



ST ANTONY'S INTERNATIONAL REVIEW

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LETTER FROM OUR MANAGING EDITOR

Oxford, December 2022

Dear readers,

From the day the call for applications for the present issue was launched to the moment of writing this introduction a lot has changed in the world. The Russian invasion of Ukraine has shaken up the entire European continent by awakening memories of what we presumed to be a bygone chapter in European history. Especially following the illegal annexation of four of Ukraine's regions, the situation in Ukraine has resulted in fears of a protracted conflict, along with concerns over the escalation of the war, such as via the use of tactical nuclear weapons.

For many of us, the war in Ukraine has been personal, with friends, family, and loved ones suffering one way or the other from the immediate or indirect consequences of the war. In addition, we have all been inundated by the horrific images of injured and dead civilians, including children. I am certain that our readers will join the STAIR team in condemning the invasion and extending our thoughts and prayers to all affected individuals, but especially the people of Ukraine, in these difficult moments.

Concurrently, the situation in Ukraine threatens to escalate into a European energy crisis, at a time when most European nations are battling with inflation and a looming recession. This is not to mention the resurgent attitude for violent conflict from other authoritarian leaders, such as Azerbaijan's Aliyev and Turkey's Erdogan.

It is precisely in these times that international affairs debate is necessary. It is now the time to decide what future we wish to carve for future generations, and the means to achieve it. Amongst the pressing questions that need to be addressed, we must ask ourselves: how should we handle Russia and to what extent do we benefit from isolating Russia from the West? What is the role of China in a changing world? You will find reflections on those questions in this issue, and, surely, the ones to follow. Most critically, we ask you to join STAIR in thinking and deliberating on these pressing issues.

With that, I wanted to take a moment to highlight that this issue marks a turning point in STAIR's history for more than a single reason. Firstly, it constitutes the last issue of STAIR under the custodianship of the Centre for International Studies (CIS), as the Centre's functions, including STAIR, will now fall directly under the Department of Politics and International Relations (DPIR). We are grateful to the Centre's Director, Professor Andrea Ruggeri, for his steadfast support during his tenure, and for helping this journal and community realise its potential. Equally, we are welcoming the change, and are looking forward to seeing STAIR thrive under the new arrangements.

Secondly, this year has marked one of the most significant expansions in STAIR's Editorial Board and activities. Our team has grown to no less than 32 members, across three working groups. We have incorporated bright young scholars from around Oxford's colleges – from Wolfson to University College – and from across disciplines – from Comparative Social Policy to Contemporary Chinese Studies. Without these individuals, STAIR would not have been able to realise its ambitions, and it would certainly not have had allowed my tenure as Managing Editor to be as pleasant as it has been. In addition, this year has seen our finances run an even greater surplus, which coincides with an increase in inflows. I am most grateful, to this end, to

the Antonian Fund of St Antony's College and the College's GCR, with special thanks to Mees Wielinga.

Most critically, STAIR has risen to the challenge of keeping our community informed and critically seized of important contemporary developments. This has entailed debating such issues with leading stakeholders. We were overjoyed to have welcomed, along with Oxford's European Studies Centre, His Excellency, the Prime Minister of Montenegro, Professor Zdravko Krivokapić. We are grateful to the Prime Minister for sharing his wisdom on what it takes to shape up the establishment of a 'limited access order', to paraphrase Douglass North, and for reflecting on his tenure in office. We are further delighted to have welcomed a series of distinguished speakers to discuss China's changing role in the global community. This has included the Representative of Taipei, Ambassador Hsieh, the First Minister of the Chinese Embassy, Mr Yang Xiaoguang, Sir Geoffrey Clifton-Brown MP FRICS, and Ambassador Kurt Tong. I further extend my gratitude to the academics, who contributed their thought-provoking insight and research to these debates. These include Professor Todd Hall (Director, Oxford's China Centre), Dr Ben Noble (UCL SSEES), Dr Olga Podberezkina (MGU), Dr Dimitar Bechev (OSGA), Dr Michael Taylor (Oxford Analytica), Professor Neil McFarlane (DPIR), Professor Ryan Haas (Brookings), and Professor Rana Mitter (Oxford History).

This issue in itself reflects another success, since we have received a record number of submissions from across the world. We are grateful and flattered for the interest senior and upcoming scholars have shown toward STAIR. I hope you will enjoy reading this issue as much as we have enjoyed putting it together.

This issue, like STAIR's overall work, rest on the shoulders of a most competent team, to which I am deeply grateful. I am extremely grateful to my Deputy Managing Editors, Marios Charilaou (OSGA/Wolfson), Aleksandra Kosela (DPIR/New College), Virginia Nizza (DPIR/Balliol), and our Senior Advisor, Miri Pittalis (OSGA/St Antony's). I feel obliged to thank Marios' team, who compiled this issue. My gratitude goes to Alejandro Posada Tellez, Rachel Ann, Qiuyi Xie, Isabelle Nappier, Andrea Moncada, May Line Tuv, Bonnie Lao, Christopher Pieper, Tanya Kekic, Yuhan Hu, Mathias Gjesdal Hammer, Kristy Bryant, Arunima Cheruvathoor, Constantinos Panayiotou and Bianca Bucoroiu.

I am further particularly grateful to Jason Chau and Bianca Bucoroiu for their invaluable support and initiative in putting many of our events together. Our success in putting world-class events together necessitated the support of our events and public relations team, which I also thank. These are Sara Frumento, Jeanne Nougue, Sophia Anders, Amalie Broner, Maddy Copley, and Taylor Hendrickson.

My particular gratitude also goes to Anastasiia Rudkovska, whose contribution has been integral in several events, even though her affiliation does not (yet) lie with the University of Oxford. I am delighted to see STAIR become embraced beyond our immediate community.

I would like to conclude by offering a brief introduction into the present issue. The General Section covers several of the world's most pressing current issues. The effects of climate change are discussed in two entries. Nareg Kuyumijian offers insight into hydropolitics and hydrohegemony in the Kura-Araks River Basin in South Caucasus, in the face of increasing water shortage. The second entry, by Munene Mugambi, critically appraises the trade-offs between meeting climate objectives and preserving the heritage and resources of indigenous minority communities in Kenya. The COVID-19 pandemic's effects are appraised, with Noah Yosif considering the differential capacity for offering fiscal stimuli between high- and low-income countries, and the implications this maintains in mitigating adversities. The last article entry pertains to the East Mediterranean, with Dr Constantinos Adamides arguing that energy

developments have not only brought ‘silent’ partnerships to the forefront but have also exacerbated hostile bilateral relations between certain states. We are further grateful to Ambassador Michalis Stavrinos for explicating the international law dimension of Ukraine’s invasion.

Yours Sincerely,

The Managing Editor,

George Hajipavli (OSGA/University College)

THEME SECTION: The Rise of China

Let's Talk About How We Talk About China

Editorial Introduction by Prof Todd Hall, Director, University of Oxford China Centre

Once upon a time in Europe and North America, not too long ago, many people talked about the People's Republic of China (PRC) as if it were far, far away. Now, however, it is difficult to talk about any major topic—technology, the pandemic, the environment, investment, higher education, and more—and not also be talking about the PRC. The PRC as a country is no longer just somewhere over there, it appears here, there, and virtually everywhere, and its influence in one way or another touches upon the daily lives of many across the globe.

Here in the UK, as this reality has dawned, so too has the recognition that there is a greater need for knowledge about China. The UK Integrated Review explicitly stated that the UK “will invest in enhanced China-facing capabilities” to “develop a better understanding of China and its people.”¹ Certainly, a more informed debate is only to be welcomed. But information alone does not determine the quality of a debate, so too do the stories we tell ourselves. Stories help us make sense of what matters, where things are headed, and what is possible or likely.

At present, two stories exert an extraordinary gravitational pull upon discussions of the PRC, warping how it is perceived. The first can be called the “imminent fall” story, and it is one that views the PRC as a fragile state ever at risk of upheaval. The second is the “inevitable rise” story, and in contrast, this story describes the PRC as on an upward trajectory ever nearing its goal of replacing the United States as a new global hegemon.

In what follows, I outline these stories and highlight their problems. Despite their relative popularity, the argument of this paper is that these stories together constitute the two most unlikely extremes. The reality is more likely to be found in the messy, muddled middle. This is possibly the most difficult to imagine, because it is both less dramatic and suggests a reality that is different from the salient points of reference many of us have from our lifetimes or even the more recent past.

The Imminent Fall

Over a period of a few years, starting in 1989, we observed not only the end of the Cold War but also the collapse of various Communist-led regimes across Eastern Europe and the subsequent dissolution of the Soviet Union itself. As Gunitsky has documented, this set off a wave of democratisation,² and famously led some to declare an end of history with liberalism as its victor.³ Despite this apparent triumph, there were a few tenacious holdouts, and most prominent among them was the People's Republic of China.

After prolonged internal debates over how to deal with ongoing domestic protests and calls for reform—most prominently those centred in Tiananmen Square in Beijing—the regime decided to crackdown violently and retrench.⁴ The PRC—which had previously appeared to be opening economically, socially, and politically—now stood in stark contrast to those states like East Germany that chose to yield to democratic pressures rather than continue clinging to power by giving the orders to shoot. The image of the PRC with which many outside observers were left

—particularly in Europe and North America—was one of an oppressive regime attempting to hold back the democratic desires of its people and the general path of progress.⁵ As U.S. President Clinton would later assert in the presence of his Chinese counterpart, Jiang Zemin, China was “on the wrong side of history.”⁶

Clinton was here echoing earlier U.S. pronouncements heralding the inevitability of democratic transition. U.S. President Ronald Reagan had declared, fifteen years earlier, that:

“The march of freedom and democracy which will leave Marxism-Leninism on the ash-heap of history as it has left other tyrannies which stifle the freedom and muzzle the self-expression of the people.”⁷

Underpinning this were arguably two sets of convictions. The first concern is what Herbert Butterfield famously described as the “Whig interpretation of history,” in which history takes the form of “friends and enemies of progress” and history is itself organised into an “unfolding principle of progress.”⁸ The second set involves a belief that there exists an inherent human desire for liberal freedom and democratic governance that will eventually overcome any efforts at suppression.

The problem for this approach to history, however, has been the ongoing persistence of the PRC. But if one is not to abandon these convictions, then it must be the case that the PRC is living on borrowed time. So, for this account, how is it possible the PRC has escaped death? The answer is that the Chinese Communist Party—lacking a democratically bestowed mandate—is only able to remain on life support through a combination of performance legitimacy and suppression. On the one hand, it maintains popular support by catering to the material interests and nationalism of its public. On the other, it deals with dissent through censorship, intimidation, and arrests. Put more simply, it keeps its population on side by delivering the goods while striking hard against the small minority willing to challenge it. Consequently, proponents of this view believe the CCP to be highly susceptible to shocks that would shatter its appearance of performance legitimacy and lead to a popular outcry too large to quell. Therefore, they are consistently on the lookout for major economic or social disruptions, environmental crises, or failures to advance nationalist causes that may erode domestic support and generate unrest too large for the party to handle. Very recently, the PRC’s policies for containing COVID-19—and the resentment and frustration these have elicited—have become a focus of such commentary. In this view, it is a regime on the brink, and it might just be the next adverse gust—a financial crisis, growing demographic or environmental pressures, or an outburst of middle-class discontent and protest—that will push it over the threshold.

In short, the ‘imminent fall’ discourse views the People’s Republic as having cheated fate at the end of the Cold War, but still tottering on the edge of the abyss which swallowed East Germany, Romania, the USSR, and others. Advocates of this view are constantly scanning the horizon for that thing that will push it over that threshold—a financial crisis, demographic or environmental pressures, middle-class discontent. At the time of this writing, excited punditry has looked to the flare-up of protests in a number of cities against COVID-19 controls as harbingers of potential regime instability. China may have eluded history, but history will catch up with it, and Beijing’s fixation with control is but the symptom of a deep fragility that will eventually succumb to the pressures of progress and change.

The Inevitable Rise

At the opposite end of the spectrum is an equally powerful story, one which foretells the PRC ascending to global dominance. This story casts Beijing—often with a liberal dose of Orientalist mystification—as a unitary actor with a well-calculated, long-term strategy to exert global hegemony, impose its ancient values, and export an all-encompassing techno-authoritarian dystopia. This is a view that sees the PRC as very soon taking over as number one in many if not all categories—the economy, technology, military power, and more—and thus becoming the leading power that determines the rules of the new world order. In this view, Beijing has mastered a heretofore unseen mix of patience and cunning planning, massive resources, technological superiority, and lock-step discipline to spread authoritarianism with Chinese characteristics across the globe.

This is a discourse whose projections rely upon an extrapolation of existing trend lines in a linear—or close to linear—extension onwards into the future. Make no mistake, the growth of the PRC’s economy, especially since joining the World Trade Organisation in 2001, has been massive. For instance, in 2001 its GDP was little more than 30% of Japan’s; now, twenty years later, it is close to being three times the size of Japan’s. At the same time, the PRC’s GDP has gone from being slightly more than 12% of U.S. GDP to exceeding 70%. It is not difficult to imagine this progress extending further to a point where the PRC’s GDP surpasses that of the United States, and indeed many have.⁹ The PRC’s military spending has followed a similar trend, and now enjoys the dubious honour of ranking second only to the United States.¹⁰ Recent headlines have also touted how the PRC is making new breakthroughs in military technology such as hypersonic missiles¹¹, or already ‘winning’ in areas such as artificial intelligence.¹²

But growing material heft is only part of this story. As the PRC assumes the top global position in various rankings of capabilities and resources, this discourse posits that we will see ever more international actors tilting towards it and deferring to its vision of international order. This may be a consequence of economic dependency or out of fear of military coercion. It may be that the PRC’s model of governance is now seen to present the more successful route to prosperity. It may be because it simply can offer more to those that become its clients. Regardless, the cumulative result will be a “neo-tributary” system¹³ or a new “*Tiānxià*” (all under heaven) system in which “countries have relations of dependence, generosity, gratitude, respect and retribution... moving decisively away from Enlightenment ideals of transparency and public knowledge.”¹⁴

Indeed, it is important to note the putative cultural element of this discourse, as it provides a basis for asserting that with PRC domination will come the imposition of distinctly Chinese values. Such references to the tributary system, “*Tiānxià*”, or China as a civilisation-state are all forms of what Callahan has labelled “Sino-speak” - a form of essentializing, Orientalizing discourse about China. It is a rhetoric in which China is a civilizational other, and the most significant threat is to be located in the global imposition of that otherness. As Callahan observes, in the discourse of Sino-speak:

“The alternative to Western hegemony here is not a post-hegemonic international society that is more fluid and open, but a different form of hegemony that is centred on the dynamic relationship of civil and military values in China.”¹⁵

The PRC in this version is working to take the place of the United States and the West more generally, not just in terms of military and economic dominance, but in terms of supplying the basic values that underpin global order.

In all likelihood...

The problem is that these two stories not only constitute polar extremes; they also represent the two most implausible outcomes. For the first outcome to become reality, a complex chain of things would all need to go wrong for the regime; for the second to become reality, an incredible number of things would all need to go right for it. These outcomes are located at the outermost tails in a distribution of potential futures.

On the one hand, precisely because Beijing has witnessed the collapse of other illiberal states, it has sought to learn from and avoid their mistakes. The regime has long been on guard against the possibility of what it terms “peaceful evolution”, and PRC leader Xi Jinping, in particular, has explicitly drawn lessons from the Soviet collapse on what to avoid.¹⁶ The PRC has worked hard to ensure there exists virtually nothing in terms of viable organised internal opposition, that there is little question of military loyalty to the party, and that the party remains continually vigilant to the point of appearing paranoid. Of course, there will be internal discontent and China does face major economic, environmental and demographic challenges, not to mention the question of its Covid-19 policies. But we should be cautious in grasping at signs of internal discontent and difficulties—symptoms certainly not limited to China—as evidence that regime failure is around the corner. One should not reason analogically from examples—like those of Eastern Europe—where the state speed, capacity and will to intervene to quash domestic opposition were vastly different. Nor is it obvious that a vast majority of Chinese citizens would welcome outright regime failure,¹⁷ even if they are not particularly happy with all the policies of their government.¹⁸ The party-state has had decades to entrench itself and ensure there exists no organised alternative. And while academic debates do continue as to the exact nature of the regime’s resilience, as Nathan notes, one does not “see evidence that the system is in imminent danger.”¹⁹ To be clear, this is in no way, shape, or form an endorsement of the PRC’s model of governance. It is an assessment of the likely durability of the regime, not an ethical judgement concerning its methods.

On the other hand, neither should we assume that the trendlines for the PRC will simply continue in an upwardly linear fashion. Things will inevitably slow down as the PRC exhausts the potential of a development model built with cheap labour, heavy investment, and an infatuation with real estate. Internationally, as well, costs will mount, plans will encounter hitches, and the more Beijing seeks to extend its reach abroad, the more unruly actors, complicated situations, and unexpected obstacles it will face. We must remember, Beijing is new at being a global player; it is one thing to have plans and aspirations, quite another to get everyone else to go along with them or foresee how they will fare when confronted with reality. The larger Beijing’s international involvement grows, the more intense will also be the scrutiny it faces. What is more, the world is not one in which there is some throne reserved for the most powerful country, that once ascended, its inhabitant can assert its authority across the globe without being challenged. Even if the PRC does come to have the single largest economy and military, the United States and its allies will not simply disappear overnight. Beijing will still have to contend with an international landscape where Washington continues to play a significant role. In fact, within the PRC some scholars have discussed the potential strategic stalemate (战略相持) — a situation in which neither Beijing nor Washington can rid themselves of the other, and we see a period of protracted positional struggle.²⁰ And this does not take into account the numerous other consequential and potentially defiant players that will populate the international scene.²¹

In sum, both these discourses feature improbable futures. This does not mean they are impossible—history certainly teaches us that surprises do happen—but it does mean that they are highly unlikely. The truth, therefore, is more likely to lie in the messy, muddled middle.

The odds are that the China that has emerged in the past decades is going to be with us in some form or another for some time, as a major but not overwhelmingly dominant player in an increasingly complex and cluttered international scene. It will be a PRC that pursues its own way forward, putting its economic, technological, and military capabilities behind its own policies, perceived interests, and values. But Beijing will also inevitably face challenges and obstacles in the process, especially as it enters new realms and engages in unprecedented endeavours. We should therefore not only ask what China supposedly wants, looking at official plans or trying to read intentions from leadership rhetoric, but also what unintended consequences will emerge when it attempts to realise its aspirations. It is not going to be a simple world, even if one less dramatic than the extremes outlined above.

Notes

¹ Cabinet Office, "Global Britain in a Competitive Age: The Integrated Review of Security, Defence, Development and Foreign Policy," <https://www.gov.uk/government/publications/global-britain-in-a-competitive-age-the-integrated-review-of-security-defence-development-and-foreign-policy/global-britain-in-a-competitive-age-the-integrated-review-of-security-defence-development-and-foreign-policy>.

² Gunitsky, *Aftershocks: Great Powers and Domestic Reforms in the Twentieth Century*, Princeton Studies in International History and Politics (Princeton: Princeton University Press, 2017).

³ Fukuyama, *The End of History?* (1989).

⁴ Zhang, Nathan, and Link, *The Tiananmen Papers*, Paperback ed. (New York: PublicAffairs, 2002).

⁵ Chang, *The Coming Collapse of China* (London: Arrow, 2002).

⁶ Nelan, "What They Said in Private," *Time*, 10 November 1997.

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¹⁰ Office of the Secretary of Defense, "Military and Security Developments Involving the People's Republic of China," (Washington, DC: Department of Defense, 2021), 141-42.

¹¹ Stone, "U.S. In Hypersonic Weapon 'Arms Race' with China -Air Force Secretary," <https://www.reuters.com/business/aerospace-defense/us-hypersonic-weapon-arms-race-with-china-air-force-secretary-2021-11-30/>.

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¹³ Jacques, *When China Rules the World: The End of the Western World and the Birth of a New Global Order*, 2nd ed. (London: Penguin Books, 2012), 507.

¹⁴ Mações, *Belt and Road: A Chinese World Order* (London: Hurst & Company, 2020), 193.

¹⁵ Callahan, "Sino-Speak," *Journal of Asian Studies* (2014): 50.

¹⁶ Page, "China Spins New Lesson from Soviet Union's Fall," *Wall Street Journal*, <https://www.wsj.com/articles/china-spins-new-lesson-from-soviet-union8217s-fall-1386732800>.

¹⁷ Cunningham, Saich, and Turiel, "Understanding Ccp Resilience: Surveying Chinese Public Opinion through Time," Ash Center for Democratic Governance and Innovation., https://ash.harvard.edu/files/ash/files/final_policy_brief_7.6.2020.pdf.

¹⁸ Mazzocco and Kennedy, "Public Opinion in China: A Liberal Silent Majority?" *Big Data, Center for Strategic and International Studies*, <https://www.csis.org/features/public-opinion-china-liberal-silent-majority>

¹⁹ Fewsmith and Nathan, "Authoritarian Resilience Revisited: Joseph Fewsmith with Response from Andrew J. Nathan," *Journal of Contemporary China* 28, no. 116 (2019): 179.

²⁰ Zhōng měi guānxì kè tí zǔ, "'Xiàndài Yuàn Bàogào': Xiānghù Zūnzhòng, Píngděng Hùlì, Héping Gòngchǔ—Zài Fùzá Xíng Zhōng Tàn suǒ Zhōng Měi Guānxì Xīn Kuàngjià," Zhōngguó xiàndài guójì guānxì yán jiù yuàn, <http://www.cicir.ac.cn/NEW/opinion.html?id=87fd9211-4b89-41f7-9443-054d97718f37>.

²¹ Patey, *How China Loses: The Pushback against Chinese Global Ambitions* (Oxford University Press, USA, 2021).

Central-Provincial Relations in China: A COVID-19 Policy Perspective

Bowen Han (MPhil Candidate, DPIR, University of Oxford)

Abstract

This article examines the power dynamic between central and provincial government in China in the context of the public health crisis COVID-19. Public health institutions and policies in the first four months of the COVID-19 pandemic (January to April 2020) are examined on national and provincial levels. Thirty-one provincial level units including municipalities, provinces and autonomous regions are analysed from Jan 23rd, when the nationwide emergency mobilization was enacted, to Apr 27th, when the last schools outside of epicentre Hubei province were reopened. Contrary to conventional wisdom, the study found that the Party's decentralization of decision-making power is flexible and pragmatic. China adopted a strategy of centrally coordinated response in the first weeks, and decentralized decision-making later as the first wave was mitigated. The Communist Party of China was able to centralize power when deemed necessary and was willing to decentralize when deemed helpful. The effective control of power during crises is achieved through cross-ministry institutions including the Central Coronavirus Response Team and the Joint Prevention and Control Mechanism.

Keywords

Central-provincial relations, China, COVID-19, crisis response, decentralization, institutions, public health, one-party systems

Introduction

Central-provincial power dynamic in China has been a topic of debate. China is officially a unitary socialist state run by the China Communist Party. Nominally, regional branches of the Chinese government answer to the central government. However, power struggles between the provinces and the central government are not uncommon. Since the 1978 reforms, the central government delegated much power to the regional branches.¹ Growing regional power had since increasingly thwarted central authority to the extent that by the early 1990s, the central government had to borrow money from the richer provinces to stay in session.¹ Central decision-making power was greatly undermined. In response, in November 1993 at the Third Plenum of the Fourteenth Party Central Committee, the System of Tax Division (*fenshuizhi*) was announced. As a result, the central share of budgetary revenue rose from 22% in 1993 to more than 50% in 1994. As the local share of revenue rapidly declined, the local share of expenditure increased.² Therefore, local governments had to rely on the central government's transfer payments for budgets. The fiscal power dynamic was reversed. As the fiscal reforms were being carried out, debates began to emerge in the literature on the extent and effect of China's power decentralization.

The Debate on Decentralization

Scholars have differing opinions on the extent of power decentralization in China and on its impact on Chinese politics. There are three main opinions: (i) that decentralization has severely damaged central authority; (ii) that decentralization hadn't really occurred, and the central government retained real power; and (iii) that decentralization had happened, but it did not severely damage central authority.

“Independent Dukedoms”

Scholars including Shen Liren and Dai Yuanchen argued that the excessive political and fiscal decentralization had essentially transferred provinces into de facto independent dukedoms.³ The central government was not able to enforce its policies anymore. Their opinion was echoed by Wang and Hu, who argued that the central government of China had become one of the weakest governments in the world.⁴ Segal further argued that China chose a bad time to enact its decentralization when international pressure was increasing.⁵ He believed that real power in China had devolved to the local level, and Beijing had become helpless to assert control.

Several scholars that believed decentralization was excessive also argued that the weakening of central authority would lead to a government collapse in China. Such is the argument for Wang and Hu as they believed that Deng’s decentralization was leading toward collapse.⁶ Others like Goldstone claimed that collapse could happen after Deng’s death.⁷ Goldstone believed that the reforms have caused too much pressure in the political system and that economic growth would not be sufficient to ease the conflict between the central regime and the local people.

No Effective Decentralization

In rebuttal to the argument of Wang and Hu, Yang Dali argued that even during the height of decentralization before the 1994 reforms, the central government was still powerful enough to control the provinces.⁸ Yang’s opinion is echoed by Huang Yasheng, who believed that the central government is still able to bring the provinces under control should it wish to. Huang argued against the prediction of a Chinese collapse, pointing out that central economic control over regions is still substantial.^{9, 10}

Cooperative Decentralization

In a middle ground between the previous two opinions, some argued that decentralization had happened in China, but it did not severely weaken central authority.

