund, 2016: 37). Russian policies can be very erratic.

From an economic point of view, this was all the more problematic because China and the EU were the major trading partners for most CIS countries. More specifically, China was the most important partner for Kyrgyzstan, Tajikistan, and Turkmenistan in 2012, while it was the EU that played the same role for Kazakhstan, Armenia, Ukraine, Moldova, Georgia and Azerbaijan; in the case of Uzbekistan, it was the USA. Russia was the most important trade partner only for Belarus, with a share of 47%. Some basic data has been compiled in Table 2.

Table 2: Trade structures of some CIS countries, in percent of foreign trade, 2012

Country	Major trading partners except Russia	Russia
Belarus	EU – 29%; Ukraine - 8.5 %	Russia - 47%
Kazakhstan	EU – 32 %; China – 23%	Russia - 19%
Armenia	EU – 29%; China – 7.6%	Russia – 23%
Ukraine	EU 33%; China – 7%	Russia – 21%
Kyrgyzstan	China – 55%; Kazakhstan – 7%	Russia – 17%
Tajikistan	China – 36%, Turkey – 10%	Russia – 14%
Uzbekistan	US – 14%; China – 12%	Russia – 9.7%.

Source: Popescu (2014: 12).

From an economic point of view, it made little sense for the countries to punish trade relations with their major partners and privilege Russia instead. But perhaps it made sense in another way? The Russian leadership has been somewhat parsimonious in explaining its objectives, but in September 2013, Vladimir V. Putin made some comments on this topic in a speech addressing problems of Russian history and its identity (remaining, however, somewhat opaque). His remarks on the projected Eurasian Economic Union (Putin, 2013: 15f) merit reproduction here:

> The 21st century promises to become the century of major changes, the era of the formation of major geopolitical zones, as well as financial and economic, cultural, civilizational, and military and political areas. That is why integrating with our neighbors is our absolute priority. The future Eurasian Economic Union, which we have declared and which we have discussed extensively as of late, is not just a collection of mutually beneficial agreements. The Eurasian Union is a project for maintaining the identity of nations in the historical Eurasian space in a new century and in a new world. Eurasian integration is a chance for the entire post-Soviet space to become an independent centre for global development, rather than remaining on the outskirts of Europe and Asia.

I want to stress that Eurasian integration will also be built on the principle of diversity. This is a union where everyone maintains their identity, their distinctive character and their political independence. Together with our partners, we will gradually implement this project, step by step. We expect that it will become our common input into maintaining diversity and stable global development.

Although this statement is not totally transparent, some aspects are clear enough. First, the project is an offer to all twelve countries in the post-Soviet space. Furthermore, it involves making this space an "independent centre for global development". I interpret such an "independent centre" as intended to be free from outside interference. We live in the era of the "formation of major geopolitical zones, as well as financial and economic, cultural, civilizational, and military and political areas". The coming Eurasian Union will become, as I understand it, one of these "major geopolitical zones or areas". Putin's remarks on the principle of diversity should presumably be seen as an assurance that this project is not about re-building the Soviet Union *in its old form*. But it should become a "zone" or "independent centre" for "global development". This zone or centre should not just exist and maintain its independence; it should contribute to shaping "global development" with a "common input" to maintain diversity and stable global development. Without this role, Eurasia would "remain" at the "outskirts of Europe and Asia". Instead, an "independent" Eurasia should be at the "center of town", where the decisions are taken. It is worth noting that Putin gave this speech on 20 September 2013 – two weeks after Xi Yinping's speech in Almaty about China's One-Belt-One-Road Initiative. Was this timing a co-incidence?

Ukraine "Defects" from the EEU

It is thus apparent that the political ambitions behind the Eurasian Economic Union were high. It is also understandable that it was of paramount importance to recruit Ukraine, the second biggest CIS country in terms of population and Gross Domestic Product. Given the similarity

and affinity of the political and economic systems of Russia and Ukraine in 2013, this seemed feasible. Like Russia, Ukraine was a country under authoritarian rule, which had intensified after Viktor Yanukovitch had regained power in 2010. Elections were heavily rigged through the use of "administrative" or "juridical resources"; in 2011, for instance, the opposition politician Yuliya Timoshenko was sentenced to seven years in prison. In Ukraine as in Russia, the state and the economy were interwoven in an opaque manner, allowing politically well-connected oligarchs to accumulate fortunes. President Yanukovitch indulged in cartoon-like personal luxury, as became evident when his downfall in February 2014 allowed the public to visit his palace outside Kiev.