Linda Chelan Li introduced the notion that decentralization in China should not be considered as a zero-sum game.¹¹ Li argued that power decentralization is instead a form of fundamental mutual interdependence between the centre and the provinces. Decentralization of power does not necessarily weaken the centre. If carried out correctly, it could strengthen state capacity, benefiting both the centre and the local branches.

In a similar position, Lam argued that both central control and provincial autonomy has increased in China.¹² While this argument may appear as contradictory, Lam explained that effective control from the centre had provided the required conditions for provincial autonomy to exist, strengthening both central and local governments. In hindsight, the predicted collapse of China did not happen, but all three arguments remain valid. The question of the extent and effect of decentralization remains. To examine the status of decentralization in contemporary China, this study will focus on whether local or central governments had decision-making power for policy responses during the COVID-19 pandemic.

Development of China’s Public Health System

To examine the crisis response policies during COVID-19, we must first look at the development and status of China’s public health system before and during the crisis.

Mao to Early Deng Era

After the conclusion of decade-long civil wars, the People’s Republic of China was established amidst the ruins of warfare in 1949. Under the ideologically-driven Mao administration, a

communist public healthcare system was established using public funds. The system was centralized, as decisions came from the central authorities and prices were controlled by the central government. The system relied on preventive care, sometimes from non-professional providers referred to as ‘barefoot doctors’.¹³ Despite the many difficulties in place, including among other lack of adequate professional training and availability of modern equipment; the Chinese public health system made several progresses under Mao. From 1949 to 1973, infant mortality decreased from 200 per 1,000 live births to 47 per 1,000 births, life expectancy increased from 35 years to 65 years, smallpox was eradicated, and incidences of tuberculosis dramatically decreased.¹⁴ The Chinese public healthcare model was in fact evaluated as an effective option worthy of adoption by other developing countries.¹⁵

During the early Reform and Opening up era, China’s state priority shifted to economic development. The Mao administration healthcare model was to be replaced by a market-driven, more professional system. In early 1980s, the Mao-era model appeared as dysfunctional, while a more effective system was yet to be built.¹⁶ China’s healthcare services were still in this transitional phase when the SARS outbreak occurred in 2003.

The SARS Pandemic

The WHO evaluated China’s initial response to the SARS pandemic as a failure while, its overall response was seen as effective as the state pivoted resources toward crisis control¹⁶.

Before the SARS pandemic, little priority was given to public health crises. It did not help that, despite being under the de jure control of the Central Health Ministry, local healthcare institutions received their funding mainly from local governments and patient payments¹⁶. The central government could not effectively enforce its will, nor did local hospitals have much incentive to comply with regulations devised by the central authorities. It can be therefore argued that the lack of centralization compromised early efforts to mobilize the country against the pandemic.

The situation changed in mid-April 2003 when the State pivoted priority to combating the SARS pandemic. Bureaucracies were mobilized, and resources were massively redirected to pandemic treatment. 3.5 billion RMB was budgeted for public health emergencies, of which 600 million were allocated to construct the Chinese national Center of Disease Control (CDC). An additional 1.3 billion RMB was committed to a SARS fund, and 2 billion was directed towards providing free treatment for residents and floating populations.¹⁶ On June 4th 2003, the pandemic was considered over with as no new cases were reported for two incubation periods.

Post-SARS Institutional and Legal Development

After the SARS pandemic, Mayor of Beijing Wen Xueyong and Health Minister Zhang Wenkang were removed from office. Under the new Health Minister Ms. Wu Yi, a new line of command was established, with regional CDC, regional Health Departments and regional hospitals answering to upper-level Health Departments under the national Ministry of Health.¹⁶ The National Protocol for Public Health Crisis Emergency Response was ratified and put into action in February 2006 and Regulation on Public Health Crisis Emergency Response in March 2008. These two pieces of legislation would later prove to be essential for healthcare crisis management as they served as guidelines to crisis response during the 2020 COVID-19 pandemic.

COVID-19

The Chinese Ministry of Health is the central executive agency responsible for public health emergencies. It was reformed into the National Health and Family Planning Commission in 2013, and further reformed into the National Health Commission (NHC) in 2018. The Chinese

Center of Disease Control (CDC) reports to the NHC. Both CDC and NHC have regional branches that answer to the upper-level branches. The cross-level structure of these two institutions provided the institutional basis for centrally mandating policies.

The National Protocol for Public Health Crisis Emergency Response (referred to as the Protocol hereafter) classifies public health incidents into four levels: Extremely Severe (*Tebie Zhongda*, Class A), Severe (*Zhongda*, Class B), Moderate (*Jiaoda*, Class C) and Mild (*Yiban*, Class D). County-level, city-level and province-level governments can make the decision to declare a pandemic as a crisis of a certain level and respond accordingly¹⁷. It is important to note that in the Protocol, response to Class A emergencies was designated to be organized and coordinated by the national government, while lower-level emergencies are supposed to be treated by regional governments. The Protocol therefore allowed for some level of provincial autonomy in the response to the COVID-19 pandemic.

According to the Protocol, the State Council shall establish emergency commands for the response to public health emergencies. As a result of this provision, two new institutions were formed amidst the COVID-19 pandemic. The Central Coronavirus Response Team (*Zhongyang Yingdui Yiqing Gongzuo Lingdao Xiaozu*, CCRT) was established on Jan. 25th as the central decision-making institution for the government's response to the COVID-19 pandemic. It is headed by Premier Li Keqiang and its members include the Director of Central Policy Research Office Wang Huning and the Vice Premier in charge of public health Sun Chunlan. The Joint Prevention and Control Mechanism of the State Council was established by 32 agencies headed by the NHC as a policy coordination platform. Similar coordination mechanics were established on regional levels.¹⁸ During the COVID-19 pandemic, the CCRT acted as the central decision-making agency, and the cross-level Joint Prevention and Control Mechanism acted as the enforcing agency.

Research Design

To examine the power dynamic between central and provincial governments during the COVID-19 crisis, this study aims to measure provincial autonomy in policy response. The goal is to determine whether the crisis policies in each province were mandated by the central government or, alternatively, whether they were designed by provincial governments in a manner independent of central control.

The time period to be examined is the first four months of COVID-19 response in China. The period starts on Jan. 23rd 2020, when the first Class A public health emergency was declared, marking the start of national mobilization. The period ends on April 27th 2020, when the latest provincial school reopening order was given outside the epicenter province of Hubei, marking the end of the first quarantine. The period between Jan 23rd to April 27th 2020 will be referred to the first wave of COVID-19 in China.

We first look at official documents and legal guidelines on public health crisis management to find regulations vis-a-vis the decision-making process and the response phases. Then, we conduct an empirical analysis of China's response policies during the first wave. For the purposes of this study, provincial autonomy is defined as the power to enact response policies independent of central mandate. As the Chinese government does not explicitly declare whether the policies enacted in different provinces were centrally mandated or, alternatively, decided on a regional level; two key assumptions must be made to measure provincial autonomy:

Assumption 1: If a specific policy is enacted across different provinces in less than two weeksⁱ, the policy is considered centrally mandated for all provinces.

Assumption 2: If the enactment date of a specific policy across different provinces is more than two weeks apart, the policy is considered not centrally mandated for all provinces. Therefore, the decision was made at the local level.

Apart from general recommendations including inter-ministry cooperation and maintaining social stability, the Protocol listed three specific policy recommendations: Pandemic Control Measures (*Yiqing Kongzhi Cuoshi*), Management of Population Flow (*Liudong Renkou Guanli*) and Enactment of Transportation Quarantines (*Shishi Jiaotong Weisheng Jianyi*).¹⁹ Policies in these three aspects will be examined in this study accordingly. Pandemic Control Measures will be measured by accounting for workplace and school closures, as is recommended in the Protocol. Management of Population Flow will be measured by accounting for urban residential community (*Xiaoqu*) management. Enactment of Transportation Quarantines will be measured by accounting for interprovincial traffic control policies.

When looking at the policy enactment date, we first look for official reports from central and regional governments and their affiliated bureaus. When no official reports were found, we looked for the earliest news report that mentioned the policy. It is important to note that the dates extracted from news reports are conservative: by the time a policy was reported in the news, it might have been enacted for a period of time already. The policy enactment date could be earlier but not later than found in news reports.

Findings

A novel coronavirus was first discovered in Wuhan, China in December 2019. The first known official document pertaining to the virus was issued on Dec. 30th 2019, by the Wuhan Municipal Health Commission. It was directed to medical facilities noting an emerging pneumonia in the Huanan Seafood Market and requiring a report on all pneumonia patients received in the recent week.²⁰ Another document was issued on the same day requiring all medical facilities to (i) form response teams on the novel pneumonia; (ii) not reject any patients with the novel pneumonia and (iii) report statistics to the municipal health commission in a timely manner.²¹

The first known report from medical professionals is the one by Dr. Zhang Jixian on Dec. 27th 2019²². China reported the virus to the WHO on Dec. 31st, 2019, and the first death case was reported on Jan. 11th 2020 in Wuhan. The first case outside of China was reported in Thailand on Jan. 13th 2020²³. Human transmission was confirmed on Jan. 20th, 2020, and Wuhan went into lockdown on Jan. 23rd 2020²⁴.

Coordinated Effort: Jan. 23rd to Feb. 21st

Thirty of the thirty-one mainland province-level units declared Class A Emergency Response in the 3-day period of Jan. 23rd to Jan. 25th, the only exception being Tibet which declared on Jan. 29th when it had its first and only case of coronavirus.

According to Assumption 1, the enactment of Class A Emergency is considered to be centrally

ⁱ The period of two weeks is chosen because the State Council of China usually meets every two weeks for an executive meeting. It is therefore assumed that two weeks is the time period required for the Government of China to decide on and enforce a set of policies

mandated.

Jan. 23rd	Zhejiang, Hunan, Guangdong
Jan. 24th	Beijing, Tianjin, Shanghai, Chongqing, Hebei, Jiangsu, Anhui, Fujian, Jiangxi, Shandong, Hubei, Sichuan, Guizhou, Yunnan, Guangxi
Jan. 25th	Shanxi, Liaoning, Jilin, Heilongjiang, Henan, Hainan, Shaanxi, Gansu, Qinghai, Inner Mongolia, Ningxia, Xinjiang
Jan. 29th	Tibet

Source: Regional Governments

Table 1: Date when province-level units declared Class A Emergency

All province-level units maintained Class A emergency until Feb. 21st, when Gansu became the first province to lower emergency level. During the period of Jan. 23rd to Feb. 21st, pandemic response policies were highly coordinated among provinces, showing evidence of centralized decision-making. This is expected as the Protocol stated that during a Class A emergency the government's response must be centre-led .

1. **Traffic Control**

Traffic control in the infected regions is one of the recommended policies in the Protocol as part of the Enactment Transportation Quarantines section.²⁵ Within one week after Jan. 23rd when the first Class A emergencies were declared, all thirty-one province-level units declared ban on intercity and/or interprovincial bus services. The effort is highly coordinated as indicated by the fact that all units acted within an extremely short timeframe and that the measure was not contingent on infection data. Tibet announced the ban when there was only one person confirmed positive in the autonomous region, indicating central mandate rather than regional decision-making based on infection dataⁱⁱ.

ⁱⁱ If official source was unavailable or not found, the earliest date of a news report found on such a ban is used. Consequently, the timetable is conservative: the policy might have been enacted on an earlier date, but not on a later date. This would not affect the conclusion in this section. A complete list of news sources used can be found in the appendix.

Bus service control is considered to be centrally mandated as per Assumption 1.

Jan. 23rd	Hubei, Xinjiang
Jan. 25th	Heilongjiang, Jiangxi
Jan. 26th	Beijing, Fujian, Shandong, Hunan, Hainan, Sichuan, Shaanxi
Jan. 27th	Tianjin, Shanghai, Hebei, Liaoning, Jiangsu, Zhejiang, Anhui, Henan, Guizhou, Ningxia
Jan. 28th	Jilin, Yunnan, Gansu, Qinghai
Jan. 29th	Shanxi, Guangdong, Inner Mongolia, Guangxi
Jan. 30th	Chongqing
Jan. 31st	Tibet

Source: Regional Governments and News Reports

Table 2: Enactment Date of Ban on Bus Services

2. Workplace Reopening

The outbreak of the COVID-19 pandemic coincided with the Chinese New Year festival season. The Chinese New Year holidays started on Jan. 24th and was supposed end on Jan. 30th. The holiday was initially extended to Feb. 2nd nationally, and twenty-seven of the thirty-one provinces declared to further postpone the workplace reopening date to Feb. 10th. On Feb. 4th, during the 6th CCRT meeting Premier Li Keqiang ordered an organized reopening of workplaces.²⁶ After the meeting, no further postponement was declared except for Hubei, the original outbreak province, which eventually decided to reopen on Mar. 10th after a series of further postponements.

According to Assumption 1, the workplace reopen date is considered to be centrally mandated. In this case, there is also document evidence that the CCRT was the central agency mandating the dates.

Feb. 3rd	Sichuan, Qinghai, Tibet
Feb. 10th	Beijing, Tianjin, Shanghai, Chongqing, Hebei, Shanxi, Liaoning, Jilin, Heilongjiang, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, Shandong, Henan, Hunan, Guangdong, Hainan, Guizhou, Yunnan, Shaanxi, Gansu, Inner Mongolia, Guangxi, Ningxia, Xinjiang
Mar. 10th	Hubei

Source: Regional Governments

Table 3: Designated Earliest Date of Workplace Reopening

3. Xiaoqu Closure

Xiaoqu refers to a block of residential buildings that usually share a closed border, an underground parking lot and a management service. It is the smallest unit of Chinese administrative bureaucracy where the publicly elected *Juweihui* (Commission of Residents) serve as a semi-governmental management branch. On Jan. 26th 2020, the Joint Prevention and Control Mechanism issued the fifth document to regional branches recommending stricter measures on the community level. Within twenty days of the release of the document, Xiaoqu

was closed in thirty of thirty-one province-level unitsⁱⁱⁱ.

According to Assumption 1, Xiaoqu closure is considered to be centrally mandated.

<i>Jan. 27th</i>	Hunan
<i>Jan. 29th</i>	Beijing
<i>Jan. 31st</i>	Ningxia
<i>Feb. 2nd</i>	Guizhou
<i>Feb. 3rd</i>	Zhejiang, Henan
<i>Feb. 4th</i>	Shanxi, Heilongjiang, Jiangsu, Fujian, Jiangxi, Guangdong
<i>Feb. 5th</i>	Liaoning, Anhui, Hainan, Guangxi
<i>Feb. 6th</i>	Tianjin, Hebei, Jilin, Shandong, Shaanxi
<i>Feb. 7th</i>	Sichuan, Gansu
<i>Feb. 8th</i>	Shanghai, Chongqing, Qinghai
<i>Feb. 10th</i>	Hubei
<i>Feb. 11th</i>	Yunnan
<i>Feb. 13rd</i>	Inner Mongolia, Xinjiang
<i>None seen</i>	Tibet

Source: Regional Governments and News Reports

Table 4: Earliest Report on Xiaoqu Closure

Decentralization and Autonomy: Feb. 22nd to Apr. 27th

1. Lowering of Emergency Response Level

Despite adopting the centrally mandated Class A emergency response level, the further adjustment and lowering of response levels are not centrally mandated and province-level units appear to have autonomy in deciding when to lower their regional emergency response level. This observation is in accordance with the Protocol as well, which stated that regional governments can decide when to lower response level themselves.^{27, 28}

ⁱⁱⁱ Note: If official source was unavailable or not found, the earliest date of a news report found on such policy is used. Consequently, the timetable is conservative: the policy might have been enacted on an earlier date, but not on a later date. This would not affect the conclusion in this section. A complete list of news sources used can be found in the appendix.

As per Assumption 2, the adjustment of response level is considered not centrally mandated.

<i>Remained at Class A as of Apr. 27th</i>	Beijing, Hebei, Hubei, Tianjin
<i>Lowered to and remained at Class B as of Apr. 27th</i>	Ningxia, Tibet, Henan, Shandong, Shanghai, Guangdong
<i>Lowered to Class C by March</i>	Xinjiang, Heilongjiang, Jilin, Shanxi, Sichuan, Chongqing, Hunan, Jiangxi, Fujian, Anhui, Jiangsu, Zhejiang
<i>Lowered to Class C by February</i>	Qinghai, Gansu, Inner Mongolia, Shaanxi, Liaoning, Yunnan, Guizhou, Guangxi, Hainan

Source: Regional Governments

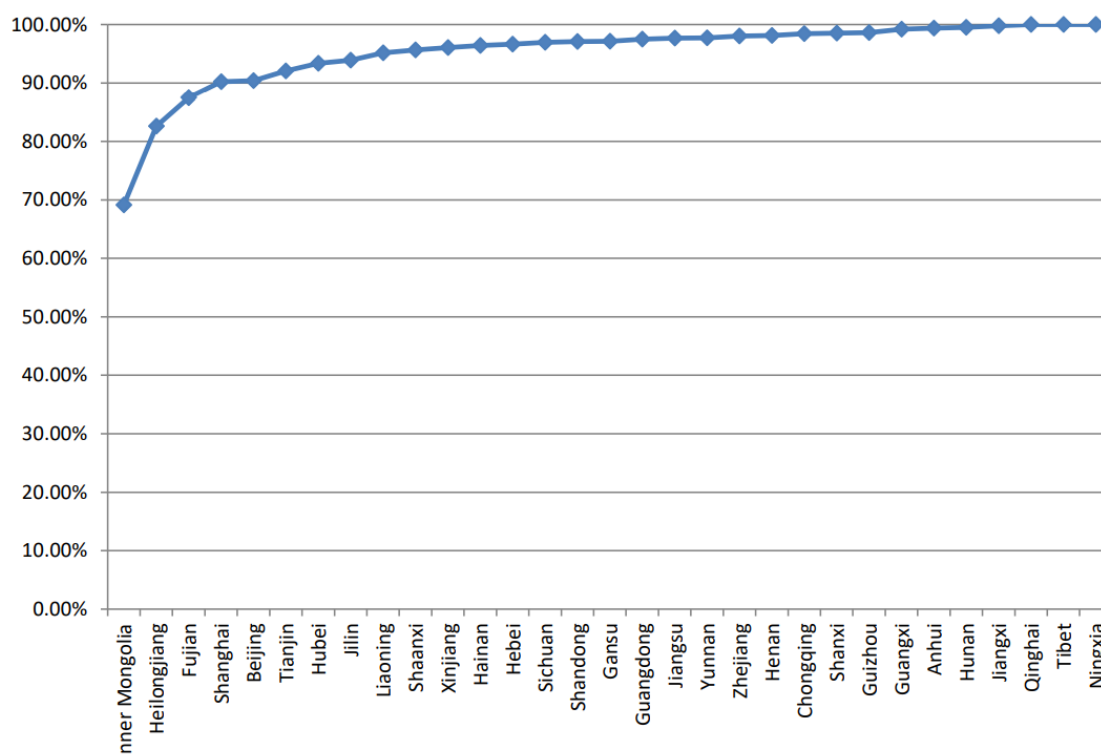
Table 5: Provincial Lowering of Response Level

2. School Reopening

The province-level units appear to have autonomy on school reopen dates. The date of resuming instruction on high school graduating-year students ranged from Mar. 11th in Qinghai to Apr. 27th in Beijing, outside of the epicentre province Hubei. A pattern can be found in the choice of school reopen date if we look at the rate of cured COVID-19 cases in each province.

It can be noticed that on the school reopen day, twenty-eight of thirty-one province-level units had more than 90% of confirmed cases cured. In the three exceptions, the cure rates were brought down by an unexpected second wave. Compared to the centrally mandated traffic control measures, school reopening decision making seems to be provincially autonomous and based on pandemic statistics.

As per Assumption 2, the school reopenings are considered not centrally mandated.



Source: Regional Governments

Figure 1: Cured Rate (Cured/Confirmed) on School Reopen Day

Discussion and Conclusion

The results in this analysis revealed that the central government was able to centralize power and willing to decentralize power during the COVID-19 crisis. The observation in this study echoes the “Cooperative Decentralization” argument in the decentralization debate and the Democratic Centralism principal of the Chinese Communist Party under President Xi Jinping. These conditions are made possible by the absence of formal political opposition under China’s one-party system. Overall, the central government and the provincial governments appear to be highly cooperative in crisis response. The one-party government structure could have helped in minimizing partisan conflict and resistance, which could be a significant advantage during crises.

China owes its bureaucratic logistics success to established protocols and to the experience of SARS. Legal documents and guidelines were generally well-followed during China’s early treatment of the COVID-19 pandemic. As described in the guidelines, the central government mandated policies to mobilize the nation during the Class A emergency-level periods, while provincial governments were allowed to make their own decisions on when to adjust response levels and reopen schools. China adopted a very pragmatic approach to power decentralization. In accordance with the unitary government and cross-level structure of public health institutions, the central government was able to mandate and enforce policies and mobilize the country when the crisis started. In this regard, China benefited from the experience of the SARS pandemic during which weak centralization hindered the timeliness of the policy response. The reforms of institutions and enactment of protocols proved to be useful in the COVID-19 pandemic. Furthermore, the central government was willing to decentralize power even during a crisis. Having experienced the SARS pandemic, the Chinese public health system enjoyed established institutional and legal guidelines when faced with the COVID-19 pandemic. In the early stages of the national response, emergency institutions were established and policy was mandated by the central government. As the crisis was mitigated, provinces were allowed more autonomy to adopt policies based on infection status. The principle of decentralization described in the Protocol was followed, and provinces were allowed to independently decide on when to reopen schools based on pandemic statistics.

Data availability was the main limitation of the study. As the government of China does not explicitly state whether the policies were made at the centre or at the provinces, assumptions had to be made based on policy enactment dates. It is possible, although unlikely, that even if a certain policy is enacted across all provinces at the same time, the policy is not centrally enforced. Therefore, the measurement of decentralization is conservative in this study. The level of decentralization could have been higher, and the time when policy-making power was decentralized could have been earlier. Such mismeasurement would occur at the date level and would not compromise the core observation of the study that decentralization followed centralization. Consequently, the core conclusion would still hold: the central government of China is both able to centralize and willing to decentralize. The result of the study would still align with the cooperative decentralization argument.

The centralization and decentralization process discussed in this study can be seen as a successful exercise of the Democratic Centralism principle. As observers pointed out, the Leninist organizational concept of Democratic Centralism is being revived under the Xi administration.²⁹ The Chinese interpretation of Democratic Centralism is encapsulated in the “four obediences” (Sige Fucong): “the individual is subordinate to the organization; the minority is subordinate to the majority; the lower level is subordinate to the higher level; and the entire membership is subordinate to the Central Committee.”²⁹ As a tool of party discipline, the previously downplayed principle was re-enshrined into party directives under Xi.³⁰ The

practice of centralized policy control is an example of lower-level obedience to the higher level, while the central mandate of stringent measures in border regions with little infection statistics can be seen as a minority sacrifice for the majority's interests. Apart from a logistic success, President Xi has declared China's cooperative pandemic measures a philosophical victory and a proof of the superiority of the system of Socialism with Chinese Characteristics.³¹ As a polarized west struggles to achieve political unity against the pandemic, China under Xi is becoming more confident in its own political system.

Acknowledgements

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Appendix: Non-Governmental News Sources Used (Accessed June 2020)

On Traffic Control:

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http://k.sina.com.cn/article_6415797919_17e694e9f01900nhdi.html
<https://kuaibao.qq.com/s/20200127AZPNK600?refer=spider>
http://www.zj.xinhuanet.com/2020-01/27/c_1125505196.htm
https://news.sina.cn/gn/2020-02-08/detail-iimxxste9728165.d.html?vt=4&pos=3&ivk_sa=1023197a
https://www.sohu.com/a/369214813_391398
https://www.sohu.com/a/369153737_676891
http://www.ctnews.com.cn/art/2020/1/26/art_310_62222.html
<https://baijiahao.baidu.com/s?id=1656519549560891336&wfr=spider&for=pc>
https://www.sohu.com/a/369463005_119778;
<https://baijiahao.baidu.com/s?id=1657396770685034561&wfr=spider&for=pc>
<http://hainan.sina.com.cn/news/hnyw/2020-01-27/detail-iihnzhha4857459.shtml;>
<https://baijiahao.baidu.com/s?id=1657025450947482215&wfr=spider&for=pc>
<https://xw.qq.com/amphhtml/20200128A0FHEZ00>
<http://gy.bendibao.com/news/202027/47870.shtm>
<http://www.hnwtv.com/zb/yunnanweishi/2020-01-28/180746.html;>
https://www.sohu.com/a/369382519_367071
<http://news.hsw.cn/system/2020/0126/1149808.shtml>
<https://baijiahao.baidu.com/s?id=1657051159868346632&wfr=spider&for=pc>
https://www.sohu.com/a/368998632_251778
https://www.sohu.com/a/369211228_673403
http://www.nmgsljw.cn/ztlm/zzcckjyq/202001/t20200129_4507.html
<https://new.qq.com/omn/20200131/20200131A07CD600.html>

https://www.sohu.com/a/369443542_741950
<http://www.gxylnews.com/html/news/2020/01/189152.html>
https://www.sohu.com/a/369567006_162522
<https://china.huanqiu.com/article/9CaKrnKp7qQ>
<https://m.gmw.cn/baijia/2020-01/27/1300902051.html>
<http://xj.people.com.cn/n2/2020/0127/c186332-33746565.html>

On Xiaoqu Closure:

<http://www.chinanews.com/sh/shipin/cns/2020/01-29/news846170.shtml>
<https://baijiahao.baidu.com/s?id=1657949050159274761&wfr=spider&for=pc>
https://www.sohu.com/a/371123234_119545
<https://baijiahao.baidu.com/s?id=1657707229165953472&wfr=spider&for=pc>
http://hlj.ifeng.com/a/20200204/8172020_0.shtml
<http://js.people.com.cn/GB/n2/2020/0206/c360302-33768855.html?from=groupmessage>
<https://baijiahao.baidu.com/s?id=1657692619990744061&wfr=spider&for=pc>
https://www.sohu.com/a/370682725_679454
<https://baijiahao.baidu.com/s?id=1657700201207693288&wfr=spider&for=pc>
https://www.sohu.com/a/371113033_323469
<https://baijiahao.baidu.com/s?id=1657565062229378820&wfr=spider&for=pc>
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<https://new.qq.com/omn/20200127/20200127A0DLS200.html?pc>
http://www.gd.xinhuanet.com/newscenter/2020-02/05/c_1125535739.htm
<http://cd.bendibao.com/news/202028/107686.shtm>
<https://baijiahao.baidu.com/s?id=1657385604352005872&wfr=spider&for=pc>
<https://xw.qq.com/amphhtml/20200211A0LYBG00>
<https://sx.leju.com/news/2020-02-06/10376631012784387974555.shtml>
<http://gansu.gansudaily.com.cn/system/2020/02/07/017347891.shtml>
<https://baijiahao.baidu.com/s?id=1657894653893636244&wfr=spider&for=pc>
<https://baijiahao.baidu.com/s?id=1658399414191227248&wfr=spider&for=pc>
<https://3w.huanqiu.com/a/24d596/3wuVqrLrfc2?agt=8>
<http://www.chinanews.com/sh/2020/01-31/9074107.shtml>
<https://haokan.baidu.com/v?pd=wisenatural&vid=3011129358393123182>

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<https://new.qq.com/omn/20200413/20200413A0473200>
https://www.sohu.com/a/395623491_118392
<https://baijiahao.baidu.com/s?id=1662148406825854619&wfr=spider&for=pc>
https://chuzhong.eol.cn/liaoning/lncz/202004/t20200417_1722041.shtml
<http://www.mnw.cn/edu/news/2266101.html>
<https://xw.qq.com/cmsid/20200407A0GY0K00>
<https://xw.qq.com/cmsid/20200403A0N8I100>
<https://baijiahao.baidu.com/s?id=1663584202798820552&wfr=spider&for=pc>
https://www.sohu.com/a/386083487_683191
<https://new.qq.com/omn/20200415/20200415A0U7J300.html>

https://www.sohu.com/a/384654153_120545069
https://www.sohu.com/a/389713284_544612
<https://xw.qq.com/cmsid/20200328A0COV600>
https://www.thepaper.cn/newsDetail_forward_7019683
<http://m.gmw.cn/baijia/2020-03/19/1301068242.html?sdkver=e06426d6&clientprefetch=1>
<https://xw.qq.com/cmsid/20200326A0AHZQ00>
http://m.hxnews.com/news/gn/shxw/202003/17/yd_1873206.shtml
http://k.sina.com.cn/article_6941157213_19db9a75d00100mreh.html
<https://www.meipian.cn/2t31een4>
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China's Transition to Power: The Decline of Deng's Dictum and the Emergence of China's Assertive Foreign Policy

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Abstract

China's assertive foreign policy record since the arrival of Xi Jinping to the heights of China's leadership has led many to consider him responsible for distancing China from Deng Xiaoping's cautious "24-Character Strategy," better known as the "hide and bide" strategy. This paper contends that this is not the case. Rather, China's foreign policy has been shaped by its perceptions of the international balance of power and the strength of its national capabilities. This may be observed in China's initial adoption of Deng Xiaoping's "hide and bide" strategy in accordance with its feeling of vulnerability in the years following the end of the Cold War and the United States' emergence as the world's sole superpower. In consequence, "hide and bide" was an impermanent strategy that could be discarded when China's capabilities had grown and the international order was more favourable. Such an opportunity emerged following the 2008 Global Financial Crisis when the United States' position in the world was seemingly in decline. As a result of this event, China's perception of its own position within the international order improved given the tremendous economic growth that it had experienced over the previous three decades. Considering the changes taking place in the post-2008 international order and China's new national capabilities, China felt that it could begin to distance itself from "hide and bide" in favour of a more assertive posture in matters it considered of importance, such as its claims in the South and East China Seas, and develop the hard power capabilities needed to support them under the administration of Hu Jintao.

Introduction

China's increasingly assertive behaviour on the international stage has gained significant attention within the media, public, academic community, and foreign policy circles, with many referring to the "inexorable rise of China"¹ as it begins to prepare "to shape the twenty-first century, much as the U.S. shaped the twentieth."² Looking back on the events of 2021, this view has been reinforced. Opening the year with Xi Jinping's comment, made a few days after the storming of the United States Capitol by extremists in January 2021, that "the world is undergoing great changes unseen in a century, but time and momentum are on our side,"³ China's growing confidence has been evident, seemingly unhindered despite the continuation of the COVID-19 pandemic. Such activity has manifested itself in Xi's fiery declaration during the marking of the Chinese Communist Party's 100th anniversary in July that those who get in the way of China's ascent will have their "heads bashed bloody against a Great Wall of steel,"⁴ the frosty diplomatic talks between the US and China held in Alaska in March,⁵ the surge of military flights into Taiwan's Air Defence Identification Zone in October,⁶ and the Chinese Coast Guard's standoff with Philippine supply ships in the South China Sea in November.⁷ It is becoming increasingly evident that China's assertive diplomacy, a disputed concept in international relations theory that has been defined by Dingding Chen and Xiaoyu Pu as being "a confident and direct way to defend one country's rights or claims,"⁸ represents a challenge to the existing regional and global order. Although China had been on the rise for the past two decades under the leadership of his predecessors, Jiang Zemin (1993-2003) and Hu Jintao (2003-2013), much of this new assertiveness has nevertheless been attributed directly to Xi Jinping in more recent years.⁹ Indeed since becoming Chairman of the Central Military Commission, Chairman of the National Security Commission, General Secretary of the Chinese Communist Party, and President of China between 2012 and 2013, Xi has played an increasingly dominant role in shaping China's foreign policy.

As Marcin Przychodniak notes, this centralisation of power has “led to expanding Xi’s control over foreign policy (both formal and informal) to a greater extent than his predecessors.”¹⁰ Under his leadership, China’s foreign policy has also projected a more assertive posture throughout East Asia, particularly in the maritime regions where China has long-standing territorial claims, such as those in the South China Sea. As was reported by one observer, the period under Xi Jinping has been “one of the most active periods for Chinese foreign policy.”¹¹

Although discussion regarding China’s increasingly assertive behaviour already existed before Xi Jinping’s power solidified,¹² this has understandably caused some to credit Xi primarily with abandoning Deng Xiaoping’s cautious 24-Character Strategy – “Observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership”¹³ – better known simply as his “hide and bide” policy. As Jian Zhang observes, under Xi Jinping “Beijing has become even more proactive, if not assertive, in international affairs than in the previous decades,” and “Xi Jinping is decidedly moving away from China’s long-standing policy approach of ‘hiding one’s capabilities and biding one’s time.’”¹⁴ Peter Ferdinand argues that “since Xi Jinping became leader, China’s foreign policy has moved from risk averse caution to optimistic ‘dreaming’ about a better world in which China will have recovered its rightful place.”¹⁵ Drew Thompson adds to this, highlighting how “Xi Jinping’s rise to power since 2012 has heralded...a new foreign policy that is more assertive and uncompromising toward China’s neighbours, the United States, and the rest of the world” causing China’s foreign policy to have “undergone a dramatic shift away from Deng Xiaoping’s focus on increasing domestic productivity and avoiding potentially costly overseas entanglements,” emphasising how “Xi Jinping’s rise marks a clear turning point in the reform and opening-up period, if not an outright departure from it.”¹⁶

However, it would be misleading to consider Xi himself to be responsible for inaugurating China’s assertiveness because this discounts the gradual evolution of China’s foreign policy since the end of the Cold War, which began under the guidance of Jiang Zemin and Hu Jintao. Foreign policies, the strategies adopted by states to pursue their interests in the international arena, do not develop in a vacuum. Rather foreign policies develop in reaction to events within the surrounding world and a state’s perceptions of those events. A state’s ability to act on the opportunities that exist within the international order to pursue its interests are limited based upon their capabilities. Individual leaders are restricted in their ability to influence the foreign policies of their states as they are bound by the existing conditions within the international order and the capabilities of their states.¹⁷ As Robert Gilpin argues, all states desire to control territory, the behaviour of other states, and the global economy. However, only states with strong economies and militaries have the ability to act on these preferences.¹⁸ China’s growing economic power, national capabilities, and favourable international balance of power render the premises of Deng’s low profile dictum no longer necessary, enabling China to instead pursue more assertive policies for the expansion and protection of its global interests.

I argue that China’s present assertiveness originated not from Xi Jinping, but because of the perceived shifts in the balance of power that occurred after the 2008 Financial Crisis, overseen by Hu Jintao. Such developments in China’s foreign policy may be observed in how Deng’s dictum was not considered a permanent strategy, the increased assertiveness in Chinese foreign policy after the 2008 Financial Crisis, and how Hu Jintao’s policies laid the groundwork for Xi’s own policies.

Context for the Emergence of Deng's Dictum

Modern China has not always been able to pursue its interests on the international stage, as it has seemingly been able to do under Xi, given its need to focus on its very survival in an international environment perceived as being hostile. During the Cold War, in the aftermath of the Sino-Soviet split in the 1960s, China was faced with over a million Soviet troops backed by nuclear weapons along its 4,000-mile shared border. With tensions reaching their apex in 1969, when the Soviet Union and China fought a series of border clashes, China held deep concerns about its ability to defend itself within a world order characterised by the “threat of Soviet hegemonism.”¹⁹ Presenting China with a need to recalibrate its strategic outlook, a series of decisions were made that contributed to China’s decision to develop a strategic partnership with the United States, culminating in President Nixon’s visit to Beijing in 1972.²⁰ However, despite the success of this partnership for almost the next two decades, the international situation would begin to change in 1989, leading China to need to develop new foreign policy strategies as new threats to its security emerged.

In the wake of the Tiananmen Square Massacre, China's international confidence and credibility plummeted, immediately impacting its foreign relations. Beijing became increasingly aware of its vulnerability to US leverage as China faced diplomatic and economic sanctions from the US and its allies alongside numerous condemnatory resolutions presented before the United Nations.²¹ This perception of vulnerability was intensified in the aftermath of the Gulf War in February 1991 when the US decisively defeated Iraq after a month long air campaign and a 100 hour ground campaign, the highly televised nature of which put the capabilities of the US military on global display.²² The images of the “Highway of Death” – on which the US devastated the Iraqi army, leaving between 1,000 and 3,000 trucks, tanks, and other armoured vehicles destroyed along a three mile stretch of road – were particularly vivid images for the Chinese, especially given that many of the vehicles used by the Iraqi army were manufactured in China.²³ Chi Haotian, the head of the PLA General Staff Department, noted that this demonstration of US military power indicated China’s unfavourable position in the existing “world power balance.”²⁴

However, the event that most significantly impacted China’s perception of the international order was the disintegration of the Soviet Union in December 1991.²⁵ This came as a major shock for China, being described by Foreign Minister Qian Qichen as “like the aftermath of an explosion - shock waves in all directions.”²⁶ The United States, which now sat as the world’s “newly unrestrained hegemon,” held a position of dominance throughout the world unseen before in history,²⁷ leading several Chinese analysts to note that this unprecedented unipolarity reflected an “extremely unbalanced international system.”²⁸ Perhaps even worse for China was that now, with the collapse of the Soviet Union, the US no longer needed China as a geostrategic counterweight as their convergent interests of checking Soviet expansionism were no more.²⁹ Because of these changes, China became increasingly isolated as the largest remaining Communist state and, unavoidably, became the focal point for Western criticism. This transformation was expressed by Roger Sullivan, writing that “it was not so much that China had changed, but the world had changed.”³⁰

Together the impact of the global backlash from the Tiananmen Square Massacre, the demonstration of US military power during the Gulf War, and the collapse of the Soviet Union – collectively referred to as the “traumatic trifecta” by Rush Doshi³¹ – drove China to adjust its foreign policy to suit the new realities of its position within the international order. Deng Xiaoping’s “24-Character Strategy” emerged within the context of this new post-Cold War environment and would be implemented in order to survive within a world characterised by US “global hegemonism.”³² Such a position of power had the potential to pose a significant challenge to China’s internal and external security, making it critical to avoid confrontation with the US,

which, as China's leading economic partner, might hinder Chinese economic development. Thus, while intended as a long-term strategy meant to guide China through the aftermath of the global upheavals of 1989-1991, Deng's dictum was a policy of convenience that was not intended to be permanent. It reflected China's assessment of the international balance of power, allowing for change when opportunities arose. As the Chinese economy grew, thereby enabling its military to become more capable, the premises for Deng's strategy would become unnecessary. As Robert M. Gates explained, "Too many in the West saw the smiling, elfin Deng and lost sight of the reality that he was a ruthless and cunning authoritarian determined to make China a world power again."³³

However, China still had a long way to go before it could become a global leader. In 1992, China's gross domestic product was only a mere 6.6 percent the size of the United States' GDP.³⁴ Although today Xi Jinping certainly has the ability to leverage more resources than any previous Chinese leader, these did not suddenly appear when Xi came to office. They had been steadily rising over the previous two decades under the administrations of Jiang Zemin and Hu Jintao who both monitored the international situation as it and China continued to develop.

Living with the Hegemon

Hu Jintao came to power in 2002, only a few months after China entered the World Trade Organization and just over a decade after the "traumatic trifecta" of the Tiananmen Square Massacre, the Gulf War, and the collapse of the Soviet Union. However, China remained in a precarious situation as was observed in the international development that occurred during the administration of Hu's predecessor, Jiang Zemin. The previous decade had witnessed two US carrier battle groups appear in the international waters off China's coast during the 1995-1996 Taiwan Strait Crisis, the accidental bombing of the Chinese embassy in Belgrade by the US in 1999 during the NATO intervention in Yugoslavia, a collision between a Chinese fighter and a US spy plane near China's Hainan Island in 2001, and the US invasion of Afghanistan later that year. Jiang had tried "learning to live with the hegemon" over the course of his term in office, adapting China's foreign policy to the reality of the US dominance in the international system.³⁵ Making the decision to continue abiding by Deng's dictum, Jiang explained, "The contrast between our country's conditions and international conditions determines that we must do this."³⁶

This situation did not improve in the years that followed Hu Jintao's arrival to power. The US invasion of Iraq in 2003 had further "impressed upon Chinese strategists American military power, dominance, and its political resolve to use coercive force."³⁷ In consequence, China remained mindful that the US maintained a powerful presence around the world as it controlled "a territorial empire...of somewhere between 737 and 860 overseas military installations operating in 153 countries."³⁸ Chinese intellectual, Wang Hui, emphasising this US presence around the world, noted how the US's frontiers were not constrained to its North American holdings, but rather could be found in "Turkey, Iraq, Afghanistan and all along China's periphery. It has frontiers everywhere."³⁹ In continuing to follow Deng's dictum, Hu Jintao would explain that these policy decisions were "based on the changes in the international balance of power and the needs of our country's development and security."⁴⁰

However, while Jiang Zemin and Hu Jintao would both continue to abide by Deng's dictum, it was not because they were personally "in thrall"⁴¹ with it. Even during this period, it was noted that Deng's dictum was not a permanent strategy. During the 16th Party Congress in 2002, Hu would reflect that China only adopted Deng's dictum because China was weak. However, "with the development of China's economy and the enhancement of our comprehensive national

strength,” Hu stressed how China would “be more flexible and confident in handling Sino-US relations,”⁴² allowing for China to distance itself from the dictum. The leadership in Beijing deliberately made the decision to act cautiously on the international stage, in a manner that corresponded to its economic strength which, although it continued to grow, remained weak in comparison to the US. At the start of Jiang Zemin’s presidential term in 1993, China’s economy was the tenth largest in the world. By the start of Hu Jintao’s term in 2003, China had risen to become the sixth largest economy, yet still represented only 14.5 percent the size of the US’s GDP.⁴³ In consequence, even as “China rapidly re-emerged as a major player upon the global stage...the cautious Chinese leadership continued to follow Deng’s directive”⁴⁴ because the international balance of power was still not in its favour. However, to prepare for the future, Hu continued to make active efforts to build up China’s comprehensive national strength and improve its international position, putting China in a better position to realise its great power dream.

In these efforts, Hu Jintao and his predecessor, Jiang Zemin, would emphasise peripheral diplomacy. This effort entailed improving relations with neighbouring countries to avoid the emergence of a coalition that targeted China, a possibility that was perceived to have the potential to undermine its security and development efforts as well as its strategic influence in the region.⁴⁵ It was understood that with fourteen countries bordering China, an aggressive posture would lead to a counterbalancing coalition of China’s neighbours and the United States. As Jiang Zemin would note, because “China is a big country...it is inevitable that some small countries around us have doubts about us.” To dispel such concerns, China “must establish an image of peaceful development and friendly cooperation” using its “exemplary words and deeds to increase trust so that they gradually realise that the so-called ‘China threat’ does not exist at all.”⁴⁶ This was intended to allow China to develop a benign regional security environment and reduce the possibility of a balancing coalition developing against it. To accomplish this, China initiated efforts to normalise and improve its relations with the many states that sat on its border, particularly the newly independent Central Asian states, Russia, and the states of Southeast Asia.⁴⁷ China would negotiate border settlements, at times making concessions, with the Russian Federation (1992),⁴⁸ Kazakhstan (1994),⁴⁹ Kyrgyzstan (1996),⁵⁰ Tajikistan (1999, but not ratified by the Tajiks until 2011),⁵¹ Laos (1992, 1995, and 2006),⁵² Myanmar (1995),⁵³ and Vietnam (1999, 2000).⁵⁴

Hu Jintao would argue that the pursuit of this peripheral diplomacy would require compromise on China’s part surrounding major interests, using language that suggested openness on territorial questions so that China could concentrate its efforts “on safeguarding and developing longer-term and more important national interests,”⁵⁵ going so far as to present the notion of “shelving conflicts” for discussion at a later time.⁵⁶ As such a policy was in part prompted by China’s disputes with several states over several features in the South China Sea, such as the Spratly Islands, during the late 1990s and early 2000s China maintained a restrained and reassuring posture in the region. Conveying this, Beijing signalled its willingness to cooperate with the international maritime order with its ratification of the United Nations Convention on the Law of the Sea in 1996.⁵⁷ In continuing its efforts to pursue policies of de-escalation and non-confrontation with other claimants in the region, the Chinese began bilateral negotiations on their respective claims, allowing for the Association of Southeast Asian Nation (ASEAN) states to largely dictate the norms of the dispute.⁵⁸ Reflecting this, China signed a declaration on conduct in the South China Sea with ASEAN in 2002.⁵⁹ The following year, China would further become the first non-ASEAN state to sign ASEAN’s Treaty of Amity and Cooperation, a nonaggression pact that renounced “threat or use of force to settle disputes,” thereby setting aside sovereignty related disputes and promoting common interests.⁶⁰

However, as all of this was occurring, China was gradually building its strength. It would be under the administration of Hu Jintao that China would overtake Japan to become the world's largest holder of foreign reserves in 2006 and overtake Germany to become the world's largest exporter in 2009. By 2010, China had risen from being 14.5 percent the size of the US economy in 2003 to surpass Japan to emerge as the world's second largest economy, representing 40.6 percent the size of the US economy.⁶¹ While You Ji noted that Xi had proven to be "instrumental in changing China's passivity" into an assertive strategy shortly after coming to power,⁶² Xi had inherited a country whose capabilities and position in the international balance of power had greatly improved. Although China had not been able to challenge the US at the start of Hu's term, this growth and the perception of a change in the international balance of power after the start of the 2008 Global Financial Crisis enabled Hu Jintao to pursue an aggressive foreign policy, distancing China from Deng's dictum, before the arrival of Xi Jinping to the presidency.

Change in Perception of the Balance of Power in 2008

While the "traumatic trifecta" would initially drive Chinese foreign policy to adopt Deng's dictum, the 2008 Global Financial Crisis caused a strategic recalibration in Chinese foreign policy. Although official Chinese sources remained silent regarding explicitly discussing any perceived decline in its relative power gap with the US,⁶³ it was seen by many as a sign of the weakening of the United States' economic might and international prestige, with the crisis undermining the "fundamental underpinnings of the post-Cold War order."⁶⁴ This view was strengthened by the fact that China's economy had rapidly grown over the past two decades, becoming the third largest economy in 2007, and continued to grow despite the crisis, although at a reduced pace.⁶⁵ Additionally, the growth of the other BRIC countries – Brazil, Russia, and India – and the increasing activity of the G-20, which began to meet regularly after 2008, further fuelled this perception.⁶⁶ Observing this, some began to argue that these "intermediate forces" were emerging as the key players in global affairs.⁶⁷ With the US preoccupied internally, its military bogged down in the Middle East, its economic system seemingly discredited, and the apparent emergence of a multipolar world order, China gained increased flexibility to pursue revisions within its foreign policy.⁶⁸

Such changes may be observed as early as 2009, when Hu noted at the 11th Ambassadorial Conference that abiding by Deng's dictum was a "strategic decision made by the central government and based from comprehensively analysing the entire international balance of power."⁶⁹ However, as Hu emphasised, it was clear that "a major change in the international balance of power" had occurred, referring to the perceived decline of the US in the post-2008 world, highlighting how China's "overall strategic environment continues to improve."⁷⁰ Within the context of this shift in the international balance of power, Hu outlined a revision to Deng's dictum in accordance with these improving external conditions. Rather than "hide and bide," Hu stressed "Actively Accomplishing Something."⁷¹ This shift in Chinese foreign policy was not meant to "arrogantly show one's abilities," but rather was to use China's "growing overall national strength and international influence to better safeguard our country's interests."⁷²

While according to Peter Ferdinand "Hu Jintao was extremely risk-averse and largely preoccupied with maintaining domestic economic growth,"⁷³ and although Marcin Przychodniak noted that "China's foreign policy during Hu's term was...formulated and implemented based on concepts created by Deng,"⁷⁴ Hu began to act on the existing international climate. While Xi may have introduced "Strive for Achievement," which according to Drew Thompson signalled "the coming of a more active, assertive diplomacy,"⁷⁵ it would not take China until Xi Jinping's presidency for China to act on the opportunities presented by the change in the balance of power after 2008.

Rather, Hu's decision to stress "Actively Accomplishing Something" over Deng's dictum would mark a distinct turn in Chinese foreign policy in response to the perceived change in the international balance of power. Confident in their position within the post-2008 world and supported by China's new wealth after two decades of rapid economic growth, Party leadership believed China was able to take a more assertive role in pursuing their interests on the international stage.⁷⁶ Such a shift in China's foreign policy began to manifest itself vividly in its handling of territorial disputes and its military modernization.

Increased Assertiveness under Hu Jintao

Hu Jintao's assertive policy of "Actively Achieving Something" would enter Chinese foreign policy almost immediately. Although various visions emerged within China regarding the future of the international order,⁷⁷ as a rising power with increasing global influence who had weathered the economic crisis of 2008 better than many Western powers, China felt more secure and confident, a sentiment that reflected itself in its diplomacy. In its relationship with Western countries, China no longer avoided appearing confrontational, "berating American officials for the global economic crisis, stage-managing President Obama's visit to China, and standing fast against American demands for tough new Security Council sanctions against Iran."⁷⁸ However, this assertive stance may be seen most vividly around its periphery where China became willing to advance its interests by force.

While before the 2008 Financial Crisis Hu Jintao advised "shelving conflicts" in regards to China's territorial disputes with other states, in 2009 Hu reversed this notion. Instead, referencing China's various territorial disputes, Hu emphasised that China "must resolutely fight against the violations of China's rights and interests by the countries concerned and defend our core interests."⁷⁹ Previously, Chinese official statements regarding core interests involving sovereignty and territorial integrity referred almost exclusively to Taiwan, Tibet, and Xinjiang;⁸⁰ however, Chinese leaders expanded the core interest issues in 2009 to include the maritime territorial claims in the South China Sea, where China is confronted with a series of disputes with the nations of Southeast Asia as well as a major transit route for the US Navy.⁸¹ Although Xue Gong assessed that "China has become more assertive in the South China Sea since Xi became General Secretary of the CCP in 2012,"⁸² it was under Hu Jintao that China would begin to forcefully assert its claims. Deploying more personnel and installing new equipment to carry out regular sea patrols and law enforcement more frequently and forcefully in the South and East China Seas, China made strong reactions to a series of incidents between 2009 and 2012.⁸³

Starting in March 2009 with the USS Impeccable incident, China demonstrated its willingness to challenge its rival, the United States, in the South China Sea and the Western Pacific more broadly.⁸⁴ This would be followed by China's presentation of its "nine-dash line" to the United Nations, asserting Chinese sovereignty over much of the South China Sea, in May of that year.⁸⁵ In the following year, China clashed with the Japanese government in response to the collision between a Chinese trawler and a Japanese patrol boat in the East China Sea, near the disputed Senkaku islands.⁸⁶ In 2011, Chinese naval vessels clashed with both Philippine fishing boats and Vietnamese oil exploration ships operating in the South China Sea.⁸⁷ This new boldness under Hu Jintao reached its peak in 2012 during the seizure of Scarborough Shoal and the establishment of Sansha on Woody Island in its contested waters with the Philippines.⁸⁸ In consequence, although as Jian Zhang observes that under Xi Jinping "Beijing has become even more proactive, if not assertive, in international affairs,"⁸⁹ China's activities in the post-2008 world under Hu Jintao signalled the start of this "new" assertive foreign policy.