There were, however, important differences between Russia and Ukraine. For instance, the western parts of Ukraine entertained close connections with Poland, which had become an EU country in 2004. Moreover, Ukraine did not have many natural resources. Unlike Putin, Yanukovitch could not ride on a commodity bubble; Ukrainian industry needed export markets, and Russia and Belarus were far from sufficient. Consequently, Yanukovitch practiced a "multi-vector" foreign policy which included deals with the EU. In 2008, under Yanukovitch's predecessor Viktor Yushchenko, Ukraine had started negotiations with the EU about an association agreement, including a "Deep and Comprehensive Free-Trade Agreement". This would integrate Ukraine into European structures to quite some extent. Interestingly, when Yanukovitch re-gained power in 2010, he did not stop these negotiations.

In 2012, the Association Agreement could be initialed. However, the EU did not try to force or rush this through. On 10 December, for instance, the council of EU's Foreign ministers expressed its concerns that the latest parliamentary elections in Ukraine had "several shortcomings and constituted a deterioration in several areas". The EU expected Ukraine to install a "reliable electoral system" with clear rules for media access. The ministers re-iterated their "strong concern regarding the politically motivated convictions" (Council of the European Union, 2012). Signing the agreement was scheduled for the end of November 2013. However, several EU politicians made it explicit that there would be no agreement if Yuliya Timoshenko were not released.

On 21 November 2013, just a few days before the envisaged signing, Yanukovitch suddenly cancelled all further preparations for the agreement with the EU. Instead, Ukraine would join the Eurasian Economic Union. According to Yanukovich, favorable loans and a rebate on Russian gas deliveries made this option favorable. But as Arseniy Yatsenyuk, the parliamentary leader of Timoshenko's party, declared: "It is President Viktor Yanukovitch who

is personally blocking Ukraine's movement toward the European Union" (BBC News, 2013). It is not unlikely that his deal with Putin also included substantial personal favors. However, as everyone understood, joining the Eurasian Economic Union would have dramatic consequences for Ukraine's development, leading the country away from a European model and towards deeper dependence on Russia. Mass protests started immediately. At the end of November, 100.000 people demonstrated in Kiev, and in early December, 800.000 demonstrated in Kiev alone. Millions participated all over the country, and people were killed. Around 20 February, in Kiev alone, 88 people died within 48 hours; on video recordings, uniformed snipers could be seen shooting into the crowds (BBC News, 2014). Who gave the orders?

On 21 February, after mediation from France and Germany, Yanukovitch signed a power-sharing agreement with opposition leaders. The same night, he fled by helicopter to Russia. The Rada, the parliament, elected a transitional government by a constitutional majority, and on 25 May, Petro Poroshenko was elected president, receiving 55 percent of the votes. The OSCE and ODIHR declared the elections fair. Poroshenko even won a solid majority in eastern Ukraine, in the areas with many Russophone inhabitants (who nevertheless nowhere constituted a majority).

In response to the downfall of Yanukovitch, Russian troops occupied Crimea, and an insurgency began shortly afterwards in eastern Ukraine. As we know from numerous sources that were independent of each other (satellite photography, prisoners' statements, taped wireless communication, observations by OSCE observers and reports from media representatives on location), Russia supported the insurgency with special troops, volunteers, equipment, money and, finally, complete army units. The 28 heads of states and government of the EU were in no doubt when, on 30 August 2016, they unanimously condemned "the increasing inflows of fighters and weapons into the territory of the Eastern Ukraine as well as the aggression by Russian armed forces on Ukrainian soil". They called upon Russia "to immediately withdraw all its military assets and forces from Ukraine" (European Council, 2014).

In this way, Russia was able to "punish" Ukraine; the now mainly frozen conflict gives Russia the possibility to re-ignite the conflict at any time, thus increasing the "punishment". Russia gained Crimea and a fragment of Eastern Ukraine, but lost Ukraine. From being a country where Russia had substantial influence, it turned into an anti-Russian bulwark. Something similar had happened before in Georgia, where Russia had occupied the territories of Abkhasia and South Ossetia. Again, we might ask with Andrew Bennett: *Condemned to Repetition?*

On 16 September 2014, the Ukrainian Rada unanimously ratified the Association Agreement with the EU. At the parliamentary elections of 26 October, the parties supporting the pro-EU course gained 87 percent of the seats. Ukrainian right-wing extremists, who had figured so prominently in Russian accounts of the downfall of Yanukovitch, failed to gain any representation.