Such an uncompromising position was supported. After three decades of rapid economic growth since the start of economic reforms in 1978, China surpassed Japan to become the world's second largest economy by 2010, placing it just behind the United States.⁹⁰ Such new wealth gave China the capacity to increasingly invest in the offensive, hard power capabilities, such as the expansion of its naval power, to protect “core interests,” particularly those in the South China Sea. Although today Xi Jinping is well known for his efforts to develop the military, such as the strengthening of Chinese PLA Navy, into a force capable “to fight and win wars,”⁹¹ it would be under Hu Jintao, with his lack of “dynamic image or forceful persona,”⁹² who would declare that it was China’s objective to become a great maritime power and preside over the expansion of China’s navy in the wake of the perceived changes in the international balance of power since the 2008 Financial Crisis. Since 2000, China’s naval expansion has exceeded any other power since World War II, even surpassing that of the US Navy in the 1980s during its arms race with the Soviet Union.⁹³ From a region-wide perspective, China’s share in the overall regional military expenditures has consequently tripled from 18% in 1991, when Deng’s dictum began to be implemented, to 54% in 2012, when Hu Jintao left office.⁹⁴

While still under the guidance of Deng’s dictum, China had focused its attention on the development of anti-access and area-denial capabilities, such as anti-ship missiles and mines to defend its shores and coastal waters.⁹⁵ However, in the aftermath of the 2008 Financial Crisis, China shifted its attention to the development of new amphibious capabilities that would enable it to project power throughout the Indo-Pacific. With Chinese ships dispatched to the Horn of Africa in December 2008 to patrol against pirates, the first active deployment of Chinese warships beyond home waters signalled the start of an increasing Chinese naval presence outside of its immediate region. Having begun to expand the size of its surface fleet, in April 2009, China held a grand naval display in waters off its east coast, inviting officials from 29 countries in order to showcase its rapidly modernising navy in “the first large multilateral military exchange of its kind in the history of the People’s Republic of China.”⁹⁶ Later that year, informing his Japanese counterpart that China would not remain the only major world power without an aircraft carrier, the Chinese minister of defence confirmed that it was China’s intention to build an aircraft carrier with the ability to project power throughout the region.⁹⁷ Previously avoiding the diplomatic costs that an aircraft carrier program would have incurred with its neighbours and the United States, the development of its first carrier, the *Liaoning*, signalled China’s increasing willingness to act on its ambitions.⁹⁸ Given these developments one observer suggested that “the year 2009 will go down in history as a watershed for the expansion of China’s global clout.”⁹⁹

Although US Secretary of State Hillary Clinton proclaimed a “new American Moment” that would “lay the foundations for lasting American leadership for decades to come” in September 2010,¹⁰⁰ the implications of Hu Jintao’s increased assertiveness within China’s foreign policy in the post-2008 world order were recognized by others within the region. According to a White Paper from the Australian Department of Defence, the post-World War II order that saw the United States act as the main pacifier in the Pacific region was “being transformed as economic changes start to bring about changes in the distribution of strategic power,”¹⁰¹ suggesting US primacy in the region to be on the decline years before the arrival of Xi to power.

Concluding Remarks

As Xi Jinping begins his third term as president of China, we may certainly expect China’s assertive posture in its international affairs to continue, if not intensify. However, while Xi may indeed be more assertive in his foreign policy decisions than previous Chinese leaders, China’s shift away from Deng’s dictum began before he became president. Deng’s dictum had been a

policy of convenience that was meant to guide Chinese foreign policy thinking through the balance of power that existed in the aftermath of the Soviet collapse, meaning that its need would one day expire when the balance of power shifted in China's favour. Accordingly, when the existing balance of power was perceived to be shifting in China's favour during the 2008 Global Financial Crisis, China's foreign policy changed. Considering this new balance of power and China's growing capabilities, Hu Jintao was able to begin to pursue a more aggressive foreign policy that laid the groundwork for Xi Jinping's current expansion.

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The Implications of China's Rise for E.U.-U.S. Relations

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Abstract

The rise of China is one of the most consequential events in recent history, with implications for countries around the world and across policy domains. This paper examines the significance of the rise of China for E.U. and U.S. policy and its implications for E.U.-U.S. relations. By focusing on trade, climate change, defence and security, and changes to the international order, we find that the effect of China's rise on E.U.-U.S. relations is determined by the symmetrical or asymmetrical impact on E.U. and U.S. interests respectively. A symmetrical impact in a given policy domain may bring E.U. and U.S. interests to converge towards a common response, whereas an asymmetrical impact raises the difficulty of finding common ground for cooperation with more divergent E.U. and U.S. priorities. Moreover, whether the rise of China brings short-term E.U. and U.S. interests closer together or further apart in various policy domains, it also provides an opportunity for the transatlantic partners to reconcile their differences in light of the long-term systemic adjustments called for by China's rise.

Introduction

The rise of China is a phenomenon of global significance, with implications for countries and policymakers around the world. Among others, the rise of China has significant implications for policymakers in the West – including the European Union and the United States – whose model of liberal democracy, associated values, and views on global affairs had been left with little counter-weight influence since the end of the Cold War.¹ With the rise of China, this is no longer the case today.

Consequently, this changing global order calls for adjustments of E.U. and U.S. policymaking in several domains. Even for policymakers who are not concerned with China policy per se, but rather with domestic issues such as employment and income, the rise of China changes the global environment in such a way that domestic policy amendments may become necessary. Concerning U.S. policy, the rise of China may be viewed as “analogous, in a somewhat poetic way, to the influence of the moon on the earth's tides”.² Even if one's interest is strictly earth-bound, it is necessary to consider how the moon's movements pull the equilibrium in one direction or another in order to properly understand the earth's tide. This is equally applicable to European policymaking – whether at individual country-level or wider E.U.-level.

As the rise of China affects policymaking in both the E.U. and U.S., we seek to examine the implications for E.U.-U.S. relations. While certainly consequential, the impact of the rise of China also differs across policy spheres: the rise of China looks different from a trade perspective than it does from a defence perspective. As such, we examine the impact of the rise of China on E.U.-U.S. relations in four policy domains: *trade, climate change, defence and security*, and “*World Order 2.0*” (i.e., interstate relations including but not limited to within international organisations). Figure 1 illustrates the causal relationship and policy domains as set out in this paper.

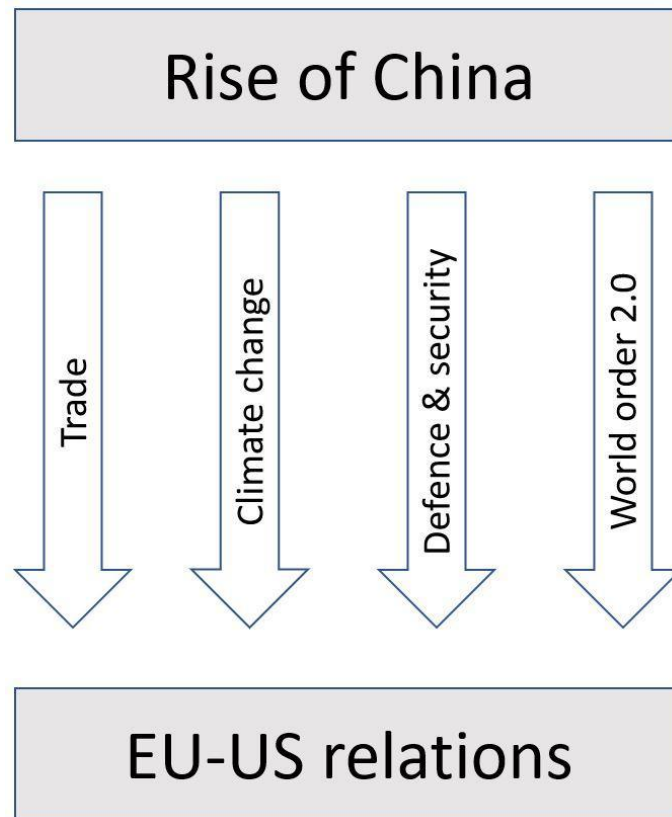


Figure 1: The rise of China impacts E.U.-U.S. relations in four policy domains.

Dividing policy issues into different domains inevitably involves a certain level of arbitrariness, as these are not so neatly distinct in reality (e.g., as visible in the increasingly security-conscious U.S.-China trade discussion). The structure we follow is based on the nine policy areas set out in the book “China from a U.S. Policy Perspective”, which are themselves derived from the U.S. federal government departments.³ We have reformulated these into four domains in order to place a sharper focus on areas that are particularly relevant to E.U.-U.S. relations. Certain policy issues are therefore tucked away within the four domains. For example, employment issues are subsumed within the discussion on trade.

As such, we start by providing context on key aspects of the rise of China. Next, for each of the above domains, we seek to first assess the substantive impact of the rise of China on E.U. and U.S. policy and interests, and second the implications for E.U.-U.S. relations and the (joint) response to the rise of China. Our key finding is that the effect of the rise of China on transatlantic relations is mostly determined by whether the substantive impact on the E.U. and U.S. is symmetrical or asymmetrical. Where there is symmetry in the impact, as is the case in climate policy, E.U. and U.S. policy interests may converge towards a common response to the implications of China’s rise. Where there is less symmetry, as is the case in defence policy, the rise of China raises the difficulty of finding common ground for cooperation as E.U. and U.S. interests grow more distant. Yet, while the rise of China may at times pull short-term E.U. and U.S. interests further apart, strengthening cooperation remains a promising strategy to address the broader concerns which transatlantic partners share regarding China’s rise.

An overview of China's rise

China's unprecedented development over the past several decades is one of the most remarkable global events in recent history. From an economic perspective, one might contrast Chinese and U.S. gross domestic product (GDP) growth. Over the thirty-year period from 1990 to 2020, U.S. GDP near-doubled in constant 2015 U.S. dollars (i.e., multiplied by 1.96 as it grew from 9.805 trillion to 19.247 trillion USD). Over the same period, China's GDP increased more than fourteen-fold as it grew from 1.027 trillion to 14.632 trillion USD.⁴ Since 2017, China also became the largest official creditor to developing and emerging countries, surpassing lending by the World Bank, which further illustrates the country's recently achieved economic might.⁵ Overall, the economic impacts of China's rise are felt in terms of global trade, supply chains, deficits, as well as labour dislocations (Heikkila 2020).

Environmentally, the evolution of China's CO₂ emissions compared to E.U. and U.S. emissions highlights China's increasingly crucial role in addressing climate change as an illustrative example of global environmental challenges. In 1990, China's fossil CO₂ emissions were less than half of U.S. emissions. In the three following decades to 2020, while U.S. emissions fell by 11% and those of the 27 states of the E.U. fell by 31%, China's emissions grew to be 4.8 times larger.⁶ Consequently, since 2019 China's greenhouse gas emissions eclipse those of all developed countries (OECD as well as EU27 members) combined.⁷ Even the 2020 pandemic-related economic slowdown did not disrupt the trend by which China's mitigation efforts will be increasingly crucial for successful global climate action: in 2020, fossil fuel emissions fell in all major industrialised economies except China, where emissions grew by 1.5%.⁸

In geopolitical spheres, one could compare China's military expenditure with that of the United States (as the world's leading military power) in 1990 and 2020 in order to assess the magnitude of China's rise in recent decades. In 1990, China's military expenditure was a mere 3.3% of that of the United States; in 2020 it was 31.9% – a nearly ten times great proportion of U.S. expenditure while the latter increased 20% over the period.⁹ China's 245 billion USD military spending in 2020 was also greater than the E.U. nations' combined 224 billion USD expenditure.¹⁰

More than a quiet expansion which can be assessed through various metrics, China's rise exhibits growing assertiveness. Amongst others, observers have pointed out China's wolf warrior diplomacy, economic coercion as a foreign policy tool (e.g., most recently punishing Lithuania for its ties with Taiwan), and increasing use of technological means to silence dissent domestically and abroad, as signs that China is increasingly willing to show strength to secure its interests on a variety of issues.¹¹ In particular under the leadership of President Xi Jinping, China's greater affirmation on the world stage marks a clear shift from a strategy of "keeping a low profile" (i.e., famously summed up by Deng Xiaoping as "hide your strength and bide your time") to one of "striving for achievements".¹² For E.U. and U.S. policymakers, jointly adjusting to a rising and more assertive China is a multifaceted challenge which may bring about tension alongside avenues for cooperation as their respective responses naturally differ or converge in various policy domains.

Trade Policy

China, the European Union and the United States have been the three largest global players in international trade since 2004 when China overtook Japan. In 2020, their total level of trade in

goods were respectively 4069 billion, 3646 billion, and 3361 billion euro.¹³ⁱ China's rise as a trading giant has been particularly remarkable. Prior to joining the World Trade Organisation (WTO) in 2001, China's share of global exports of goods was 4.3%, the world's sixth largest. In 2020, China had the largest share of any individual nation with 14.7%, well ahead of the U.S. in second place with 8.2%.¹⁴

Yet, as China opened to the world economy it did not fully embrace the Western liberal model as certain observers had hoped. Instead, China adopted its own brand of "market authoritarianism" combining openness to international markets with firm government control.¹⁵ Over time, China's continued government intervention in international trade has led to increasing concerns amongst European and American policymakers that China is "not playing in good faith" by the rules of the WTO, creating an unfair advantage.

In the U.S., a 2018 Congressional Research Service Report stated that major areas of concern amongst policymakers and stakeholders included China's alleged cyber economic espionage against U.S. companies, forced technology transfers, poor record of intellectual property rights (IPR) enforcement, extensive use of industrial policies (i.e., subsidies, non-tariff barriers) and currency manipulation.¹⁶ While domestic factors undoubtedly contribute, it is widely perceived that China's unfair trade practices are exacerbating the considerable U.S. trade deficit, and may have precipitated the decline of the U.S. manufacturing sector with severe employment consequences for U.S. manufacturing workers.

While the E.U. shares much of the U.S.' concerns regarding China's unfair trade practices, the substantive impact on the E.U. is seemingly lesser than on the United States. The E.U.'s trade deficit with China, 186.7 billion USD in 2019 or 1.18% of GDP, is lower than that of the U.S., 345.6 billion USD in 2019 or 1.61% of GDP.¹⁷ Moreover, unlike the United States, the European Union's overall balance of trade is positive since 2012. In 2020, the E.U.'s trade surplus was 217 billion euro, while the U.S. ran the world's largest trade deficit at 678.7 billion USD, with China being the largest individual contributor.¹⁸

The less substantive impact of the issue may already provide a partial explanation as to why U.S. and European responses to their mostly common grievances varied widely. Indeed, U.S. grievances culminated in a China-U.S. trade war in which the Trump administration imposed tariffs on approximately 250 billion USD worth of imports from China in 2018, while the E.U. responded more moderately, targeting unfair competition with rules applicable to all countries even if driven by concerns about China.¹⁹ Besides, Barkin and Kratz (2021) suggest that the nature of European Union as a bloc of the 27 member states explains why it has favoured a multilateral, rules-based approach to its trade grievances with China, which it deemed compliant with WTO rules.

More than causing different responses to a common grievance, the rise of China as a trading power shifted the U.S. and (to a lesser extent) E.U. perceptions of global trade from a positive-sum to zero-sum game, ultimately affecting the E.U.-U.S. trade relationship. While the confrontational U.S. trade policy under the Trump administration was mostly aimed at China, it unsettled E.U.-U.S. trade relations as it sought to address U.S. deficits more broadly. President Trump repeatedly criticised Germany's trade surplus, imposed steel and aluminium tariffs applicable to the E.U. as well as China, and presided over an escalation of the long-standing Airbus-Boeing dispute with additional transatlantic tariffs imposed in 2019 and 2020.²⁰ The E.U. and the U.S. have since then taken steps to resolve these disputes, removing

ⁱ For the E.U., this does not include intra-E.U. trade.

tariffs on E.U. steel and aluminium exports to the U.S. and related to the Airbus-Boeing dispute.

Overall, China's rise as a trading superpower while not fully complying with the WTO rules caused trade to become an increasingly contentious issue in both the European Union and United States. Support for transatlantic trade in both the E.U. and U.S. therefore diminished, despite it not being the main cause for the changing momentum. Yet the rise of China in global trade could potentially unite the European Union and the United States. The transatlantic partners share open market economies, commitment to many of the same values including respect of human rights and high labour standards, and consequent concerns over issues ranging from the China's market distortions to alleged forced labour in Chinese supply chains. Barkin and Kratz therefore argue there is scope to reconcile diverging E.U. and U.S. policies regarding trade with China, which would increase transatlantic partners' chances of securing concessions from Beijing.²¹ In addition, while North-South trade issues have dominated policy discussions since the rise of China in this domain, there are also benefits to be reaped from reviving North-North E.U.-U.S. trade.

Ultimately, there are significant gains to be made from trade with China. David et al. (2013) find that net gains for the U.S. are positive from trade with China, despite the purportedly uneven playing field. For the E.U. and U.S. to further benefit from trade with China, the key will be two-fold: domestically, higher labour productivity must compensate for the higher cost of labour in Western economies; internationally, a united E.U.-U.S. partnership is needed to confront China on its contentious trade practices. Renewed E.U.-U.S. cooperation – by reviving trade, increasing productivity, and strengthening policy coordination amongst like-minded countries – can serve as a stepping stone on both fronts before subsequent engagement with China.

Climate Change

Governance of the global environmental commons has become a topic of great contention, the crux of the issue being the lack of effective environmental regulation or oversight at supranational level. Climate change – “the defining issue of our time” in the words of United Nations Secretary-General António Guterres²² – has also been described as “the ultimate global commons problem”: with globally shared consequences regardless of the source of emissions, individual countries have an incentive to “free ride” in international climate action, enjoying the benefits of others' mitigation efforts without taking part in the difficult task of decarbonising economic activity themselves.²³

For the E.U. and the U.S., the rise of China as the world's largest CO₂ emitter increases the social cost of carbon. Indeed, climate change is often seen as the world's most significant market failure, in which carbon emissions are the unpriced externality. Responding to this issue, the U.S. *Interagency Working Group on the Social Cost of Carbon* established under the Obama administration attempted to estimate the “Social Cost of Carbon” (SCC), defined as “an estimate of the monetised damages associated with an incremental increase in carbon emissions in a given year”.²⁴ As CO₂ emissions continue to accumulate in the atmosphere, the SCC, or the cost of additional accumulation, becomes increasingly acute. This occurs as a result of every country's carbon emissions, including E.U. countries and the U.S., both of which are historically the largest carbon emitters, and therefore contributors to the increasing SCC. Yet

presently, China, as the world's largest carbon emitter by far, contributes significantly to the increasing SCC.

Therefore, with regards to climate change, the substantive impact of the rise of China as the world's largest carbon emitter is symmetrical for the E.U. and U.S.: the effect is to raise the urgency of global climate action as the cost of ongoing emissions increases more rapidly. In turn, the increasing urgency of addressing the collective action problem calls for greater E.U.-U.S. cooperation. Under the Trump administration, this was unsuccessful primarily due to radically different transatlantic views on climate change.ⁱⁱ The handover to the Biden administration in 2021 offered a renewed opportunity for transatlantic climate cooperation.

Globally adequate climate action must inevitably involve China, alongside the European Union and the United States. Tagliapietra and Wolff argue that, while technical difficulties exist, a promising avenue for trilateral cooperation would be a climate club in which the three actors agree on domestic reductions and levy a carbon tax on imports.²⁵ The tax would seek to prevent companies from transferring production to countries with less stringent environmental regulation (i.e., "carbon leakage"). If a climate club included the world's three largest economic blocs, a carbon tax on their imports would also provide a strong incentive for other countries to make similar emissions reductions and join the club. The European Commission's July 2021 proposal for a Carbon Border Adjustment Mechanism (CBAM) lays the foundations for a European carbon border tax, although it is not yet been approved by the European Parliament nor member states. Moreover, the E.U. has already indicated its willingness for cooperation with the U.S. on climate border adjustments.²⁶

Securing a broader agreement involving China may be difficult to achieve, in part due to mistrust between China and the U.S..²⁷ Chinese President Xi Jinping already expressed opposition to the European CBAM stating that "climate change should not be used as an excuse for trade barriers".²⁸ While E.U.-U.S. climate cooperation could serve as a first step towards a climate club, it also remains to be seen whether the U.S. could be persuaded to join such a mechanism. U.S. climate envoy John Kerry previously expressed concerns over the trade implications of the European CBAM.²⁹

Overall, achieving meaningful E.U.-U.S. climate policy agreement will be challenging, but both sides of the Atlantic have incentives to work towards it in order to achieve their climate objectives. Such incentives exist independently from the rise of China, yet the increasing SCC for both the E.U. and U.S. as a result of China's rising emissions adds a sense of urgency which could accelerate a transatlantic agreement. If an agreement over the details of a E.U.-U.S. common carbon border can be achieved, this could then serve as building block for engagement with China, whose interest may then be to join the club in order to avoid additional costs on its exports.

Defence and Security

The United States, as the leading global military power, has retained control of the global commons – the sea, air, and space domains through which goods, people, and information flow – as a pillar of its national security strategy since the end of the Cold War, leveraging military alliances with countries around the world in order to do so.³⁰ The rise of China militarily translates to a growing challenge to U.S. control of the commons at regional level in East Asia

ⁱⁱ Amongst others, President Trump famously tweeted that "the concept of global warming was created by and for the Chinese in order to make U.S. manufacturing non-competitive" (Selby 2019, 484).

and in the Western Pacific, notably stemming from China's geographic advantage and military improvements allowing for anti-access / aerial denial (A2/AD) strategies.³¹ Three hotspots of China-U.S. military rivalry consequently emerge in the region – North East Asia (i.e., centred on Korea), the South China Sea, and Taiwan – as the focus of increasingly resource-intensive U.S. defence policy with regards to China.

By contrast, Tardy points out that the E.U.'s Common Security and Defence Policy (CSDP) has in practice turned into an under-developed *defence* policy and over-dominant *security* policy.³² Defence is hereby understood as protection of civilians and territory via primarily military means, while security refers to the absence of threats as a result of a much broader set of policies (i.e., political, economic, social, etc.) to tackle them preventively. European defence chiefly remains a competence of individual member states, is far less global in nature than that of the United States, and is also largely supported by the U.S. through NATO. Therefore, the rise of China militarily affects U.S. global presence more directly and significantly than less expansive European endeavours. For the U.S., the challenge is to continue to secure its interests, particularly those which directly oppose growing Chinese ambition in East Asia, while avoiding unnecessary and potentially devastating conflict. The challenge calls for a reprioritising of U.S. global military commitments in order to avoid strategic over-extension.³³ Such reprioritising has implications for defence cooperation with E.U. countries: as the U.S. increasingly turns its attention to China, European and U.S. defence priorities risk becoming less aligned.

The U.S. withdrawal from Afghanistan in August 2021 illustrates this causal chain. Defending the chaotic U.S. retreat before Congress in September 2021, U.S. Secretary of State Antony Blinken pointed out that “there is nothing that strategic competitors like China [...] would have liked more than for the United States to re-up a twenty-year war and remain bogged down in Afghanistan for another decade”.³⁴ Meanwhile, as the U.S. retreated from Afghanistan, it was also a *de facto* end for European military presence in the country which was inherently tied to its own. Therefore, to the extent that the U.S. retreat from Afghanistan was indeed motivated by broader strategic reprioritising in light of the growing challenge posed by the rise of China militarily, European interests and E.U.-U.S. cooperation in Afghanistan were affected by the rise of China, not so much directly, but via the shift in U.S. defence policy China provoked.

The AUKUS deal is another illustration of how U.S. security concerns moving further East can leave relations with E.U. countries to be caught as collateral damage in the process. In September 2021, the U.S. announced the launch of the new trilateral security partnership with the United Kingdom and Australia, which will enable Australia to acquire a fleet of American nuclear-powered submarines – a technology the U.S. had previously only shared with the U.K. The deal seeks to strengthen the allies' ability to respond jointly to growing Chinese assertiveness in the Western Pacific and South China Sea.³⁵ Yet, another consequence of the deal was the cancellation of a French-led 36 billion USD contract to build twelve diesel-powered submarines for Australia – which the American nuclear submarines effectively replaced – prompting France to temporarily withdraw its ambassadors to Washington and Canberra in protest.³⁶ In this case, it is primarily a single European country, France, which is affected by the U.S. policy shift in light of the rise of China, yet the impact also threatened to spill over to broader E.U.-U.S. relations. Commenting on Franco-U.S. tensions resulting from the AUKUS deal, E.U. commissioner for internal markets Thierry Breton warned of “something broken” in transatlantic relations, as France pushed to postpone a high-level E.U.-U.S. trade and technology council meeting.³⁷

At the time of the events, the AUKUS row further reinforced certain E.U. capitals' sentiment (already largely fuelled by four years of foreign policy under the Trump administration) that the U.S. is an increasingly unreliable security partner, lending further credibility to calls – spearheaded by France – for greater E.U. self-reliance on defence and security issues. As such, while seeking to respond to the growing Chinese assertiveness, the AUKUS deal laid the ground for renewed tension, both within the E.U. and with other NATO allies, between countries favouring NATO and those advocating for a strengthened E.U.-led security framework.

However, prior tensions were near-instantly brushed aside when Russia's invasion of Ukraine prompted a recently-unseen initial display of unity between E.U. countries and the U.S. (and other Western allies), in particular in order to impose economic sanctions on Russian interests. As the full and long-term consequences of the invasion are yet to unravel and as China's stance is yet to be clarified, the resilience of revamped E.U.-U.S. ties will continue to be tested. As Russian troops entered Ukraine, E.U. countries and the U.S. were united around the urgent need to respond to the most severe European security crisis of the 21st century. Now seemingly far from brain-death, NATO re-emerged as the most relevant framework for a coordinated security response involving the U.S. and E.U. countries alongside other allies. It remains to be seen whether this re-emerging unity and consensus over NATO will be sustained and applied to the more ambiguous and multifaceted security challenge posed by China – both in the immediate crisis in Ukraine, and further into the future.

World Order 2.0

In the words of Ikenberry “order refers to the settled arrangements – rules, institutions, alliances, relationships, and patterns of authority – that guide the interaction of states.”³⁸ Order reflects the organisational principles and rules that shape and direct state relationships.” In this regard, a fundamental question for E.U. and U.S. foreign policy is the type of world order that is likely to emerge as a result of the rise of China.

In the immediate aftermath of the Cold War, the “Washington Consensus” prevailed: a global order in which the Western model, centred on democratic and human rights values alongside economic liberalisation, was left without a counter-weight influence. Western-dominated international organisations largely served as an institutional tool to further promote these values in multilateral settings.³⁹ In the realms of international finance for example, the Bretton Woods institutions served this purpose, with the E.U. and U.S. sharing global influence amongst themselves as exemplified by the informal agreement that the International Monetary Fund (IMF) would always be led by a European and the World Bank by a U.S. national.

Today however, in addition to being challenged within Western liberal democracies (and notably the U.S. under the Trump administration), the remaining elements of the Washington consensus are increasingly contested by rising powers – spearheaded by China. The establishment of rival Chinese-led institutions such as the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB) as alternatives to the Bretton Woods institutions – in which China's voting share is relatively low – highlights how Western-dominated institutions are no longer the monopoly of development finance.⁴⁰

Moreover, since the start of its Belt and Road Initiative in 2013, China has increasingly been circumventing multilateral institutions to build bilateral economic ties with countries around the world. In 2017, China became the world's largest creditor to developing countries,

surpassing the IMF and the World Bank.⁴¹ Such trends have increasingly worried European and U.S.-based observers, concerned that China is using economic ties to challenge Western influence in countries across the world, including in regions that are generally seen as the “backyard” of the European Union and the United States. A brief by the European Union Institute for Security Studies about China’s BRI points out that “Beijing has always pursued a strategy of building political support among a large number of relatively small developing countries [and] the area of the Western Balkans is no exception”.⁴² Similarly, the 2021 Report to Congress of the U.S.-China Economic and Security Review Commission warns that “China has become a critical trading partner, investor, and bilateral financier for many Latin American and Caribbean countries” that “reinforces trends that run counter to U.S. values and interests”.⁴³ Ultimately, the report expresses concern that by building closer economic ties with countries around the world, China is able to gain political support on the world stage and advance its interests on contentious issues such as isolating Taiwan, or defending itself from criticism over human rights abuses.⁴⁴

In “*Is the American Century Over?*”, Nye points to the power shift amongst nations from West to East as a defining trend of the twenty-first century.⁴⁵ This shift led by the rise of China has a symmetrical impact on E.U. and U.S. interests: as China gains prominence in international politics, both E.U. and U.S. influence decline in relative terms. While losing relative influence on the world stage, the E.U. and the U.S. continue to share the same interests in maintaining a world order that is favourable to liberal democracies and in which democratic principles and respect of human rights are largely accepted as desirable norms of international affairs. Defending these interests in light of growing Chinese influence in international politics calls for greater E.U.-U.S. cooperation. Concerning a U.S. reaction to the BRI in particular, observers have suggested that “a successful response to the BRI should include U.S. allies and partners”.⁴⁶ It is still unclear whether the G7’s Build Back Better World (B3W) – emphasising transparency, freedom and openness sometimes at the cost of delayed implementation and a higher price – will have sufficient appeal amongst developing countries to compete with the BRI.⁴⁷ Nevertheless, the initiative highlights the political will of the U.S., E.U. countries, and liberal democracies more broadly to provide a joint alternative beyond solely highlighting shortcomings of the Chinese endeavour. Yet, while the 2021 Report to Congress of the U.S.-China Economic and Security Review Commission argued that “each decision the United States makes over the coming months and years must be taken in consultation with concerned partners and be *purposefully directed at upholding an international system* that has largely served us well” (emphasis added), the B3W also risks cementing the trend by which multilateral lenders and other international organisations are left out of global governance and decreasingly influential in shaping the international order.⁴⁸

What next?

The rise of China has significant implications for the European Union and the United States across policy domains. China’s rise as a trade superpower – albeit strongly criticised for its contentious practices – weighs significantly on E.U. and U.S. balance of trades, shifting the perception of trade from a positive-sum to zero-sum game. With regards to climate change, China’s rise increases the social cost of carbon thereby raising the urgency of climate action. In the realms of defence and security, China’s military rise in East Asia increases the opportunity-cost of U.S. commitments elsewhere, creating uncertainty for U.S.-reliant European defence policy. In international politics, China’s growing influence over the

international order translates to a relative decline of that of the European Union and United States.

In turn, the rise of China in these spheres affects E.U.-U.S. relations. A key finding from reviewing these dynamics in several policy domains is that the effect that China's rise has on E.U.-U.S. relations strongly depends on whether the E.U. and U.S. are affected in a symmetrical or asymmetrical manner by China's newfound prominence in international affairs. In climate policy and international politics, the E.U. and U.S. are affected in a symmetrical manner by the increasing social cost of carbon and relative decline of their influence on the world stage. Faced with a similar challenge, the E.U. and U.S. may more naturally converge towards a common response. In contrast, concerning trade policy and defence, E.U. and U.S. respective interests are affected asymmetrically. In these policy spheres, the rise of China brings certain European and U.S. positions further apart – at times placing their interests against one another – which makes cooperation more complex (e.g., trade policy in zero-sum mindset) or even brings the transatlantic ties close to a breakdown as the AUKUS deal has shown.

Moreover, while we have reviewed each policy domain separately for analytical purposes, these are in reality tied in various ways. Trade with China is increasingly scrutinised by Western policymakers as a security concern. Trade is also a concern in climate policy, as highlighted by U.S. and Chinese reactions to the E.U.'s CBAM proposal. Climate and security policy may also become intertwined when energy policy seeks to balance low carbon-intensity and energy security. The changing world order affects how China, the E.U. and the U.S. interact in all of these domains.

For the E.U. and the U.S., it will be crucial not to let tensions which may arise from an asymmetrical impact of China's rise in a given policy domain affect broader E.U.-U.S. cooperation. Whether individual E.U. and U.S. interests in trade, climate policy, defence or international politics are brought closer together or further apart in the short-term, there is also an opportunity for E.U. and U.S. policymakers to reconcile their differences in face of the long-term systemic adjustments called for by the rise of China. While E.U. and U.S. interests may diverge on specific policy issues, “transatlantic partners share democratic political systems, open market economies, and a commitment to many of the same values” which largely provides scope for a common response to China's growing assertiveness in world affairs.⁴⁹ As numerous policy priorities in a hyper-globalised world require supranational coordination, the E.U. and U.S. as historical allies and influential actors in global decision-making may often have the opportunity to significantly advance multilateral problem-solving by aligning amongst themselves. Whether the European Union and United States overcome their differences in order to work jointly towards broader strategic goals remains to be seen. Yet, it is clear that a united transatlantic front has a greater chance of progressing towards common E.U.-U.S. interests than either could hope to achieve individually. Going forward, maintaining awareness of how the rise of China may affect their relative policy positions and interests will be important for the E.U. and U.S. to maximise synergies where they exist, and proactively address differences where China's rise pulls their interests apart.

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GENERAL SECTION

Muted Hydrohegemony: Hydropolitics and Transboundary Water Law in the Kura-Araks River Basin

Nareg Kuyumjian

Abstract

Climate change-induced water stress paired with recently intensified post-Soviet conflict in the South Caucasus is increasing the geopolitical importance of the Kura Araks River Basin as the region's main source of freshwater. Even so, and despite being classified as a high-risk of conflict river basin, water relations and diplomacy along the Kura Araks is not widely discussed in the hydropolitics literature. This paper sets out to understand the role water plays in the geopolitics of the South Caucasus by measuring the adaptive capacity of 12 water treaties pertaining to the Kura Araks through a principle-based treaty analysis. Next, to discuss this normative landscape, media analysis of Turkey's dam-building activity is conducted to examine the upstream riparian's engagement with the basin. Particular focus is placed on understanding Turkey's hydrohegemonic tactics as a driver of the basin's normative status quo. The role of water in the region is made more concrete with two case studies: the Second Artsakh/Nagorno-Karabakh War and the water-vulnerable upper Kura-Araks sub-basin. Concluding thoughts are offered on the larger ramifications of water politics in the region and on potential future paths for research.

Introduction

Climate change-induced water stress paired with recently intensified post-Soviet conflict in the South Caucasus is increasing the geopolitical importance of the Kura-Araks River Basin as the main source of freshwater for the region. The Kura-Araks has been consistently classified as having a high-risk of potential conflict¹. Recently, De Stefano et al. measured climate change induced water variability projections to conclude that the Kura-Araks will be one of fourteen basins with a high future hazard level that “merit further study”².

The Kura-Araks spans over a region of tense geopolitical relations, recently exacerbated by the fallout of the 2nd Artsakh/Nagorno-Karabakh War between Armenian and Turkish-Azerbaijani forces in September 2020. The war lasted 44 days and resulted in over 5,000 casualties³. While there has been much analysis of the various unprecedented facets of the war, there has been almost no discussion of water's role in the conflict. With a dubious trilateral ceasefire signed by Armenia, Azerbaijan, and Russia on 9 November 2020 that has left much room for speculation about the durability of peace⁴, shared water resources set the stage for an inextricably tied post-war bargaining space stressed by basin-wide climate change vulnerability and a heightened level of regional militarisation. Despite this, the hydropolitics of the Kura-

Araks' five riparian statesⁱ— Armenia, Azerbaijan, Georgia, Iran, and Turkey— has largely been sidelined within the hydropolitics literature.

This paper aims to fill this gap by analysing the legal principles and mechanisms which govern transboundary water management in the Kura-Araks. Content-based treaty analysis of 12 existing treaties identified by the author finds that hydropolitics on the Kura-Araks is primarily structured by exclusively bilateral agreements written in the Soviet Era. The paper then assesses the treaties for adaptive capacity and discusses it within the context of the literature's "Framework on Hydrohegemony" (FHH) in a two-part analysis. First, the paper uses media analysis to argue that the post-Soviet Kura-Araks legal landscape is influenced by Turkey's muted hydrohegemony and interest in maintaining unilateral resource capture as a tool of power projection. Second, the paper applies this understanding to demonstrate how water played an inflammatory role in the 2nd Artsakh/Nagorno-Karabakh War and poses an increasing threat to the climate-vulnerable upper Kura-Araks sub-basin.

These findings contribute to the transboundary water management literature in four main ways. First, the study presents and analyses treaties that were unaccounted for by the prevailing literature. Second, the employed methodology focuses on adaptive capacity as a crucial variable that can be measured by a novel aggregation of hydrological and legal indicators. Third, discussion of Turkey's muted hydrohegemony contributes to the FHH by producing a unique classification of upstream hydrohegemons based on the exploitation and politicisation of water resources. Fourth, by adding Kura-Araks as a case study of hydrohegemony, the paper evaluates Turkish hydrohegemony beyond its typical application to the Tigris-Euphrates River Basin, showing that hydrohegemonic tactics and strategies can vary based on a basin's hydropolitical arrangement.

Literature Review

The hydropolitics literature— as part of a broader literature on environmental security in international relations— is centrally concerned with understanding the role water plays in geopolitics and peacebuilding in transboundary river basins. The theoretical underpinning of hydropolitical analysis has been foundationally informed by Warner and Zeitoun's seminal formulation of the Framework on Hydrohegemony (FHH), which understands hydropolitics to be a power-laden interplay between two primary state actors: hydrohegemonsⁱⁱ and non-hegemons.⁵ By virtue of its asymmetric power advantage, the hydrohegemon shapes the form of hydrohegemony— positive, negative, or flux— within a river basin through a series of discrete strategies and tactics. Warner and Zeitoun further categorize these strategies under

ⁱ Riparian refers to an entity that shares a river

ⁱⁱ Peterson-Perlman and Fischhendler (2018) build on previous formulations to define a hydrohegemon as a riparian actor who holds an advantage in three "deterministic power factors". First, relative power advantage, which refers mostly to "[a] comparative advantage[] of... military power and is composed of the [riparian's] ability to defend its own water resources against the use of force by others or to obtain its water goals using force against others." Second, riparian position, which refers to a riparian's geographic location in relation to the flow of the river. Third, exploitation potential, which refers to "a riparian's potential to exploit water by possessing the resources and technical capacity to build dams or water diversions".

Lustick's four compliance-producing mechanisms.ⁱⁱⁱ⁶ Non-hegemon, in response, seek to employ a mix of intervention strategies that contest or consent to the hydropolitical status quo by either reforming hegemonic forces, challenging through counter-hegemonic tactics, or striking a balance in between.⁷ To address what FHH scholars see as the fundamental set of challenges posed by this power asymmetry, water treaties are viewed in the literature as an expression of normative compliance-production for both parties: as a means of hydrohegemonic consolidation and counter-hegemonic bargaining.⁸

An adjacent strain of hydropolitical thought views water treaties through a liberal institutionalist lens.⁹ This approach sees water treaties not only as a strong indicator of cooperative water management,¹⁰ but also as a concrete, measurable, and defined methodology^{iv} for understanding the correlates of hydropolitical interaction.¹¹ Even so, the literature agrees that the mere existence of a treaty is insufficient for joint management.¹² Instead, Conca et al. recommends treating the "principled content of agreements" as units of measurement and offers 9 indicators of effective treaties in line with the Convention on the Protection and Use of Transboundary Watercourses and International Lakes (Water Convention).¹³

Since the introduction of Conca's variables, Giordano et al. has demonstrated how the content of treaties has molded to apply to the cultural and technical realities of regional contexts.¹⁴ Accordingly, the methodology employed to understand the nature of transboundary water treaties has developed from Conca's operationalisation in three major ways. First, Gerlak et al. draw from Young to create a typology of water treaties that fall under four classifications.^{v15} Second, methodologies have increasingly placed emphasis on economic considerations,¹⁶ data sharing,¹⁷ and flow variability provisions.¹⁸ Third, the ability of treaties to deal with the extensive variability caused by climate change has been studied through treaty flexibility¹⁹ and more comprehensively as adaptive capacity.²⁰ Yet, while many have pointed to the significance of adaptive capacity in transboundary water management,²¹ the hydropolitics literature has yet to formally adopt it as an indicator like other environmental fields.²²

To complement legal norms, FHH scholars, drawing from Gramscian hegemony, point toward ideological power as a means to shape ideas and garner consent.²³ Ideological hydrohegemonic tactics such as sanctioned discourse²⁴ and securitization²⁵ aim to 'manufacture consent' and create 'conventional wisdom' around water management.²⁶ This has been analysed in contexts where dam-building and control over water resources are leveraged to imagine a hydraulic mission and influence water nationalism through speeches and public-facing content.²⁷ Here,

ⁱⁱⁱ Lustick (2002) offers four compliance-producing mechanisms that have been widely adopted by FHH scholars: coercive, utilitarian, normative, ideological hegemonic.

^{iv} The Transboundary Freshwater Dispute Database (TFDD) is the largest aggregation of transboundary water treaties in the world with well over 600 treaties from 1820 to 2007. See <https://transboundarywaters.science.oregonstate.edu/content/data-and-datasets>

^v Gerlak et al. (2011) divides water treaties in four categories— regulatory, procedural, programmatic, and generative— and explains each as follows. "Regulatory agreements are those which proscribe or prescribe action (e.g., water allocation or control of pollution). Procedural agreements are those which provide frameworks for regular, collective decision-making (e.g., joint water management committees). Programmatic agreements provide rules for pooling or generating resources for project development (e.g., construction and operation of dams). Finally, generative agreements develop new social practices (e.g., establishing principles such as 'no significant harm')."

sanctioned discourse through media has been demonstrated to complement hydrohegemonic ends by shaping public discourse.²⁸ Scholars have demonstrated how ideational hydrohegemony can be leveraged to exclude water from public discourse and, in effect, securitize the hydropolitical bargaining space. Kistin,²⁹ Aggestam and Sundell-Elkund,³⁰ and Krampe³¹ demonstrate how this oversecritisation has led to regimes of cooperation that are exclusively technical in nature, moving away from public-facing politics and participation, both of which have been demonstrated to create more resilient norms.³²

While the Kura-Araks has been repeatedly identified as having a high risk of conflict in large scale studies,³³ it remains a relatively understudied transboundary basin. Part of the reason for this gap in the literature is that even non-water scholars of the South Caucasus struggle to study the “fractured region” as a cohesive unit of analysis.³⁴ Ohanyan demonstrates how this fracturing is a by-product of extensive great power overlay caught between Russian, Turkish, and Iranian interests. She further argues that this overlay in fractured regions produces weak institutional thickness, constituted by postcolonial regional institutions that “work to cement power imbalances in relationships between states and their formerly colonial patrons”.³⁵ Understanding the hydropolitics of the Kura-Araks offers the literature a case study that views water cooperation as an independent variable in a “fractured region”.³⁶ This application further challenges the cooperation-conflict dichotomy³⁷ and focuses on the co-existence of contest and compliance in hydrohegemonic norms.³⁸

In addition, the Kura-Araks provides the literature with a second theatre through which to study Turkish hydrohegemony. Despite Turkey’s six transboundary basins,³⁹ most scholarship has exclusively focused on its hydrohegemonic role in the Tigris-Euphrates, making it a primary case study in the hydrohegemony literature.⁴⁰ In fact, river basins were first introduced as a unit of hydropolitical security by Schulz in the context of Turkish hydrohegemony along the Tigris-Euphrates.⁴¹ Scholarship has examined the wide range of strategies and tactics employed for and objectives achieved by Turkey’s Southeast Anatolian Project (GAP) on the Tigris-Euphrates in respect to both domestic and foreign policy.⁴² Domestically, Conker demonstrates how GAP’s hydraulic mission serves to build Turkic nationalist sentiments at home.⁴³ More recent scholarship by Hussein and Conker more discretely identifies Turkish hydrohegemony as an important, albeit challengeable, lever of foreign policy in the Middle East.⁴⁴

This paper argues that Turkey’s role in the Kura-Araks fits the three criteria of hydrohegemony laid out by Peterson-Perlman and Fischhendler and should be studied as such.⁴⁵ Especially with a growing literature on Turkish President Recep Tayyip Erdogan’s neo-Ottomanist and pan-Turkic interests in many regional theatres⁴⁶ and recent direct military involvement in the 2nd Artsakh/Nagorno-Karabakh War, the study of Turkish hydrohegemony in the Kura-Araks is relevant to further understanding Turkey’s foreign policy vis-à-vis the South Caucasus. The following section provides background on the basin and its understood role in the South Caucasus.

Background

New archaeological evidence demonstrates that the Kura-Araks River Basin has been home to interconnected cultural and political development since the Bronze Age.⁴⁷ Today, the basin has

five riparians— Turkey, Armenia, Azerbaijan, Georgia, and Iran— each covered to different degrees by the basin (Appendix, Table 4). Geographically, the Kura originates in the Karmir Porak/ Kizil-Giadik mountain range at an altitude of 2,742 m in Turkey’s Ardahan province. At a length of 1,515 km, it flows north through Tbilisi, and crosses from Georgia to Azerbaijan and into the Caspian Sea (See Map 1). The headwaters of the Araks start in the Bingol Mountains of Turkey’s Erzurum province and flow eastward at a length of 1,264 km to form the border between four riparians— Turkey and Armenia, Nakhichevan (Azerbaijan) and Iran, Armenia and Iran, and Azerbaijan and Iran— before meeting the Kura and emptying into the Caspian Sea (See Map 1). This geography determines the dependency ratio^{vi} of each downstream riparian— Armenia (11.71%), Azerbaijan (76.6%), and Georgia (8.21%)⁴⁸ — and thus plays a foundational role in the hydropolitical strategies and tactics employed by each.

During the Soviet period, the Kura-Araks was subject to the joint governance of the USSR, Turkey, and Iran. Upon the dissolution of the USSR, three riparians — Armenia, Azerbaijan, and Georgia— have replaced the USSR in managing the basin. In this transition of power from Moscow to post-Soviet states, the new riparians have struggled to rebuild, update, and coordinate water quality and quantity infrastructure following their independence. Since 1991, water data has not been shared between the 3 riparians (Altingoz 2018) and the number of hydrological stations has decreased in each country (UNDP 2013). Only Armenia has adopted a new 5-class water assessment methodology in 2011, while Georgia and Azerbaijan conduct assessments based on Soviet era practices (UNDP 2013; Altingoz 2018). Lack of standardisation and joint management has been identified as one of the root causes of the four main transboundary issues pertaining to the basin: deteriorated water quality, degraded ecosystems, flooding, and reduced and more variable water flow (UNDP 2013). This paper focuses on the ability of signed treaties to address risks posed by the lattermost issue— reduced and more variable water flow. The following section aims to understand the nature of regional transboundary water management in the Kura-Araks through content-based treaty analysis.

Methodology: Treaty Analysis

The central research question of this analysis is the following: what is the normative landscape of the Kura-Araks? In other words, as a means to understanding the role water plays in the South Caucasus, this analysis aims to descriptively understand the hydropolitical status quo through the legal norms that govern the management of the basin. The treaty analysis focuses on 12 signed treaties pertaining to the management of the Kura-Araks. These 12 treaties were compiled from three databases— the Transboundary Freshwater Dispute Database (TFDD), FAOLEX, and the UN Treaty Collection— and through in person contact with regional water experts. Subsequently, these treaties were subjected to a principle-based content analysis (Table 1) focused on measuring adaptive capacity.

While the treaty analysis literature offers many principles for effective treaty design, the circumstances and considerations of each river basin require a context-specific approach.⁴⁹ It is therefore the responsibility of basin-focused treaty analyses to translate the findings of big-N macrostudies on water norms across a wide range of contexts into a methodology that

^{vi} Dependency ratio is defined as the percent of water that originates outside a country’s borders

foregrounds a specific regional context. With this in mind, the following treaty analysis focuses on adaptive capacity as a key variable for understanding the normative landscape of the Kura-Araks given the basin's high level of expected water variability and ongoing geopolitical conflict.⁵⁰

The employed methodology aims to measure the hydrologic and legal adaptive capacity of transboundary water management along the river basin. Hydrologic adaptive capacity is defined by two key variables: allocation mechanisms and flood provisions. Legal adaptive capacity is defined by the ability of parties to adapt the language of the treaty after signing to maintain applicability of the treaty's contents to present and future conditions. The variables measured for legal adaptive capacity were determined as provisions which allowed for the amendment, review, and revocation of the treaty.⁵¹

The Hydropolitical Status Quo

The treaties in this analysis are divided into three categories based on signatory parties. Of the 12 treaties, five are between Turkey and the Union of Soviet Socialist Republics (USSR), five are between Iran and the USSR, and two are internal agreements within the USSR. The results of the treaty analysis are presented first in terms of hydrologic followed by legal adaptive capacity.

The first aspect of hydrologic adaptive capacity is allocation mechanisms. Seven treaties under analysis include allocation mechanisms. The USSR-internal treaties— 1971 Protocol to Debed Agreement and 1962 Arpa Agreement — use volumetric allocation. The former sets a fixed flow rate of the Debed River of 8.6 m³/s and 3.3 m³/s for Georgia and Armenia, respectively. The latter treaty establishes a required flow rate for the Arpa River to various downstream locations in Armenia and Azerbaijan. These direct volumetric allocation mechanisms provide no guideline for adapting to expected variability.

Alternatively, the four Turkey-USSR and one Iran-USSR treaties with water allocations all use a percentage-based mechanism based on the equitable utilization principle. The equitable utilisation principle between Turkey and the USSR is established in the 1927 Convention Protocol, which states that parties have a right to equal proportions of the Araks. Later, the principle is made more explicit in the 1973 Arpacay-Akhuryan Dam (AAD) Agreement, which provides for a 50-50 allocation agreement and adjustments according to climatic considerations. Similar language is used in the 1957 Regulatory Frontier Agreement between Iran and USSR, extending the equitable utilisation principle further downstream.

Additionally, none of these five treaties have language regarding minimum contributions. In other words, the treaties maintain that parties agree to equitable utilisation but refrain from mentioning how parties are able to address lower than anticipated volumes. For instance, the 1963 Convention Protocol includes vague language about how much water may be released into the AAD reservoir by either party; however, recent reports have claimed that the reservoir has not been reaching its prior levels.⁵²

The second aspect of hydrologic adaptive capacity is flood prevention. Only two of the analysed treaties included a flood response provision. Article 14 of the 1957 Procedural

Frontier Agreement states that parties shall exchange information to “avert danger and damage from flooding” as an explicit mechanism. Article A-III-3 of the 1963 Convention Protocol applies flood prevention mechanisms to the Araks, albeit focusing strictly on monitoring.

Legal adaptive capacity was included in only one treaty. Article 7 of the 1963 Convention Protocol allows for the agreement to be ruled “null and void” if infrastructural plans do not satisfy the parties. Even here, however, treaty adaptability is not based on expected variability; instead, it is a specific provision pertaining to the planning of the AAD. Two other provisions with language pertaining to legal adaptive capacity— Article 12 of the 1927 Convention and Article 40 of the 1957 Procedural Frontier Agreement— mention the possibility of revoking or amending but do not outline how or by what means those steps may be implemented. Both mention the possibility of amending the treaty as an exceptional scenario instead of as an institutionalized means of adapting to variability.