Constructing an EEU *en miniature*

The "defection" of Ukraine meant that the Eurasian Economic Union could not become a major geopolitical factor. In fact, its attractiveness was very limited. Besides the three founding members, only Armenia had joined when the Union was officially launched on 1 January 2015; Kyrgyzstan followed in May. The case of Armenia seems to be odd. It does not even have a common land border with other EEU members, and, as we saw above (Table 2), the EU has been a more important trade partner than Russia. Armenia had finalized an association agreement with the European Union, but withdrew at the last moment (Popescu, 2014: 23). As Vagram Ter-Matevosyan, a researcher at the National Academy of Science, explained: "Armenia was the first country where Russia applied the safety factor to keep it inside Moscow's zone of influence. The reason for joining the EAEC [i.e. EEU] lies in Armenia's traditional security problems and complex regional surroundings." (Eurasian Economic Union Observer, 2016: 17).

"The frequent violations of the ceasefire in the disputed region of Nagorno-Karabakh and on the Armenian-Azerbaijani border, coupled with Azerbaijan's increased military spending in excess of Armenia's national budget, have restricted our options" (Ibid.). These somewhat cryptic comments become understandable if one recalls that Armenia had occupied Nagorno-Karabakh, which had an Armenian population but was located inside Azerbaijan. In spring 2013, Russia increased its arms sales to Azerbaijan (Babayan, 2016: 14) and, as everyone understood, they could easily be further increased. In other words, when President Putin invited Armenia into the EEC, he was making an offer which the Armenians could not refuse.

Other factors which Ter-Matevosyan mentioned were gas price reductions from $270 per thousand cubic meters to $189, Gazprom's cancellation of a $93 million Armenian debt in exchange for its takeover of Armenia's gas industry, and the fact that 29 percent of the investors in Armenia were Armenian expatriates in Russia. The border to Turkey is still closed, and Armenia thus remains excluded from regional energy and communications projects.

After a delay, also Kyrgyzstan joined the EEU. As an observer put it, the Kyrgyz government "allowed a distinct lack of enthusiasm [to] slip into its public discourse" (Putz: 51). President Almazbek Atambayev declared in October 2014: "We are choosing the lesser of two evils. We have no other option" (Ibid). The presumably decisive factor was the Kyrgysz migrant population in Russia. As a minister declared at the beginning of 2016, over half a million Kyrgysz were working in Russia by then. This was an increase by 2 percent over the previous 6 months. However, remittances to Kyrgyzstan had fallen by 28 percent, mainly due to the Russian crisis. But as the Kyrgyz authorities underlined, remittances would have fallen even more had the country not joined the EEU. Neighboring Tajikistan was mentioned as an example (Ibid.).

Even in the cases of Belarus and Kazakhstan, the economic benefits are far from clear. For instance, Kazakhstan has no car factories. With the coming of the EEU, Kazakh customers pay more for Russian cars than they had previously paid for South Korean or Japanese vehicles. Officials often complained that Kazakhstan could not export oil or gas though Gazprom or Transneft pipelines. The Russian market for agricultural products has remained largely blocked due to sanitary regulations (inspired by Russian producers?). Belarus also faces many disadvantages, but has managed to extract up to $ 10 billion a year in implicit oil and gas subsidies from Russia (Åslund, 2016).

In 2014, Tajikistan was often mentioned as a future member of the EEU, but the country has not yet acceded. Accession would also be difficult to understand, given a trade structure in which only 14% of the exchanges are with Russia, whereas China stands for 36% and Turkey for 10% (see Table 2 above). All in all, the EEU started in a far more modest way than Putin had envisaged in 2013. Instead of 12 post-Soviet Republics, only five joined. Georgia, Moldova and Ukraine signed association treaties with the EU instead.

Azerbaijan, Tajikistan, Turkmenistan and Uzbekistan (the most populous of the Central Asian Republics), stayed outside, and were now separated by a tariff wall from Russia. When it came to these republics, Putin's policy has been extremely counterproductive, strongly accelerating centrifugal tendencies in the post-Soviet space.

A "Bumpy" Start

The preparations for the EEU seem to have been rushed through. Actually, in an *essai* to spread optimism about the project, Alexander Stadnik pointed out: "Surely, not all mechanisms of cooperation between the states have been adjusted. The large-scale work on synchronizing the

legislative framework, standardizing technical requirements and eradicating the barriers to external trade among member states is in progress" (Stadnik, 2016: 31). Basic decision-making rules are not clear (see below), nor are there adequate dispute-settlement mechanisms. Relations among the members are far from unproblematic, even among the three "pioneers" of the EEU. As Popescu observed, "there is a fundamental sense of unease with the fact that Russia did not hesitate to use military force to change the borders of a former Soviet state …" (Popescu, 2014: 30). Belarus and Kazakhstan in particular tread a tightrope in their relations with Russia. This became apparent, for instance, when they de facto accepted the annexation of Crimea by Russia and its inclusion in the EEU. On the other hand, both distanced themselves from Russian policies on Ukraine and recognized Poroshenko's election within days. Additionally, both resisted EEU trade sanctions against Ukraine and Moldova when these signed agreements with the EU. Belarus and Kazakhstan also refused to follow when, in August 2014, Russia introduced counter sanctions against the EU, in particular affecting agricultural products. Once again, it seems that the Russian leadership had taken decisions unilaterally, erroneously expecting other EEU members to follow suit. In Russia, jokes began to circulate that landlocked Belarus would soon become a supplier of smoked salmon and parmesan cheese to Russia. In fact, Belarus has already supplied lemons, bananas and cuttlefish to Russia, as well as Moldovan wine and Georgian mineral water, all products which officially are banned from the Russian market (Ibid.: 31).

In Kazakhstan, many fear that North Kazakhstan with its many Russophone inhabitants may suffer the same fate as Crimea. Shortly after the annexation of Crimea, Kazakhstan introduced new legislation prohibiting separatist activities, punishable now by ten years in prison (Ibid.: 32f.).

As to economic questions, the EEU also had a difficult start. The opening of common markets in oil, gas, electricity and finance has been postponed until 2025; presumably the Russian leadership prefers not be bound by common rules in these strategic sectors (Boguslavska, 2015). However, some progress has been made regarding a common labor market; for instance, some education diplomas became mutually recognized and common rules on income tax were introduced. On the other hand, Russia's economic downturn as a result of a home-grown recession, falling hydrocarbon prices and the Western sanctions has reduced the demand for foreign labor. During the first three months of 2015, internal trade among the EEU members (Kyrgyzstan not yet among them) declined by 36% compared to the year before. In any case, internal trade figures were already unimpressive; in 2012 and 2013, trade among the

founding members accounted for only 12 percent of their total trade, and the figure was 11 percent in 2014.

In December 2014, the Russian authorities declared that Belorussian meat and dairy products contained antibiotics, salmonella and listeria and introduced an import ban. They also accused Belarus of repackaging Western goods which were subject to Russian sanctions; officially these goods were to be sent on to Kazakhstan, but they ended up in Russia nevertheless. Belarus responded by intensifying customs controls of Russian vehicles, legitimizing the move as intended to prevent smuggling. In February, Russia allowed the import of beef from seven Belarussian enterprises to resume, but two other companies remained banned. The Russian authorities also found bacteria in salted salmon and banned imports, while meat from five enterprises in Kyrgyzstan was also banned. In March, Kazakhstan and Russia banned each other's meat because it did not meet veterinary standards. Kazakh restrictions were reportedly due to the falling ruble, which had given Russian producers an advantage (Ibid.).

Industrial products were also affected. On 5 March, to counter a "surplus of Russian oil products" caused by the weakened ruble, Kazakhstan blocked fuel, gas and hydrocarbon products such as distillates and kerosene. Belarus adopted similar measures and refused to supply oil products to Russia, despite previous agreements. Minsk withdrew when the ruble prices fell under the levels on other export markets. Russian media and the blogosphere were filled with anti-Belarussian comments, while Lukashenko mentioned the possibility of leaving the EEU and normalizing relations with the EU and the US. Nazarbayev also mentioned leaving after the ultra-nationalist politician Vladimir Zhirinovsky had remarked that Russia should address alleged anti-Russian sentiments in Kazakhstan (Ibid.).