In sum, the normative landscape of the Kura-Araks displays weak adaptive capacity and weak enforceability. Hydrologically, the treaties draw significant flexibility from percentage-based allocation but are limited by an exclusive focus on maintaining the equitable utilisation principle. Legally, the treaties exhibited limited flexibility to adapting, reviewing, amending, and potentially revoking agreements based on expected variability. These limits on enforceability are compounded by the fact that all 12 treaties were signed during the Soviet era, which means three out of the five riparians— Armenia, Azerbaijan, and Georgia— are not parties to any of the agreements. Since the fall of the USSR, only one water treaty has been signed, signalling a clear stagnation in water relations in the post-Soviet era. This post-Soviet stagnation is further illustrated at the macro-scale by the post-Soviet 1991 CIS Water Agreement, which does not include the South Caucasus states or any mention of the Kura-Araks. Instead, post-Soviet water relations have been expected to operate on Soviet era water norms.

The winners and losers of this landscape are determined in a game of hydropolitics. The following sections evaluate hydropolitical strategies and tactics, with particular considerations made for climate change and geopolitical conflict.

Shortened Treaty Name	Signatories	Date Signed	Hydrological				Legal	
			Allocation	Allocation Provision	Flood Response	Flood Response Provision	Adaptation	Adaptation Provision
1927 Convention	Turkey, USSR	1/8/27	Percentage	Article 1	No	No	No	No
1927 Convention Protocol	Turkey, USSR	1/8/27	Percentage	Article 3	No	No	No	No
1963 Convention Protocol	Turkey, USSR	4/25/63	Percentage	Article 14, j	Yes	A-III-3	Revocation	Article 7
1973 AAD Agreement	Turkey, USSR	10/26/73	Percentage	Enc III, 22	No	No	No	No
1990 Agreement on Upper Kura-Araks	Turkey, USSR	3/7/90	No	No	No	No	No	No
1921 Treaty of Friendship	Iran, USSR	2/26/21	No	No	No	No	No	No
1954 Arax Development Agreement	Iran, USSR	12/2/54	No	No	No	No	No	No
1957 Procedural Frontier Agreement	Iran, USSR	5/14/57	No	No	Yes	Article 14	No	No
1957 Regulatory Frontier Agreement	Iran, USSR	8/11/57	Percentage	Article 1	No	No	No	No
1970 Protocol to Arax Development	Iran, USSR	5/7/70	No	No	No	No	No	No
1971 Protocol to Debed Agreement	Armenian SSR, Georgian SSR	11/5/71	Volumetric	Article 3	No	No	No	No
1962 Arpa Agreement	Azerbaijani SSR, Council of Ministers of the USSR	10/31/62	Volumetric	Annex 1	No	No	No	No

Table 1: Located Transboundary Water Treaties of the Kura-Araks River Basin

<i>Surface Water Flow (10⁹ m³/yr)</i>	<i>Armenia</i>	<i>Azerbaijan</i>	<i>Georgia</i>	<i>Turkey</i>
<i>Total Inflow</i>	0.91	26.56	8.35	1.8
<i>Total Inflow without Treaty</i>	0.91	25.38	2.05	1.8
<i>Total Outflow</i>	5.28	0	11.91	60.12
<i>Total Outflow without Treaty</i>	5.28	0	11.91	41.22

Table 2: Percent of Water Flow Included in Transboundary Water Treaties for Each State (FAO 2017)

Discussion

Having documented and characterized the normative status quo of the Kura-Araks, this section aims to understand why normative mechanisms are limited and lacking, who benefits from this, and in what ways. To answer these questions, a media analysis is conducted on Turkish hydrohegemony and findings are discussed as part of the larger hydropolitical status quo.

The Making of Hydroanarchy: Muted Turkish Hydrohegemony

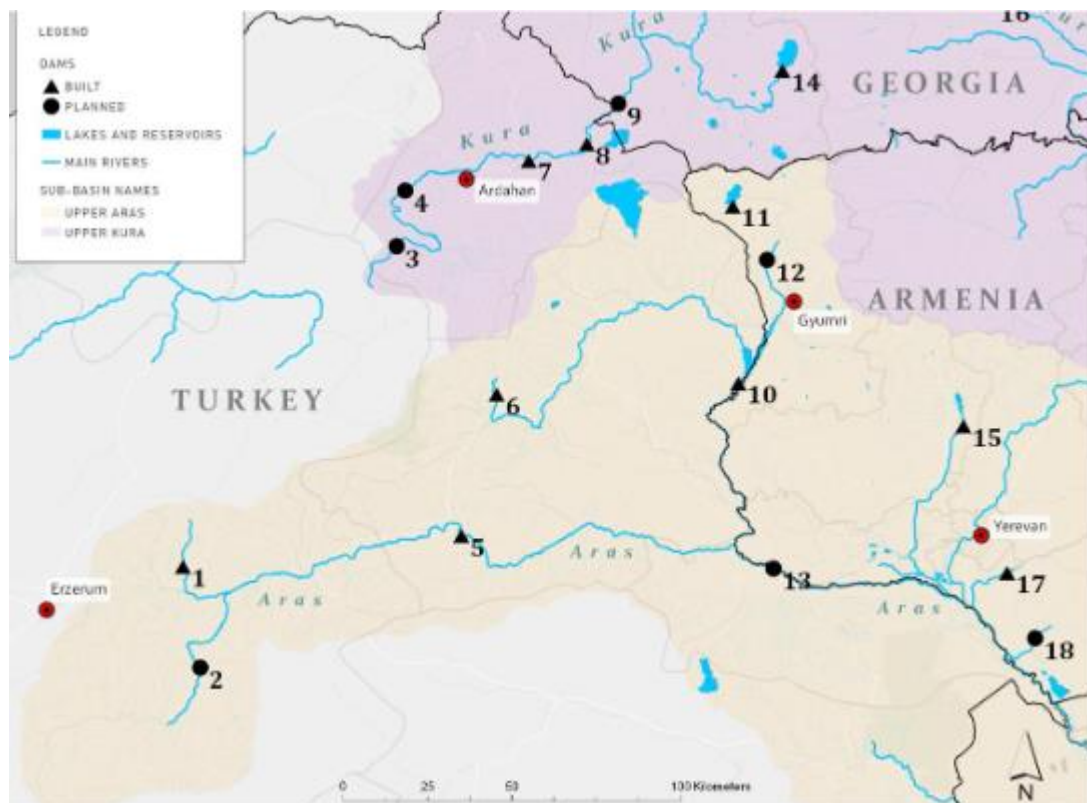
Unlike its role in the Tigris-Euphrates, Turkish involvement in, engagement with, and leadership along the Kura-Araks has been much less understood. Especially when considering the extent to which Ankara exerts its hydrohegemony in the Tigris-Euphrates through large-scale dam-building, its quiet engagement with the Kura-Araks invites critical analysis. This section employs a media analysis of Turkey's upstream dam-building on the Kura-Araks to argue that Turkish hydrohegemony in the basin is active yet comparatively muted.

Turkish exertion of hydrohegemony over the Kura-Araks has changed considerably since 1991. Whereas Turkey negotiated water relations with Moscow during the Soviet era, the dissolution of the USSR meant that Turkey sat upstream to three newly independent states with much less geopolitical leverage. As such, Turkey saw this as an opportunity to freeze water relations and instead maximise its high hydrohegemonic potential. As demonstrated, no substantial water treaties have been forged since 1991. Turkey has not initiated any regional basin organisations (RBOs) or similar water institutions that have received basin-wide buy-in. Most water development work has been financed by out-of-region intergovernmental organisations.⁵³ These projects, though extensive, largely focus on technical objectives.

Instead, Turkey has actively upheld the status quo in the South Caucasus by employing three tactics to consolidate control over the basin: unilateral resource capture, coercive force, and sanctioned discourse⁵⁴. First, with no legal or institutional recourse mechanisms in place, Turkey has taken unilateral action by increasing its upstream hydraulic capacity on both the

upper Kura and Araks. On the Kura, Turkey's State Hydraulic Works (DSi)^{vii} has overseen the planning and building of five major dams as part of the Kura Project Master Plan. These five dams— Besikkaya, Koroglu, Kayabeyi, Kontali, and Gurturk- are projected to greatly contribute to regional irrigation and energy needs at the expense of decreasing water flow. Likewise, from 2012 to 2014, the DSi constructed six dams on the Araks and currently has eight more hydraulic projects in planning phases.⁵⁵ Additionally, in 2020, the Karakurt and Alp-Aslan 2 dams were completed, rounding off eight total dams Turkey has constructed on the Araks over the last eight years.

Map 1: Major Dams of the Upper Kura-Araks River Basin



Dam name (date): (1) Demirdoven (planned); (2) Soylemez (planned); (3) Durancan (NA); (4) Besikkaya (planned); (5) Karakurt (2020); (6) Bayburt (2003); (7) Koroglu (2017); (8) Kayabeyi (2015); (9) Gurturk (planned); (10) Arpacay/Akhuryan (1980); (11) Arpi (1951); (12) Kaps (planned); (13) Surmalu (planned); (14) Tsalka (1946); (15) Aparan (1968); (16) Algeti (1983); (17) Azat (1976); (18) Vedi (2021).

Second, Turkish support of Azerbaijan during the 2nd Artsakh/Nagorno-Karabakh War worked to serve its hydrohegemonic interests through coercive action. Turkey's official involvement in the war in direct support of Azerbaijan has been well-documented. This increased Turkish

^{vii} Turkish Hydraulic Works (DSi) is a federal body under the Ministry of Environment and Forestry of Turkey, which exercises authority over management of water resources.

military activity downstream has legitimised its increased upstream hydraulic activity and emboldened its Azerbaijani ally to use coercive force to take water resources. Rather than engaging in norm creation around water, Turkey has taken advantage of the absence of norms to conduct military activity over key water points of interests. Both unilateral dam-building and Turkish-Azerbaijani joint military action in respect to water resources are discussed in greater detail in the Case Studies section of this paper.

Third, despite high levels of hydraulic and military activity, Turkey exercises its hydrohegemony by keeping discussions of regional water issues rhetorically muted. This sanctioned discourse is demonstrated by the stark contrast between newspaper articles published on dam-building on the Tigris-Euphrates River Basin compared to dam-building on the Kura-Araks River basin in the state-run Turkish media source *Anadolu Agency* between 1 January and 3 May 2021.

When comparing the three largest dams of both basins over the same time period, dams on the Tigris-Euphrates received substantially more news coverage than dams on the Kura-Araks. According to data collected from the Factiva online media database and the *Anadolu Agency* website, there was a collective 194 articles published on the largest three dams on the Tigris-Euphrates— Ataturk Dam (166), Karakaya (17), and Keban (11)— in the specified time period. Meanwhile, the same data sources showed zero articles published on the largest three dams on the Kura-Araks— Besikkaya (0), Soylemez (0), and Gurturk (0)— in the specified time period.

Other key terms related to the two dam-building projects followed the same pattern. The *Anadolu Agency* website produced a combined 1306 articles on the “Tigris River” and the “Euphrates River”, while only 6 articles on the “Kura River” and “Aras River” (Turkish name for Araks River). Similarly, 12 published articles mention the “Southeast Anatolia Project” (the Turkish Hydraulic Work’s project name for dam-building on the Tigris-Euphrates) compared to zero on the “Kura Project Master Plan” (the Turkish Hydraulic Work’s project name for dam-building on the Kura River).

The muted nature of Turkey’s hydrohegemony in the Kura-Araks can be explained as a product of the complex geopolitical checkering of the basin.^{viii} Here, upstream Turkish ability to use the Kura-Araks for regional geopolitical gain is curtailed by its alliance with downstream Azerbaijan. Turkey has the reason and capacity to employ water as a geopolitical lever on both midstream Armenia and Georgia. If the Tigris-Euphrates is not precedent enough, the planned construction of major dams in upstream Kura-Araks demonstrates Turkey’s affinity to power project through hydropolitical means (See Map 1). Whether to exert pressure on Armenia over Artsakh/Nagorno-Karabakh or counter Russian leverage in Georgia, the South Caucasus presents a fertile ground for upstream Turkish activity. Yet, as demonstrated, Turkish hydraulic activity has been hardly publicised or politicised. The state-sponsored news coverage that accompanied Turkey’s Southeast Anatolia Project is largely non-existent on the Kura-Araks. Instead, relations between Turkey and Azerbaijan have forced Turkey to take a muted approach.

^{viii} Geopolitical checkering refers to the geographic configuration of strong and weak interstate relations in a given region. In the case of the South Caucasus, Turkey and Azerbaijan are strong allies, while geographically “in between” Georgia engages in strategic relations with both and Armenia has tense relations with both.

As demonstrated in Figure 1, variability in Turkish hydrohegemonic expression between its transboundary river basins can be understood as a function of the hydropolitical arrangement of its riparians. On the vertical axis, hydrohegemonic activity— the extent to which a hydrohegemonic actor will exert their water leverage— is determined by level of power asymmetry among the riparians.^{ix} On the horizontal axis, hydrohegemonic politicisation of a river basin— the extent to which a hydrohegemonic actor makes their water actions apparent in the interest of achieving strategic ends— is determined by the level of muteness adopted by the hydrohegemon. Turkey on the Tigris-Euphrates operates in Quadrant IV and thus actively takes advantage of its asymmetric power while simultaneously making it clear that it is doing so in the hope that it will illicit concession from downstream riparians. This is to say that politicizing the basin is to Turkey’s benefit and serves its interests in the Middle East. In contrast, Turkey on the Kura-Araks is in Quadrant III and thus chooses a muted approach by trying to capture as much leverage it can from the asymmetric power distribution while not triggering downstream riparians. Here, Turkey actively avoids politicisation in the interest of avoiding reprisal from allies downstream. In other words, unlike on the Tigris-Euphrates, Turkey cannot exert unilateral leverage on the Kura-Araks without the risk of inflicting self-harm.

<i>Level of Activity</i>	<i>Level of Politicisation</i>	
	Muted	Non-muted
<i>Mote Symmetric</i>	Less active, more muted e.g. Columbia, Danube I	Less active, less muted e.g. Nile II
<i>Less Symmetric</i>	More active, more muted e.g. Kura-Araks III	More active, less muted e.g. Tigris-Euphrates, Mekong IV

Figure 1: Cross Tabulation of Hydrohegemony

In many ways, Turkey’s hydrohegemonic activity is enabled by the stagnated normative landscape found in the treaty analysis. Open-ended percentage-based allocation mechanisms with no language pertaining to defining a minimum flow contribution allows for the establishment of a form of hydrohegemony in flux. Measurably low legal adaptive capacity in the basin subsequently frees Turkey to act unilaterally, rendering riparians no legitimate means of adapting treaty language. All three aspects of Turkey’s strategy depend on non-adaptive water norms. In fact, the development of adaptive and accountable legal norms along Kura-Araks pose the risk of setting precedent for Turkey’s other river basins. In other words, if

^{ix} This should not be confused with exploitation potential. Whereas exploitation potential refers to whether a riparian can exploit its power asymmetry on water resources, hydrohegemonic activity is concerned with whether a hydrohegemon will in fact act on that potential.

Armenia, Georgia, and Azerbaijan bring Turkey to the negotiating table over water in the Kura-Araks, Turkey may be concerned that Syria, Iraq, and Iran would do the same along the Tigris-Euphrates. Indeed, not delivering on an expected “pax aquarum” along the Tigris-Euphrates has been part and parcel of Turkish power projection in the Middle East⁵⁶.

Turkey’s commitment to resource capture despite the Azerbaijani factor can also be explained by the increased need for irrigation in the upper Kura-Araks. Climate change projections expect higher aridity and lower rainfall in the sub-basin⁵⁷. The intersection between the Kura-Araks, climate change, and regional conflict is further explored in the next section with two cases.

Case Studies

The basin’s weak adaptive capacity renders it ineffective in accommodating climate change vulnerability. An inability of riparians to employ diplomatic hydropolitical strategies leads to unilateral resource capture, which intensifies conflicts in two particularly vulnerable sub-basins. This section examines the role water played in the 2nd Artsakh/Nagorno-Karabakh War and the increasing threat water variability poses to the climate-vulnerable upper Kura-Araks sub-basin.

Case Study 1: Artsakh/Nagorno-Karabakh and Water

The hydropolitics of the lower Kura-Araks played a significant role as an intensifier of the Artsakh/Nagorno-Karabakh conflict. More recently, control of the Kura-Araks was a major geopolitical objective for Azerbaijani-Turkish forces in the 2nd Artsakh/Nagorno-Karabakh War. As depicted in Map 2, Artsakh/Nagorno-Karabakh is home to eight major rivers— 3 tributaries of the Lower Kura and 5 tributaries of the Lower Araks— and five major dams. While this hydrologic and hydraulic landscape is geopolitically important to both Armenia and Azerbaijan, the latter’s downstream position makes it more dependent on Artsakh/Nagorno-Karabakh’s water. This asymmetry in power dynamics is integral for understanding potential conflict mediation in three concrete ways.

First, unlike Armenia, Azerbaijan depends on the lower Kura-Araks for 70% of its drinking water.⁵⁸ Second, the lower Kura-Araks is a major water input for Azerbaijan’s agricultural sector. The Terter River, for example, irrigates thousands of hectares of Azerbaijan’s climate-vulnerable agricultural lowlands in Barda and Tartar. Third, Azerbaijan relies heavily on the lower Kura-Araks as a source of hydropower, particularly to free up more of its domestic natural gas consumption for export through the recently commissioned Southern Gas Corridor. If Azerbaijan can decrease the proportion of its electricity mix coming from natural gas (currently at 90%), the surplus has the potential to increase export revenue and help achieve national emissions reduction targets.

The inflammatory role played by this power asymmetry in water relations was evident before, during, and after the 2nd Artsakh/Nagorno-Karabakh War. Before the war, the state-owned AZTV media outlet featured a series spotlighting decreased water flow in the lower Kura, directly connecting it to Azerbaijan’s water scarcity.⁵⁹ President Aliyev followed with a publicly aired water conference, during which he reiterated the importance of reversing water shortage trends, stating that all “relevant bodies... showing indifference to this issue should be

punished”.⁶⁰ As increasingly belligerent water-focused rhetoric contributed to the escalation of tensions,⁶¹ Azerbaijani forces treated water resources as military objectives when war broke out.

On the northeastern front, Azerbaijani-Turkish forces campaigned until the Madagiz Dam on the Terter River and the Khachen Dam on the Khachen River and agreed to set it as the new line-of-contact (LOC). On the southern front, escalated mortar fire near the Khoda Afarin Dam raised serious Iranian concerns. Collectively, the fact that all 3 of these dams defined the LOC after the negotiation process demonstrates that water was treated as a military objective. As depicted in Map 2, in the 9 November ceasefire, Russian, Armenian, and Azerbaijani parties agreed to a new LOC that placed a demonstrably high importance on water resources. More speculatively, Azerbaijan’s demands for the Karvajar/Kelbajar region may have been informed by the fact that the sources for both the Terter and Hakari rivers are in the region.

Post-war Azerbaijani rhetoric has emphasized water gains with water-focused propaganda and plans to invest in hydropower potential. Following the war, President Aliyev that major investments will be made in hydropower and water resources.⁶² In February 2021, Aliyev and other high-ranking officials paid visits and took photos at the Gulebird HPP in Berdzor/Lachin district, right on the border with Armenia.⁶³ Gulebird stands alongside 30 HPP that came under Azerbaijani control with the ceasefire. On the southern border, Azerbaijan has already started holding joint meetings with Iran to launch the joint operation of the Khoda Afarin Dam.⁶⁴ That the negotiations with Iran regarding Khoda Afarin were held immediately after the ceasefire demonstrates its place in the premeditation of the Turkish-Azerbaijani armies offensive and water-driven objectives.⁶⁵

Armenian-Azerbaijani water relations, as demonstrated by their role in the 2020 war, are brittle and flammable. The states have not introduced nor updated legal water norms since the 1962 Arpa Agreement. With the question of water rights remaining unanswered, the Artsakh/Nagorno-Karabakh conflict’s legal limbo is still vulnerable to inflammatory hydropolitics. Even with the 9 November ceasefire, water can be expected to continue to play a conflict intensifying role.

Case Study 2: Upper Kura-Araks and Water

Tense Turkish-Armenian and strategic Turkish-Georgian relations are vulnerable to climate change and increased hydraulic activity on the upper Kura-Araks sub-basin. The upper Kura-Araks is expected to experience decreased and more variable precipitation, decreased snowmelt, and increased seasonal water variability.⁶⁶ These climate trends are expected to cause around 45% crop yield reduction in the sub-basin under a medium impact scenario and, in response, adaptation will require a 25% increase in irrigation to meet the increased water scarcity expected in the sub-basin.⁶⁷ As a result, Turkey has exercised its hydrohegemony by building the most, and largest, dams in the basin since the Soviet era.

To meet its increasing need, Turkey’s State Hydraulic Works (DSİ) has launched an upstream hydraulic infrastructure campaign on both the upper Kura and Araks rivers. On the Kura, DSİ is pursuing the Kura Project Master Plan (Kura Projesi Master Planı) with the goal of increasing the sub-basin’s 3000 ha of irrigated land (6% of the basin’s total irrigable land) to 51,000 ha.⁶⁸

Accordingly, as depicted by Map 1, the Plan features five major dams along the upper Kura, of which two are still in the planning phase—Gurturk and Besikkaya.

The Besikkaya Dam, which is expected to be the largest unilaterally commissioned Turkish dam on the Upper Kura, has raised concerns among local activists and the downstream Azerbaijani civil society. According to local activists in Turkey's Ardahan province, the planned dam will divert 70% of Kura's water flow to the Coruh River.⁶⁹ This represents a major hydraulic intervention and has resulted in staunch opposition to the project among activists who raise agricultural, ecological, and climate concerns.⁷⁰ Already, climate-induced migration contributes to the Ardahan province having the 3rd highest population loss rate between 2000 and 2020 among Turkey's 81 provinces. Furthermore, a prominent, state-sanctioned^x Azerbaijani environmental NGO points to the Besikkaya Dam as a major threat to Azerbaijan's water security.⁷¹ Expected decreases in water flow along the Kura directly caused by the Besikkaya Dam have ignited regional tensions at the local and civil society levels.

Similarly, Turkey has substantially increased its hydraulic activity on the upper Araks. Compared to the Kura, Turkey plans to exploit water resources on the Araks with a higher number of lower capacity dams. From 2012 to 2014, Turkey constructed six hydropower plants (HPPs) on the Araks and currently has eight more hydraulic projects in planning phases.⁷² The Soylemez Dam, in particular, has drawn much attention for its size and implications for water flow. It will stand at 113 meters high and carry 1.4 billion cubic meters of water to its reservoir, which is the fourth largest artificial catchment of water in Turkey.⁷³ According to Turkish reports, the recently announced dam is planned to be constructed in Koprukoy, Erzerum as soon as 2022. Additionally, the Karakurt and Alp-Aslan 2 dams constructed in 2020 have drawn particular concern from downstream riparians. The Karakurt Dam, in particular, has reduced the Araks' flow by an estimated 1.6 billion cubic meters.⁷⁴

It is evident that unilateral action taken on the upper Kura-Araks is substantially influencing other national hydraulic projects and producing hydropolitical tensions downstream. Most directly, Armenian media has accused Turkish hydraulic expansion on the upper Araks of being in violation of the equitable utilization principle.⁷⁵ However, decentralised and unofficial joint management regimes of the AAD and Turkish-Armenian water relations more broadly provide no mechanisms for institutional negotiation.

Instead, the Armenian side has responded by increasing its own hydraulic activity on the upper Araks. Armenia recently announced that it plans to construct 21 priority reservoirs on tributaries of the Araks river.⁷⁶ Compared to Turkish dams, Armenian dams are smaller in scale and size, with the largest planned project, Kaps Dam, holding just 70 cubic meters. To date, Armenia has not announced the construction of any major dams in the sub-basin to the scale of the Besikkaya or Soylemez.

^x According to the European Court of Human Rights' *Jafarov and Others v. Azerbaijan* ruling, Azerbaijan lacks protections against arbitrary state interference in domestic NGOs and domestic NGO laws do not meet the 'quality of law' required. This decision as well as multiple reports on civil society in Azerbaijan have found high levels of state control of civil society. This is to say that NGOs may, in some cases, be treated as proxies for understanding what is and is not in line with the Azerbaijani government.

Map 2: Major Dams pertaining to the Artsakh/Nagorno-Karabakh Conflict



Dam (date): (19) Aras (1971); (20) Meghri (planned); (21) Sarsang (1976); (22) Madagiz (1975); (23) Khachen (1964); (24) Khudaferin (1971); (25) Maiden Tower/Mil-Mugan (NA).

Conclusion

The legal landscape of the Kura-Araks River Basin, though largely set in the Soviet era, bears consequences for the region in the present. Recent hydrohegemonic activity by Turkey in the form of dam-building and the 2nd Artsakh/Nagorno-Karabakh War are a testament to the current implications of Soviet era water norms. This is despite the effort of many intergovernmental organisations to bring about dialogue between riparians through water cooperation. The Kura-Araks has been the focal point for multiple development projects implemented by environmental intergovernmental organisations. Almost ubiquitously, the outcome of non-regionally led intervention has been the achievement of exclusively technical gains with little to-no spillover into greater transboundary coordination at the highest levels of governance.

To further assess the basin and understand its hydropolitics, scholarly research can develop in a number of directions. First, in order to adequately understand Ankara's use of water as a foreign policy lever, the study of Turkish hydrohegemony can be conducted in a comparative manner and, by invoking the case studies of both Tigris-Euphrates and Kura-Araks river basins. Second, water law within post-Soviet regions can be assessed more systematically to further

expand on the normative landscape and measure more variables. Third, the role of groundwater in both the transboundary and national political contexts lack attention and may play an important ancillary role to understanding regional water politics. Finally, an evaluation of other regional geopolitical factors, including a more comprehensive assessment of Iran's and Georgia's role, promises to add more nuance to an already dynamic hydropolitical status quo.