EEU officials repeatedly denied that the union should be a closed club. They pointed out many initiatives for increasing cooperation with the outer world. However, some partners outside are seemingly more welcome that others. On the one hand, for instance, in May 2015, the EEU signed a free-trade agreement with Russia's old ally Vietnam, which, according to Stadkin, might lift mutual trade from a level of $4 billion to $10 billion by 2020. As for Russia's big neighbor to the south, however, Stadkin states (Stadkin, 2016: 342):

> Russian and Chinese leaders discussed the opportunities of cooperation between the Eurasian Economic Union and China during a meeting in Moscow on May 8, 2015. The joint communiqué of Vladimir Putin and Xi Jinping says that Eurasian integration and the Silk Road Economic Belt could be correlated. It means there is a possibility for a higher level of cooperation – a common economic area for all of Eurasia.

Nothing was communicated about how and indeed whether this "possibility" should be exploited.

About one year later, there had still been little progress. A possible agreement on trade and economic cooperation was discussed in September 2016 at a meeting of ministers and experts organized by the Eurasian Economic Commission (the central administrative body of the EEU). It was reported that "the ministers stressed that there is a great deal of work to be done at the preparation stage of the draft agreement and in negotiating positions in the interests of the Member States of the Union which includes revising existing and planned projects and agreements with China, implemented by the Member States on a bilateral and multilateral basis." An expert group, led by former Kyrgyz Prime minister Djoomart Otorbaev, presented a joint report under the telling title: "The Eurasian Economic Union and Silk Road Economic Belt: Illusion and Reality" (Eurasian Economic Commission, 2016).

In mid-May 2017, President Putin participated in the huge OBOR summit in Beijing, together with 19 other heads of states and representatives from approximately 40 other countries. Xi Jinping declared: "What we hope to create is a big family of harmonious co-existence" (Huang, 2017). None the less, nothing was said about whether China and the EEU/Russia had agreed on lowering trade barriers.

The new tariff barriers in the wake of the EEU have had an unavoidable impact on Chinese transactions in the region. A conspicuous example is provided by the Dordoi Bazar in Kyrgyzstan (Alff). It was founded in December 1991 at the northern edge of Bishkek and started as a rather simple market where it was mainly products for daily use that were traded. Canteens, currency-exchange shops and banks opened too. In 1998, the simple stands were gradually replaced by containers combining storage and sales facilities and stacked upon each other in two storeys. In 2010, there were about 10.000-15.000 double containers and approximately 30.000-40.000 traders and their employees worked at the Dordoi Bazar. The goods came from many places and went to many places. Tariffs were not a major problem. The main items were consumption goods from Urumchi, capital of the Chinese province Xingjiang, which were transported to Kyrgyzstan on lorries and re-exported from there to the neighboring states and to Russia. The hub also attracted new manufacturing. Entrepreneurs imported Chinese textiles and used them to make clothes; the demand for products with the "Made in Kyrgyzstan" label was high in the post-Soviet space. Small sewing stations developed into factories with hundreds of workers. By 2010, textile producers in Kyrgyzstan employed up to 150.000 people, tens of

thousands of buyers came to Dordoi every day, and the World Bank quantified the turnover per month as about 330 million dollars – an astronomic sum for poor Kyrgyzstan.

In 2010, however, violent unrest in southern Kyrgyzstan closed the border to Kazakhstan for many weeks. Even more consequential was the customs union between Belarus, Kazakhstan and Russia. Tariffs and fees rose, and the border control became much more efficient. Customers from Russia and Kazakhstan stopped coming. Accession to the EEU was presented to Kyrgyzstan as the solution, but technical standards in the EEU burdened Kyrgyz exports, and a high customs barrier to China was introduced. In addition, the ruble devaluation hit Kyrgyz exports, especially textile products. All in all, the prices of products from China rose five-fold. At the time of writing, it is unclear whether the Dordoi bazar can have more than local importance in the future. Chinese investments in Kyrgyz manufacturing might bring some relief; production sites such as the cable factory in Kaidinskij or the sugar plant in Belowod have been mentioned (Peyrouse, 2015).