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Pastoralism and Renewable Energy Transition in Kenya

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Abstract

Globally, an economic and scientific rationale for mitigating the impacts of global warming has driven the expansion of renewable energy through policy. The leading campaigner for mitigating climate change at the global level, The United Nations Framework Convention on Climate Change (UNFCCC), has advocated for wider adoption of renewable energy technologies. Kenya has positioned itself at the global level and in Africa as a primary actor in combating climate change by developing policies to expand its renewable energy production. In Kenya and other parts of the global south, the renewable energy transition has not been without controversy regarding appropriating customary land and marginalising communities. However, Kenya's aims to expand its renewable energy production to mitigate climate and grow its economy has not overlooked pastoral territories that have been deemed as high potential zones for wind energy. The vast plateau of the Maasai inhabited Kajiado County in Southern Kenya, has been identified by the government of Kenya as the newest wind power generation hub. While the news has been welcomed as potentially life-changing by some pastoralists, doubt lingers about the security of their landholding and livelihood. This research paper contributes to the ongoing debates about environmental injustices of wind energy development in the global south from a climate change vulnerability point of view. Using ethnographic field data collected between the years 2017 and 2018, this research paper argues that wind energy exploitation in indigenous territories overlooks minority communities' existing vulnerability to climate change.

Background

Changes in property relations, enacted in the 1980s by the Kenyan government in response to a looming land crisis perpetuated by the British colonial authority's land expropriation policies, resulted in the vast privatisation of communal grazing lands in Kajiado County, Southern Kenya. This land reform strategy was touted as a solution to secure Maasai land ownership and incentivise commercial livestock and agriculture production. The individualisation of grazing commons hardly secured Maasai pastoralists right to land. Rather, it only increased pastoralists' risks by changing the view of land as a commodity rather than a base for livestock economy. Individualising land ownership would only allow the neoliberal state and private capital to undermine Maasai right to own land by coercing them to expedite parts of their lands for extractive investments such as mining, wildlife conservation, energy production, and commercial cultivation. The growing financial enclosures would further be aggravated by financial burdens brought by a liberalised economy and recurring drought impacts on livestock economy. The transformation of Kajiado's grazing land into an easily acquired commodity perpetuated the growing rush for land by neoliberal capital interests for value extraction which resulted in a crisis of land pressure.¹

The growing crisis land pressure in Kajiado County, as argued by Koissaba, negatively impacted sustainable resource use and mobile livestock husbandry.ⁱ As a result of rising

ⁱ The Magadi Soda Company which has been extracting soda ash from Lake Magadi on the southwestern part of Kajiado since 1911, led the global extractive industry appropriation of Maasai land by securing 533 km² (206 square miles) with the aid of the British colonial government which forcefully isolated the herding community. The soda company which was acquired by the Indian multinational conglomerate Tata Group from the British based chemical company Brunner Mond Group, managed to retain its grip on the vast tract of land with the aid of a post-colonial state that failed to respond to the

financial enclosures, Kajiado's rangeland ecology would experience rapid fragmentation which, according to Hobbs et al.² and BurnSilver et al.³ lowered flexibility by disrupting the Maasai livestock movement between dry and wet seasonal grazing areas. The limitation of seasonal herd mobility between vital grazing areas and increasing restriction of livestock grazing to compartments of low productive marginal lands exposed Maasai to risks of droughts associated with rangeland climate variability.⁴ The visible ecological implications of ongoing financialised enclosures upon Maasai livestock economy, have not deterred demand for land by state-backed multinational corporations with interests in exploiting Kajiado County's wind energy potential.

Global south economies, such as Latin American countries of Brazil and Mexico and Kenya, have become emerging markets for wind energy production. Its rapid development has largely been driven by the need of global south states to affordably meet energy demands of their rapidly growing economies while mitigating emissions associated with fossil fuels. These demands, along with multinational financiers' need to extract capital, have driven global south states to facilitate the acquisition of rural territories with high wind power potential to enable the renewable energy transition process.⁵ The high wind potential exhibited in Kajiado County has not failed to draw the attention of the Kenyan government which has actively been pursuing a renewable energy transition.⁶ Moreover, the success of Kenya's first wind park, the 25.5-megawatt Ngong Hills Wind Power Station which was commissioned in 1993 by the Belgium government in the wind-rich Ngong Hills of Kajiado, has further incentivised the Kenyan government to expand its wind power production in the County.⁷ Similar to other growing economies in the global south, Kenya's drive to invest in wind energy has been driven by both economic and scientific rationale.

On the global stage, Kenya has presented itself as a leading actor in responding to the ongoing global crisis of climate change. Kenya has committed itself to lower its greenhouse gas emissions by 30 per cent by the year 2030 as a response to *The United Nations Framework Convention on Climate Change* (UNFCCC) global call to lower emissions.⁸ In order to facilitate renewable energy transition, the government has instituted policies that are critical to incentivise independent power producers and adopt green energy technologies.⁹ *Kenya Vision 2030*, the country's long-term economic development policy, has identified wind energy as a key resource for meeting the country's growing energy demand to drive its industrialisation toward middle-income status by the year 2030. Meanwhile, Kenya's climate change response policy, the *Kenya National Climate Change Response Strategy (NCCRS)*, has played an important role in supporting the growth of wind energy by endorsing zero-rating of taxes on renewable energy technologies; this eases the high upfront costs to encourage independent power producers.¹⁰

Kipeto Energy Limited (KEL), a multinational investment company affiliated with the United States public agency, Overseas Private Investment Corporation (OPIC) has rushed to exploit the wind energy potential in Kajiado County. KEL has successfully acquired a concession area that covers 70km² in Esilanke-Kipeto along the foothills of the Ngong Hills to ground the 63-turbine Kipeto Wind Power project which would produce 102.06 megawatts of electricity.¹¹ The Kipeto Wind Power project would be Kenya's second-largest wind farm after the 310-megawatt Lake Turkana Wind Power (LTWP) project, located on the eastern shores of Lake

Maasai calls to address the unjust grabbing of their communal grazing land. This injustice would keep the community isolated from the soda ash concession area and denied access to critical pasture, watering points and salt licks for their livestock.

Turkana in Marsabit County. LTWP's 365 turbines cover a concession area of 162 km² in the indigenous territories of the livestock herding Turkana, Rendille, and Borana communities.¹²

Kajiado's newfound status as a key wind energy production hub, according to Koissaba,¹³ has raised concern over the anticipated increase in demand for land by prospective investors which would risk aggravating the current crisis of land pressure in the county. Evidently, renewable energy transitions in the global south countries, such as Mexico, Brazil, and Kenya, have attracted criticism for infringing indigenous communities' land rights and imposing land pressure on local indigenous livelihoods.¹⁴ The possibility of such socio-ecological implications being reproduced by the proposed Kipeto wind power project in Kajiado County, is likely to aggravate pastoralists' exposure to stresses of climate and environmental change. Before delving into the narrative of Maasai pastoralists' encounter with wind energy development, it is critical to understand ongoing narratives of wind energy development in other rural global south territories and the responses that they are eliciting.

Narratives of wind energy development in the rural global south

The rapid growth of wind energy in the global south has elicited the emergence of new debates regarding wind energy development and the socio-environmental implications of its massive scale on local ecologies and livelihoods. The resulting land pressure from the structuring of wind farms throughout the global south's rural environments, as argued by Avila,¹⁵ is eliciting an emerging opposition to defend local communal territories and livelihoods, challenging the ecological modernisation paradigm. The emerging opposition's environmental justice viewpoint aims not to impede renewable energy transition, but to open a wider dialogue about an alternative transition that addresses issues of territorial integrity, livelihood, and cultural rights. With respect to this concern, wind energy development remains a societal matter for local organisations as opposed to a technical and managerial matter.

As argued by Gorayeb et al.,¹⁶ Gorayeb et al.¹⁷ and Brannstrom et al.,¹⁸ wind farm installation on coastal indigenous territories in Ceara State Brazil have continued normalising privatisation of coastal common resource areas and infrastructure damage upon complex yet fragile coastal ecologies such as dune fields and mangroves that support fishing settlements as a necessity to produce clean energy. The dispossession of territory and disruption of access to fishing commons have provoked conflicts with local communities. Meanwhile, the state's bureaucracy has overlooked social and environmental injustices pertaining to territorial claims of local communities by embracing public policies that render them invisible in order to accommodate wind farms. Gorayeb et al.¹⁹ have further critiqued the effective mitigation policies being influenced by a bureaucratic process controlled by a collision of elites to deny communities compensation for negative impacts. Elites' use of cartographic resources, lack of formalised tenure, a fragile judicial system, and weak institutional governance deny the visibility of local coastal communities and pave way for one of the largest wind farms in Brazil.

The resource-access and territorial conflicts brewing from the ecological deprivation of local livelihoods and cultural identities by wind farms, as noted by Brannstrom²⁰ and Gorayeb et al.,²¹ have resulted in growing collective political responses seeking mitigation measures to assure territorial integrity for local communities. Brannstrom et al.,²² Gorayeb et al.²³ and Gorayeb et al.²⁴ note public activism by community members, known as 'blocking coalition', has confronted social-environmental implications of wind farm activities. This public activism, while strong, has seen temporary litigation against corrupt environmental officers and a flawed environmental impact assessment and licencing process. However, the state has failed to

formalise communal tenure for the coastal fishing communities' leaving them vulnerable.

In Mexico, claims of social and environmental injustices have also supported a growing collective resistance against further development of wind farms on the Isthmus of Tehuantepec region, Oaxaca State. According to Villavicencio-Calzadilla and Mauger²⁵ and Huesca-Pérez et al.,²⁶ illegal state land committees have deprived local farming communities of information and participation in lease agreements as a strategy to facilitate communal farming lands and cultural heritage sites to wind energy companies unopposed. This act deliberately violates article 2 of the Mexican Constitution which protects communities' right to preserve and improve their land, culture, and natural resources. The deprivation of the community's rights, according to Pasqualetti²⁷ and Villavicencio-Calzadilla and Mauger,²⁸ has overlooked the bond that they have developed with their land and the nearly sacred attachment to their environment and resources. The deliberate yet secret unjust appropriation of communal lands has prompted grassroots movements, consisting of an assembly of teachers, farmers, and students, to mount public resistance through demonstrations and media. The resistance has also contested the broad and unsupervised authority given by the state to wind energy companies, relieving them from justly compensating communities for land acquisition and environmental damage²⁹. The grassroots movements' public resistance has resulted in the state heeding demands for state-guided community compensation for land leases and environmental and oversight of negotiations in indigenous territories.³⁰

The Neoliberal character of displacing host communities from land has also been exhibited by wind energy development on the eastern shores of Lake Turkana in Marsabit County, northern Kenya. Local authorities have facilitated the privatisation of communal land that they held in trust on behalf of herding communities for wind energy development. The privatisation of the communal land deprived the herding community's legal compensation for land and resources lost.³¹ The wind project's environmental displacement of resident pastoralists communities fuelled inter-communal territorial conflicts in the form of violent cattle raids and dry season resources among competing pastoralists, who were also jostling to gain a piece of an uncertain wind economy.³²

Local activists representing the herding communities challenged the legality of appropriating ancestral lands and involuntary relocations without prior consent to accommodate the wind farm infrastructure. The activists cited violation of the Kenyan Constitution, which recognised customary communal land tenure.³³ However, the court ruled in favour of the wind project as a national interest to continue, without giving a full verdict regarding the land ownership contestation.³⁴

These narratives have illustrated a common trend of socio-ecological implications, resulting from unjust appropriation of indigenous territories and disruption of indigenous livelihoods resulting from wind energy development in the rural global south environments. Often the injustices inflicted upon the indigenous communities have been aided by the failure of states to validate and defend the rights of indigenous communities. Equally, these injustices have elicited an opposing response from local civil societies that are challenging the neoliberal character of renewable energy transition in indigenous territories. The known socio-environmental implications of renewable energy transition elicit two critical questions regarding the proposed development of the Kipeto Wind energy project in the territory of climate-vulnerable Maasai pastoralists: What does the development of a proposed wind farm mean for an already climate and ecologically vulnerable Maasai? What lessons can be drawn from Maasai pastoralists' experience with renewable energy transitions? The next section presents ethnographic data collected between the years 2016 and 2017 which captured the

experiences of Maasai and their livestock with the implications of a neoliberal financial enclosure at a time of climate crisis.

Wind Farms or Pastoralism: The Story of Kipeto Village

An elderly man who was affectionately known as Mzee Benja in his native village of Esilanke Kipeto, recalled back to the year 2011 when he was among sixty other elderly landowners from the wind-rich village who were approached by Kipeto Energy Limited (KEL), who sought to negotiate lease agreements for their land parcels to develop the Kipeto Wind Power Project. Each of the sixty landowners, whose lands exhibited excellent potential for wind power production, agreed to a thirty-year land lease with the wind energy company for an annual fee that varied.ⁱⁱ Half of the selected landowners in the project's footprint would host the turbines and accompanying infrastructure (e.g., power cables, roads), while the other half would host the power transmission lines that would transmit power to the government's power sub-station in the next town of Isinya. The wind power project was scheduled to be operational by the year 2019. However, during the years 2016 and 2018 when this research was being conducted, the construction process had yet to begin.

The wind energy company held on to title deeds of the leased land parcels in the agreement process and invoked a subdivision clause. This clause prevented the landowners from subdividing their land or undertaking any land transactions, without prior consultation with the wind energy company to prevent any interference with the project's footprint.

However, most of the elderly landowners including Mzee Benja insisted that they remained committed to the wind power project which was financially beneficial for their families:

“This electricity project brings good development and also benefits my wives, children and grandchildren. The agreement stated that the land is for lease and not for sale. My land is safe so life will continue on as usual along the project without any problems!”³⁵

While the elderly landowners were assured that their land was leased appropriately and their ownership remained secure, their rebelling sons who referred to themselves as “the youth” were not convinced. The agitation of the youths was driven by what they interpreted as their deliberate exclusion from the critical lease agreement process by the wind energy company.

The wind energy company sought to selectively engage with their title deed holders who mostly happened to be elderly men because, among Maasai families, land ownership and land-use decisions remained largely paternal. The youth argued that this selective strategy enabled the company to easily facilitate lease agreements and carry out proposed relocations to accommodate the project's infrastructure (e.g., turbines, power cables, and access roads), without needing to consult the youth in order to limit the opposition to the project's footprint:

“It is like the company said in the agreement that they would relocate people because of the project. They also took the title deeds and told our fathers they could not subdivide the land without telling the company first. This kind of authority is what made some of the youth's protest against the project because they feared losing their inheritance! Without land where will we graze cattle? We will all die from

ⁱⁱ According to Mzee Benja each farmer annual lease payment by KEL varied. It was dependent on the size of their land that would be impacted or losses faced by the project and also negotiation between farmers and the energy company.

poverty!”³⁶

The protesting youths feared that their fathers’ move to individually negotiate with the wind energy company put them at risk of illegalities and manipulation that would lead to land loss. They particularly argued that the subdivision clause included in the lease agreement was authoritarian and a threat to their customary right of inheritance. The possible infringement of their right would render them landless and jeopardise their livelihood of livestock, keeping and exposing their young families to poverty.

The decision by fathers to commit their family’s land to the long-term project without consulting their sons led to intergenerational conflicts pitting sons against fathers. The wind energy company noted that inter-generational conflicts about land were common among “some families” involved with the wind power projects. In light of these conflicts, they assured that they had no intention to grab any family’s land and were committed to respecting the lease agreements. According to the wind energy company, the decision to lease the project’s concession area, rather than acquiring it, respected the landowners’ wish of not engaging in a sale agreement despite the *Land Acquisition Act*, making it compulsory that lands hosting any public service project such as the proposed wind park must be acquired:

“It is unfortunate that some of these young men from some families who are against the project cannot see how it is beneficial to their community and Kenya as a whole. We are committed to respecting the Maasai rights and we will not interfere in their life of keeping livestock. We want them to benefit financially while we generate climate friendly electricity for Kenya’s development. For me that is a winning situation for all, and I am glad”³⁷

The wind energy company was convinced that the wind power project was beneficial for the Maasai and the nation. According to their point of view, the wind power project accommodated landowner’s tenure rights and livelihood practices, and provided them with a much-needed annual lease income while simultaneously providing Kenya’s citizens and its growing economy with a clean and reliable energy source. The win-win argument implied that resistance mounted against the wind project by some of the youth was against the greater good of their families, community, and nation.

The youth who remained cautious about the security of their land and livelihood did not concede to the idea of ecological modernisation. Their experience of isolation from grazing commons during droughts illustrated to them that financial enclosures and mobile livestock husbandry could not co-exist. Moreover, the youth’s encounter with mostly Kamba farmers of Konza-Malili in the neighbouring County of Makueni, who had been protesting against their dispossession by property developers since the year 2010, further sealed their decision to protest. Over the year 2017, Kajiado County continued experiencing severe drought conditions (see figure 1) which resulted from a failed long rainy season and an underperforming short rainy season.ⁱⁱⁱ

Livestock remained vulnerable to severe drought conditions because they lacked alternative grazing to growing financial enclosures in Kajiado County. The worsening drought conditions forced the youth, who mostly tended to their families’ livestock, to undertake their routine dry season migration to Konza-Malili in the neighbouring Makueni, County where the rains had

ⁱⁱⁱ Kenya experiences a bimodal seasonal rainfall. Short rainy seasons occur from the months of October to December (OND) while long rainy seasons which account for majority of the annual rainfall occur from the months of March to May (MAM).

performed. Konza-Malili's less fragmented environment allowed the Maasai to graze their livestock freely along with the mostly Kamba farming settlements in the area.



Figure 1: A) An article published in The Kajiado County Press October 2017.



B) Carcasses of dead cattle from drought.

The pastoralists' dry season migration to Konza-Malili in January of 2018 would be met with an unanticipated disruption. The local Kamba farmers who claimed to be former members of the collective Malili Group Ranch began protesting the grabbing of their land by property developers. In 2008-2009, the state agency Konza Technopolis Development Authority (KoTDA), in conjunction with local and multinational investors, procured 5000 acres (2023 hectares) of land from shareholders of the former Malili Group Ranch to develop the proposed Konza Technology City. The proposed smart city is another flagship project under the *Kenya Vision 2030* economic development blueprint which is expected to steer Kenya's economic growth by becoming a major Information Communication Technology hub in Africa.³⁸ The acquisition of the proposed mega-infrastructure's land from members of the Malili Group Ranch was marred by corruption. Representatives of the ranch shareholders, along with local political elites, allegedly colluded with individual officials from the Ministry of Information and Communication to financially benefit from the acquisition by defrauding landowners from their rightful compensation for their land shares. The fact that many of the shareholders were elderly and illiterate played to their disadvantage, losing their family's land to the scheme. The landowners could only bring an alleged fraud, theft and forgery case to the court against the

involved culprits regarding the acquisition of their land. However, the case remained pending in court without judgement while the process of developing Konza Technology City commenced.³⁹



Figure 2: A part of Konza Technology City's perimeter fence, vandalised to graze cattle.

The proposed Konza Technology City's 5000-acre premises was enclosed by a perimeter fence (see figure 2) and was governed by strict trespass rules to deter would-be trespassers. The anticipation of the proposed mega smart city also as noted by resulted in rising speculative acquisitions by investors who rushed to acquire the highly valued adjacent land.⁴⁰ The growing land acquisitions attracted strict trespass policies to protect private property. Within the ten-kilometre radius of the proposed smart city, informal settlements, livestock grazing, and smallholder agriculture remained unapproved by planning and at risk of disruption by state planning authorities. This was the state's way of containing informality around Konza Technology City, and ensuring that formality takes course in the area as outlined by the planning and vision of the state and investors.

The strict measures imposed by the state to control informality and enforcement of private property boundaries within the proposed smart city's large-scale radius resulted in the criminalisation of livestock grazing. Maasai could hardly continue grazing their livestock in Konza-Malili during droughts because they feared intimidation and threats of arrests directed upon them by authorities. The disruption of this dry season coping strategy and limited access to alternative dry season refuge would aggravate livelihood's existing vulnerability to combined stresses of climate uncertainty and resource pressure. The visible transformation of Kamba farmers into landless squatters on their land, by the proposed development of Konza Technology City and the disruption of Maasai dry season grazing, compelled the pastoralists to boycott his family's involvement with the Kipeto wind energy project.

In early 2017, the youth from concerned households who numbered around a dozen congregated and sought an audience with the Kipeto wind energy representatives:

“The reason why my friends and I demanded to leave the wind project is because since 2010 we had been witnessing investors and government making Kamba farmers squatters and criminalising our grazing because of Konza City. Government projects never benefit poor people like us! They only steal from the poor to enrich themselves! That is why we are obligated to protect our family land. We depend on this land to raise our livestock which are dying from droughts because there is no place to graze. There is no more land!”⁴¹

The small assembly of protesting youth proceeded to confront the representatives of the wind energy company. They solely argued on the grounds that they were not participants in the lease

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agreements; therefore, they were denied access to critical information which would possibly implicate their right to land. The determined youth refused any attempts to negotiate with the wind energy. They insisted that the only solution to their grievances was for the wind energy company to terminate their families' lease agreements and return their family title deeds. The wind energy company, which did not want to risk any further disruption on the project's footprint, responded by revoking the participation of protesting youth's families from the project.

Discussion and Conclusion

There is no doubt from the narrative of Maasai resistance against wind energy development derives from threats to their land sovereignty. Similarly, the resistance of other communities in the rural global south against wind energy development has been shaped by implications of land pressure. However, for the Maasai, vulnerability to both land pressure and climate change is emerging as critical factors in propelling Maasai resistance against renewable energy transition. As evident in Konza-Malili, the unjust appropriation and privatisation of community agrarian land to realise the goal of national economic growth produced a dispossessed agrarian class on the margins and criminalised access to critical grazing resources at a time of climate crisis.

The idea of a contemporary nation-state is sustained by an economic progression which actively produces a marginalised yet invisible citizenry that Rob Nixon labels as 'unimagined communities.' These are communities whose undesirable informal livelihoods and economic stagnation is used to maintain a discriminating narrative of national development that exploits environmental resources to grow capital at the expense of marginalising and rendering dispossessed communities invisible. During the planning process to exploit the nation's common resources, those invisible communities are imaginatively displaced before being physical displaced because they do not form part of the idea of developing the nation-state⁴². The resistance that is mounted by Maasai against the development of wind energy on their pressurised environment, is a mechanism of caution that stems from their continuous experience of being subjected as part of "unimagined communities" - generated in the idea of developing the economy of Kenya.

The Maasai's cautious resistance is influenced by observed threats to their land sovereignty by a wind energy project, sponsored by the same state which marginalised their livelihoods at a time of climate crisis and reproducing a landless community in creating "unimagined communities" in ideas of growing the economy. The resistance of the Maasai is driven by what Avila⁴³ and Howe⁴⁴ reveal as a growing trend among communities, questioning the feasibility of the win-win situation with regard to its social, political, and environmental implications of wind energy development. Most importantly, the Maasai resistance against renewable energy transition agrees with the revelation by Howe,⁴⁵ that communities are beginning to challenge the idea of sacrificing indigenous territories, livelihoods, and rights to save the planet's climate and enrich investors from the global north.

While goals of mitigating global climate and transitioning to renewable energy remain critical in the Anthropocene, the deprivation of communities such as Maasai to meet the goals undermines their ongoing struggle with exposure to climate change vulnerability. In Kajiado County, the visible decline in Kajiado County's annual precipitation since the 1970s,⁴⁶ and an upward trend in average temperatures,⁴⁷ have been linked to the occurrence of successive

droughts.⁴⁸ The change in climate pattern and growing enclosure of critical grazing commons, according to Amwata,⁴⁹ has been associated with the declining population of Maasai livestock between the years 1983 to 2010. The risk of a downward spiral indicates that Maasai livelihood remains vulnerable to stresses of climate and environment. Therefore, sacrificing their land and livelihood rights in order to facilitate renewable energy transition to mitigate global climate change and grow finance, is likely to entrench them in vulnerability.

The development of wind energy, as argued by Meireles et al.,⁵⁰ creates conflicts between society's need to develop climate-adaptive energy sources, and the welfare of local communities which are reinforced by fundamental flaws of the capitalist mode of production. The reasoning that disruption of the renewable energy transition, such as that of the Maasai, obstructs future possibilities and risks with implications of climate change stipulates, according to Howe,⁵¹ that the potential to permanently disrupt indigenous ecologies and livelihoods in the course of shifting toward renewable energy infrastructures, is an inevitable cost to be paid for the wellbeing of the planet. The stakes for the planet are too high, and the necessity of mitigating the planet's growing temperature supersedes other minority claims. While the production of wind power is a necessity to mitigate global climate, then, it cannot or should not be realized through the disruption of complex socio-environmental systems.⁵² Kenya's adaptation to climate should not be achieved by entrenching climate vulnerability upon Maasai. In the new space of ecological and climatic sustainability, the old methods of extraction and exploitation are easily being retained, therefore continuing the routine of sourcing cheap resources and large tracts of land at expense of local communities.⁵³

Possibilities of unjust displacement and infringement of Maasai right to land in the process of extracting wind power, means that Maasai pastoralists' inexistence was already pre-determined in the nation-state's plan of mitigating climate change and growing the economy. This means that their ongoing vulnerability to stresses of climate change and resource pressure, which characterises their contemporary reality of being an unimagined community, remains invisible and disposable for the greater benefit of wind energy to be realised. Therefore, protests by climate-prone communities, such as Maasai that challenge wind power's threat to their land sovereignty, signal that renewable energy's neoliberal approach to indigenous land at a time of climate crisis needs to be rethought. It remains critical that the approach to wind energy development toward indigenous territories in the Anthropocene recognises the visibility of communities and their vulnerability to climate change in the contemporary world. Climate change resilience of minority communities in the Anthropocene is of equal importance to that of nation-states and the planet.