The new tariffs have negatively affected Chinese transactions with the region, but they have not impeded Chinese investment. As Raffaello Pantucci puts it (Pantucci, 2016):

> Indicators of China's influence [in Central Asia, W.Z.] are plentiful. Markets are full of Chinese products, infrastructure is heavily built by Chinese firms with Chinese loans, leadership visits – either Chinese to the region or regional to China – are followed by announcements of massive deals being signed, and increasingly China is playing a more prominent role in regional security questions. Even so, China remains a hesitant regional actor, and it is keen to continue casting itself as subordinate to Russia.

The growing Chinese presence is not always viewed as unproblematic. In Tajikistan and Kazakhstan, for instance, protest erupted against Chinese leasing of land (Ibid.).

Russia seems to tolerate a growing Chinese presence, as long as China does not try to establish special treaty-based connections. However, it is precisely the absence of more elaborate common agreements that will act as a restraint on the wider ambitions associated with the OBOR-initiative. Detailed treaties such as the association agreements between the EU and Georgia, Moldova and Ukraine are needed in order to achieve these ambitions. An example is provided by the substantial progress which has been achieved in integrating Ukraine in the EU gas market. Now gas can flow freely from the EU to Ukraine because sufficient capacities at "reverse flows" have been created; previously gas (from Russia) could only flow from Ukraine to the EU. The system was very opaque before the agreement with the EU, with varying prices allowing massive arbitrage gains for well-connected people; it has since been unified. Prices

now cover costs, saving several percent of the GDP in state subsidies. Local production has become profitable again. This has also created strong incentives to economize the use of gas. Russian imports are no longer indispensable (Zachmann, 2016). This is the "deep integration", of which the Chinese ministries also spoke but which is not yet on the horizon in Central Asia or within the EEU.

Putin entertained ideas about transforming the CIS into a "geopolitical zone": it is now more fragmented than ever.

Conclusions

China's OBOR-Initiative has focused on increasing connectivity and transactions. One branch of OBOR is supposed to go through the post-Soviet space, but Russia's policy has been to prevent ties and transactions between countries in its *Near Abroad* and the rest of the world.

Russia has intervened repeatedly in countries belonging to the so-called Commonwealth of Independent States (CIS), thus demonstratively underlining its demand for exclusive influence. In terms of regional integration, however, the CIS has not been a success. The institutionalization of a common space has remained weak, and tendencies towards economic centrifugalism have been strong. Integration in the CIS has been hampered by structural factors such as low levels of administrative capabilities, but more decisively by a widespread fear of Russia.

In contrast, the EU has become densely integrated. Western Europe and North America have become one big security community where the theory of "realism" has become irrelevant. This community has "expanded" into Eastern Europe, including the Baltic Republics. Moreover, with the launch of the European Neighborhood Policy in 2004, the EU explicitly offered "deep integration" to other former Soviet Republics. As the Eastern Enlargement and events in Ukraine in 2014 have shown, the EU exerts a strong influence through "soft power" and "power of attraction" on some of its eastern neighbors; Russia, by way of contrast, lacks soft power influence, except perhaps when it comes to parts of the Russophone populations.

The launch of the Eurasian Economic Union (EEU) was an attempt to shore up the post-Soviet states against "incursions" from the outside. It has never been stated explicitly, but the logic of this enterprise has been working as much against China as against the EU. In practical terms, the EEU has achieved tighter integration than the CIS, but it has remained a shadow of its first designs. Only five countries signed up, while Ukraine, Georgia and Moldova became

associated with the EU. In addition, Azerbaijan, Tajikistan, Turkmenistan and Uzbekistan remained outside the EEU, and they are the most populous republics in Central Asia.

The extension of high Russian tariffs to the other members of the EEU has had the intended effect of reducing transactions with the outer world, but this makes poor economic sense. Small wonder that Russia has had to use various forms of pressure to make countries such as Armenia or Kyrgyzstan join the union.

Chinese interests have been impacted by the new tariffs, but they could not stop the growing Chinese presence in the region. Russia seems to accept this, at least as long as cooperation is not based on treaties of "deep integration". This implies, however, that the cooperation created by OBOR projects will remain relatively shallow.

The EEU seems to be a rather unstable construction with unclear basic rules of decision-making, with many disputes and with numerous "punitive" measures between member states. A free-trade agreement with China would make the EEU into an OBOR-compatible entity, but it does not seem to be a realistic prospect in the near future. In any case, it does not seem realistic to expect the EEU to survive for long "in reality", at least not in its present form.

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