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A Tale of Two Treatments: Differences in Objectives and Outcomes of Countries' Economic Responses to the COVID-19 Recession

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Abstract

The ongoing coronavirus pandemic triggered a concurrent global recession afflicting economies of all sizes and structures. For the first time since the Great Depression, advanced and developing economies alike grappled with similar exogenous shocks to trade, labour, as well as growth stemming from both the pandemic and public health efforts to mitigate its devastation. The novel nature of this economic threat prompted countries to exercise creativity by employing a diverse amalgam of fiscal and monetary policies, many of which have seldom been used outside this particular crisis. In this paper, I examine the objectives and outcomes of countries' economic policy responses to the coronavirus recession, with a particular emphasis on the differences between high-income and low-income economies. High-income economies had the credit ratings, interest rates, and debt levels necessary to enact direct economic stimulus measures, which softened the financial impact of the pandemic on households and businesses. Most low-income economies did not enjoy these conditions and were financially constrained from offering such direct stimulus measures, depending on monetary policy manoeuvres or manipulation of the money supply to create a similar, albeit weaker, buffer for households and businesses against the financial impact of the coronavirus recession. These findings raise major concerns about the vulnerability of low-income economies to the ongoing economic aftershocks of the coronavirus pandemic, as well as the real possibility of a fragmented global recovery from this crisis in the months ahead.

Introduction

Since the novel coronavirus was first discovered in 2019, most countries grappled with two concurrent crises: a global pandemic threatening the very existence of humanity, and an equally global recession threatening humanity's quality of life. Unlike previous such recessions, which were limited to specific sectors, geographies, or both, the downturn induced by the coronavirus pandemic placed significant strains on almost every major facet of high-income and low-income economies alike.¹ The unprecedented scale of the global coronavirus recession prompted most countries to enact a diverse amalgam of fiscal and monetary policies which provided economic security to households threatened by unemployment or labour-related turbulence, stabilized financial markets, and reduced long-term scarring that jeopardized a return to normalcy. These actions were encouraged by multilateral institutions such as the International Monetary Fund (IMF), which noted that substantial targeted fiscal and monetary policy measures to support households and businesses would help maintain economic stability throughout the lockdown and enable conditions to gradually normalize as the pandemic abated and containment measures were lifted.² However, the size and scope of these measures were constrained by each country's financial capabilities prior to the coronavirus recession. For example, the average high-income economy was more likely to employ broad-based fiscal stimulus measures, entering the coronavirus recession with high levels of public debt and low interest rates.³ Conversely, the average low-income economy was more likely to utilize conventional monetary policies, such as reduced interest rates or foreign currency

interventions, having entered the coronavirus recession with lower levels of public debt and high interest rates.⁴ Such disparities in countries' financial capabilities, in addition to their consequent fiscal and monetary policy responses, enabled the coronavirus recession to disproportionately affect low-income economies. According to IMF projections, the total output of advanced economies will only be 4.1 percent below pre-pandemic levels at the end of 2021, compared to 8.1 percent among developing economies.⁵

As more countries embark on a lengthy road to recovery from the coronavirus recession, it is important to understand the extent of the disparate economic policy measures in response to this crisis enacted among high-income and low-income economies, as well as the circumstances which fostered these differences. In this paper, I attempt to quantify the size of these disparities, by analysing the fiscal and monetary policy tools deployed by 40 high-income as well as 55 low-income economies during the coronavirus recession, but also identify the factors that drove them, by assessing the effects of various pre-crisis financial capabilities on these policy responses. I explore both fiscal and monetary policies together since they are often enacted in tandem with one another, and frequently complemented each other when deployed by both high- and low-income economies during the coronavirus recession. I found high-income countries on average devoted 6.7 percent of fiscal spending as a percentage of GDP to coronavirus-related programs, more than double than low-income economies, which spent an average of 3 percent of their GDP on pandemic-related fiscal expenditures. In addition, low-income economies were much more inclined to employ monetary policies as a part of their response to the coronavirus recession, with the average country maintaining interest rates near 6 percent and further lowering them by 1.5 points, compared to high-income economies, which held interest rates at a mere 1.4 percent. While less likely to rely on traditional monetary policies, high-income economies were more likely to deploy unconventional monetary policy tools such as increasing asset purchases, and repo operations. Furthermore, my regressions determined pre-crisis real GDP as well as sovereign credit ratings, essential determinants to the magnitude of a country's fiscal policy. In terms of monetary policy, pre-crisis interest rates were the most consistent determinant of its employment and magnitude within a country's economic policy response to the coronavirus recession. Overall, my results constitute a quantitative primer on the rationale for the disparities in economic policy employed to combat the coronavirus recession, providing a novel analysis of fiscal and monetary measures in a low-interest rate environment, as well as further evidence of the interplay between credit ratings, access to credit markets, and government spending. I also briefly discuss several prospective policy prescriptions for multilateral agencies such as the IMF and World Bank, which would enable low-income economies to enact more robust economic policy responses to assist their ongoing recovery, including expanded debt relief and restructuring options, reforms to Special Drawing Rights and persuading a moderated liberalization of sovereign credit rating systems.

Theoretical Background

Most economic policies employed by countries during periods of downturn, including the coronavirus recession, are classified as either fiscal policies, enacted via legislative measures usually encompassing issues of taxation and government spending, or monetary policies, enacted by central banks and designed to control the supply of money in circulation. Countries' fiscal policies received a higher share of scrutiny during the coronavirus recession since they allowed for greater flexibility and creativity when confronting the exogenous economic consequences of a global pandemic. These policies comprised publicly popular measures such as direct payments to citizens, unemployment insurance or supplementary unemployment

benefits, and government-backed grants to private companies.⁶ According to the IMF, fiscal policies enacted to decrease tax burdens or increase government expenditures, such as direct, tax-free payments to citizens, are classified as “above-the-line” measures, whereas fiscal policies involving public investment via equity stakes or credit extensions, such as low-interest loans offered to private companies, are classified as “below-the-line” measures.⁷ By contrast, conventional monetary policies, such as interest rate adjustments, were historically commonplace responses to economic downturns. Yet their inability to provide direct support to households, businesses, and other segments of the economy most vulnerable to the financial consequences of the coronavirus recession, rendered them minimally effective during this particular crisis.⁸ Therefore, many countries deployed “unconventional” monetary policies, which were intended to mimic the stimulative effects of traditional fiscal policies, such as quantitative easing,⁹ where central banks purchased large quantities of long-term securities to increase the money supply and lower real interest rates, as well as relaxed macroprudential regulations toward private financial institutions,¹⁰ which enabled them to maintain vital lending and depository services, thereby facilitating continued economic activity to the benefit of all actors within the system at-large.

According to real-time data collected by the IMF, there was substantial variation in the magnitude and composition of countries’ economic policy responses to the coronavirus recession based on their pre-crisis financial wealth. High-income economies generally devoted much more resources towards above-the-line fiscal policies, with some countries, including Germany, Italy, and Japan, allocating over 80 percent of government spending towards such measures. Outliers, including Australia and the United States, devoted more than 50 percent of resources towards below-the-line fiscal policies, though the monetary value of these proportions often matched or surpassed those of countries with a greater imbalance favouring above-the-line fiscal policies.¹¹ Furthermore, high-income economies exhibited significant variance when disaggregating below-the-line fiscal policies by their focus on the healthcare sector or non-healthcare sectors. Some countries, including the United Kingdom and Spain, devoted nearly 20 percent of below-the-line finances towards their healthcare sectors, the epicenter of the coronavirus pandemic, while other countries, including Australia and Canada, devoted less than 5 percent of such finances towards their respective healthcare sectors over non-healthcare sectors.¹²

Conversely, most low-income economies demonstrated major disparities between their above and below-the-line fiscal policies. Out of 133 low-income economies studied by the IMF, 93 nations allocated 80 percent or more of their fiscal policy response to below-the-line expenditures, while an additional 20 nations provisioned over 50 percent of their finances toward such measures.¹³ Low-income economies also exhibited significant variation in their allocation of below-the-line fiscal expenditures towards the healthcare sector, comprising between 2 and 98 percent of such responses depending on the country.¹⁴ Among both high-income and low-income economies, below-the-line fiscal expenditures towards their healthcare sector¹⁵ was positively associated with coronavirus caseloads and hospitalizations per capita,¹⁶ suggesting that direct financial support for countries’ healthcare systems was conditional on the extent to which the coronavirus pandemic constituted a public health threat. Hence, countries less afflicted by the coronavirus pandemic were more likely to reorient all prospective fiscal policy measures toward other areas of their economy that remained indirectly susceptible to consequential slowdowns in domestic and international commercial activity.

Unlike fiscal policy, there were fewer differences between high-income and low-income economies in terms of their monetary policy response to the coronavirus recession. As

discussed previously, monetary policy consists of specific and limited measures imposed by central banks to manipulate economic activity by inflating or deflating the money supply. Hence, most high-income and low-income economies assumed the same monetary policy approaches, including interest rate reductions, increased asset purchases, and expanded central bank lending authorities, enacted with the objective of preserving economic activity despite increased headwinds induced by the coronavirus pandemic.¹⁷ Nevertheless, two important differences arose between high-income and low-income economies, determined by their pre-crisis financial capabilities. First, low-income economies reduced central bank interest rates by a wider margin than high-income economies, whose interest rates were near or below the zero bound at the onset of the coronavirus recession, in response to a synchronized global economic slowdown that arose over the preceding year.¹⁸ By the end of 2019, as the coronavirus pandemic began to affect global markets, the average high-income economy maintained interest rates at 1.404 percent, while the average low-income economy kept interest rates at 6.929 percent.¹⁹ Second, with less capacity to employ conventional monetary policies, high-income economies deployed unconventional monetary policies that depended on both their wealth, to finance asset purchases and repo operations, as well as robust financial services sectors, to channel the abilities of private financial institutions as lenders via relaxed macroprudential regulations.²⁰ Low-income economies did not have the capacity nor economic infrastructure to enact such unconventional monetary policies at the same scale as high-income economies, and thereby complemented conventional monetary policy measures with foreign currency interventions, in conjunction with limited currency swap lines, to influence their money supply.²¹ Hence, while high-income and low-income economies both depended on conventional monetary policies, their differing pre-crisis economic abilities prompted them to chart divergent courses when deploying unconventional monetary policies.

Experts in academia and government concur that differences between countries in their economic policy responses to the coronavirus recession have engendered additional differences in their road to recovery. Figure 1 below compares the average quarterly percentage change in gross domestic product (GDP) between high-income economies and low-income economies from 2019 to 2021. While high-income economies experienced a sharper contraction at the onset of the coronavirus recession, they quickly recovered in subsequent quarters, even surpassing pre-pandemic GDP levels. Conversely, low-income economies weathered a comparatively moderate contraction, yet this downturn extended over several quarters before their collective GDP growth returned to pre-pandemic levels. While these trajectories were influenced by countries' exposure to as well as mitigation of the coronavirus pandemic itself, research by the IMF,²² World Bank,²³ and United Nations²⁴ suggests that they were further exacerbated by the inability of low-income economies to formulate suitable policy responses to the coronavirus recession given inadequate financial resources. Specifically, their limited financial capabilities often hindered deployment of additional government expenditures via fiscal policy. Therefore, low-income economies relied on monetary policy and other indirect means of sustaining economic activity. Most low-income economies were also afflicted by pre-existing vulnerabilities such as burgeoning trade tensions and weak, or negative, total factor productivity growth, further constraining the efficacy of those below-the-line fiscal policies and monetary policies which they were able to enact.²⁵ By contrast, high-income economies comprised 84.9 percent of the global fiscal response to the coronavirus recession, spending \$254 per every dollar spent by a low-income economy, while also enacting various conventional and unconventional monetary policies that strengthened their capacity to weather potential aftershocks.²⁶ As a result, economic growth within high-income economies was expected to reach 5.4 percent by the end of 2021, the highest rate for this cohort in nearly 50 years, while enabling global growth to reach 5.6 percent, setting additional records as the

strongest post-recession rebound in over 80 years.²⁷ Low-income economies were also poised to set records in economic growth by trending just under 3 percent throughout the course of 2021, which would be the slowest pace for this cohort in over two decades.²⁸



Figure 1: Average Quarterly Percentage Change in GDP among High-Income and Low-Income Economies (sources: IMF, World Bank, Author's Calculations)

These disparate trajectories require a better understanding of the policies enacted which have fostered them. Hence, to better understand just how much high-income and low-income economies diverged in their economic policy responses to the coronavirus pandemic, my research disaggregates the key elements of both fiscal and monetary policy by expenditures, such as above-the-line and below-the-line spending, beneficiaries, such as households and businesses, as well as regulations, such as dividend restrictions or eased lending requirements. Furthermore, my research looks to determine the role of pre-crisis wealth and other such factors on the decision to implement such policies, as well as the magnitude to which they were enacted. I believe that countries' pre-crisis wealth, as well as the benefits engendered by it, such as credit ratings, debt sustainability, and capacity for government spending, prompted high-income economies to depend on fiscal policy – which is known to be more flexible and beneficial during an exogenous shock like the coronavirus pandemic – to a greater degree than low-income economies. I also expect the results to show that credit ratings are a critical determinant of a country's ability enact fiscal and monetary policies based on their access to additional capital.

The findings from my analysis not only provide insight to the conduct of fiscal and monetary policy during exogenous shocks such as the coronavirus recession, but further examine the snowball effects of pre-crisis wealth inequalities during such periods of economic downturn. The remainder of my paper is organized as follows: Section 3 reviews a growing body of academic literature exploring trends in fiscal and monetary policy during the coronavirus recession. Section 4 discusses the methodology employed for subsequent hypothesis tests.

Section 5 presents summary statistics and utilizes T-Tests to quantify the differences in fiscal and monetary policy between high-income and low-income economies, disaggregated by major spending initiatives or policy outcomes. Section 6 presents multiple linear regression models employed to study the impact of countries' pre-crisis financial capabilities on their various fiscal and monetary policy responses. Section 7 provides an economic rationale, with several policy prescriptions, for synchronizing the recovery trajectory between high-income and low-income economies, while Section 8 offers a brief conclusion.

Literature Review

A growing body of academic literature has begun to identify key drivers behind the disparities between the economic policy responses of high-income and low-income economies to the coronavirus recession, based their pre-crisis financial capabilities, encompassing a variety of factors such as economic growth, government spending, social safety nets, and dependence on the international economy. In terms of fiscal policy, Steel and Harris noted low-income economies faced greater constraints when implementing stimulus measures given their comparatively small tax bases and limited coverage of social assistance programs.²⁹ Aizenman and Ito found many low-income economies' below-the-line spending consisted of government guarantees to sectors likely to face considerable long-term disruption in a post-coronavirus world such as exports and tourism, suggesting their inordinate dependence on these particular facets prompted many low-income economies to utilize fiscal policy to address short-term concerns such as financial stability rather than long-term goals such as reducing poverty or economic diversification.³⁰ Furthermore, Ilzetzki, Mendoza and Vegh identified several factors that had an influence on the size of government spending between countries such as public indebtedness, openness to trade, the exchange rate regime, and level of development, all of which would naturally place high-income at a greater advantage in terms of their capacity to enact fiscal policies at a larger scale than low-income economies.³¹ A fifth such variable could be the size of a country's pre-COVID social safety net, as Gilligan notes that countries with a more robust social safety nets saw increased returns to public health efforts combating the coronavirus, as well as economic stability efforts to mitigate the ongoing recession.³² Research by Stubbs et. al. shows that low-income economies with limited social safety nets experienced significant difficulties in securing external financing from multilateral organizations like the IMF, thus cutting back on critical fiscal measures, such as government guarantees, leading to a lower magnitude in terms of their overall policy response.³³

By contrast, monetary policy was primarily determined by pre-crisis interest rate levels, which also varied between high-income and low-income economies. Bernanke notes chronically low interest rates pose a challenge for traditional monetary policy due to management of short-term policy interest rates, which would explain the widespread deployment of unconventional monetary policies by high-income economies, whose interest rates were already trending near the lower bound in the months preceding the coronavirus recession. Similarly, Borio and Zabi found low-income economies were equally prone to utilizing unconventional monetary policies given their increased susceptibility to economic volatility on a regular basis, though most of these actions were centred around asset purchases by their central banks.³⁴ Some economists, such as Bernanke, believe unconventional monetary policies effectively offset the effect of the lower bound via short-term liquidity injections creating space for traditional monetary policy,³⁵ whereas other economists, such as DeLong and Summers, suggest the shifting dynamics of macroeconomics has limited the long-term efficacy of traditional monetary policy.³⁶ Preliminary research into the efficacy of unconventional monetary policies during the

coronavirus recession remains promising. According to Fratto et. al. large-scale asset purchases enacted within low-income economies successfully reduced bond yields and increased exchange rates at a more significant level than traditional cuts to interest rates.³⁷ This was also confirmed by Hartley and Rebucci, who found that quantitative easing announcements had a modest effect on the 10-year government bond yields within developed countries, but a significantly larger effect on those within emerging markets and developing countries.³⁸

My analyses complement this emergent body of academic literature by quantifying the differences in economic policy responses employed between high-income and low-income economies at the height of the coronavirus pandemic. They provide new insights concerning the interplay between fiscal policy and credit ratings, which are especially important for low-income economies to enact capital-intensive spending programs on par with high-income economies during a global crisis like the coronavirus pandemic. Additionally, my analyses supplement an emerging debate on the vitality of conventional monetary policy by examining the rationale among high-income and low-income economies for enacting adjustments to their interest rates over alternative measures to manipulate the supply of money, including fiscal policy and unconventional monetary policy. Furthermore, I focus on the effects of monetary policy in the context of fiscal policy to assess when further actions targeting the money supply can complement broader spending measures. Altogether, these findings enable a more robust understanding of the global recovery ahead from the coronavirus recession, and also provide reusable insights from which to examine the fiscal and monetary policies deployed by economies across the income spectrum in response to future crises.

Methodology

Initial analyses were comprised of independent sample T-Tests to examine disparities in the fiscal and monetary policies utilized by 40 high income economies as well as 55 low-income economies, classified as such by the World Bank based on gross national income per capita.³⁹ These T-Tests provide a foundation from which to determine where high-income and low-income economies exhibited significant differences in their policy responses. Statistics for these countries were collected from two principles data sources: the Fiscal Monitor Database of Country Fiscal Measures in Response to the COVID-19 Pandemic, published by the IMF and last updated in October 2020,⁴⁰ as well as the Financial⁴¹ and Household Dashboards⁴² published by the Organization for Economic Cooperation and Development (OECD) and last updated in the third quarter of 2020, enabling the timespan of the analyses to cover a significant portion of the ongoing coronavirus recession. Fiscal policy instruments were disaggregated on the basis of intended recipient, such as households, healthcare, or private industry, as well as by their debt structure, allowing government guarantees to be examined separately from other above or below the line fiscal expenditures. Conventional monetary policy instruments extended to interest rate actions encompassing monthly levels and rates of change, whereas unconventional monetary policy instruments comprised any central bank action designed to influence the money supply aside from interest rates, including central bank guarantees, asset purchases, repo operations, reserve requirements, macroprudential policies, and dividend restrictions. In addition to specific policy instruments, these analyses also incorporated several macro variables including country population, debt to GDP, coronavirus caseloads, credit ratings, net government lending – calculated as the difference between revenues and expenditures to GDP – and interest rate levels.

Subsequent analyses encompassed OLS regressions to ascertain the relationship between countries' various pre-crisis financial capabilities, and their economic policy responses employed to mitigate the impact of the coronavirus recession, utilizing a modified model first introduced by Benmelech and Tzur-Ilan that studied these same relationships but within a pre-coronavirus setting.⁴³ These regressions expand on the T-Tests by examining the impact of countries' wealth, but also the capabilities enabled by this advantage, when enacting different fiscal and monetary policies. To analyse these relationships with respect to fiscal policy, univariate regressions analysed the impact of GDP per capita, a key independent variable measuring pre-crisis wealth, population, debt to GDP, coronavirus caseloads, credit rating – another key independent variable measuring access to credit markets – as well as net government lending on fiscal expenditures as a percentage of GDP. Data for coronavirus caseloads was retrieved from Our World in Data at the University of Oxford⁴⁴ while sovereign credit ratings were gleaned from Fitch Ratings.⁴⁵ All other data was collected via the International Monetary Fund in its biannual Fiscal Monitor⁴⁶ and World Economic Outlook.⁴⁷ To gauge these relationships with respect to monetary policy, univariate regressions were employed to examine the effect of all aforementioned variables, in addition to exchange rates, on countries' interest rate levels. Multivariate regressions were also constructed to assess the interplay between these various variables on both expenditures as a percentage of GDP and interest rate levels. In lieu of fixed effects for time and country, a first-difference estimator was employed to examine country-specific changes in economic policy responses after the onset of the coronavirus recession, truncating the time series between the third quarter of 2019 and the third quarter of 2020. This method eliminated the impact of time-constant omitted variables on the models, allowing for more precise results.

T-Test Results

By examining the fiscal and monetary policies enacted by 40 high-income and 55 low-income economies for which data was available, this study extends to 48 percent of all nations, providing a robust analysis of the global economic response to the coronavirus recession. High-income economies generally encompassed nations within North America and Europe with robust statistical collection mechanisms and international engagement via participation in multilateral agencies such as the IMF, World Bank, United Nations, and World Health Organization. South Korea and Japan were the only two high-income Asian economies included within this sample, with China being a notable exclusion given major data constraints. The low-income economies included within this study mostly encompassed countries within Central and South America, Africa, and the Middle East. Data constraints were not a major issue since these countries reported key economic statistics through the IMF and OECD. However, approximately 10 percent of low-income economies did not have detailed breakouts of GDP spending towards components of their economy such as the healthcare sector or households, while non-conventional monetary policy data was unavailable for approximately 15 percent of low-income economies. Given these data restrictions, low-income economies that did not report these particular metrics were excluded from the sample. By December 31, 2020, the high-income economies included in this sample accounted for 44 percent of cumulative global coronavirus cases compared to 27 percent among the low-income economies included in the sample, suggesting the former would likely enact a larger economic response not only due to their financial capabilities, but the prevalence of the disease itself.⁴⁸ Yet, exports, tourism, and remittances as a percentage of GDP among the low-income economies contained in this sample averaged over 40 percent in 2020 compared to just 15 percent among the sample's high-income economies, also suggesting the former would be encouraged to enact

a large-scale response to the ensuing coronavirus recession given their dependence on international economic activity.⁴⁹ Both of the economic and coronavirus-specific factors are included within the analysis to examine their influence over the policies pursued by high-income and low-income economies.

The summary statistics for fiscal policy instruments is shown in Panel 1 of Table 1. These numbers were taken from the IMF Fiscal Monitor Database, which calculates country-level fiscal expenditures in response to the coronavirus pandemic by raw dollar values as well as percentages of country GDP, the latter of which were employed for the following analyses. The average high-income economy devoted 6.8 percent of its fiscal policy response towards above-the-line or below-the-line stimulus measures excluding government guarantees with a 4.1 percent standard deviation, whereas the average low-income economy devoted 3 percent with a 2.3 percent standard deviation, confirming an oft-cited reality of the coronavirus pandemic's disparate impact on the international community. In terms of sectoral receipts, high income economies were more likely to provide such fiscal stimuli towards their healthcare sector at a rate similar to that of aggregate spending; the average high-income economy devoted 6.9 percent of its fiscal response towards the healthcare sector with a 2.2 percent standard deviation, while the average low-income economy devoted a mere 3.8 percent of its fiscal response with a 1.2 percent standard deviation. However, these differences between high- and low-income economies were much less pronounced in terms of fiscal stimuli towards households and businesses. The average high-income economy spent 23.5 percent of its fiscal response towards households with an 8.9 percent standard deviation, while the average low-income economy allocated 25 percent of its fiscal response towards households with a 10.1 percent standard deviation. Similarly, the average high-income economy allotted about 61.5 percent of its fiscal response towards private businesses with an 8.8 percent standard deviation, while the average low-income economy allocated 62.3 percent of its fiscal response towards private businesses with an 8.9 percent standard deviation. Collectively, these statistics suggest high-income and low-income economies maintained similar objectives in terms of the proportion of their spending towards households and private businesses. Yet, the size of such policies differed due to obvious differences in their financial capabilities, namely income.

The summary statistics for conventional monetary policy instruments is shown in Panel 2 of Table 1. The average high-income economy entered the coronavirus recession with interest rates around 1.4 percent with a 2.7 percent standard deviation, less than three times that of the average low-income economy, which entered the coronavirus recession with interest rates near 7 percent. Many high-income economies had already employed conventional monetary policies to respond to a synchronized global slowdown which began in 2019, driven by heightened trade and geopolitical tensions.⁵⁰ Low-income economies were also afflicted by this slowdown by the flight of private capital into safe haven economies, limited access to hard currencies, falling commodity prices, decreased remittance inflows, and slow growth in global trade and tourism.⁵¹ However, they maintained significantly higher interest rates to pursue equivalent reductions as high-income economies while still preserving a competitive margin. This advantage is confirmed by interest rate changes, which declined by 0.3 percent for the average high-income economy with a standard deviation of 0.25 percent, compared to 0.6 percent for the average low-income economy with a standard deviation of 0.31 percent.

The summary statistics for unconventional monetary policy instruments is shown in Panel 3 of Table 1. High-income economies were more likely to authorize spending programs by their central bank via the provision of guarantees or asset purchases, given the capital-intensive nature of these policies akin to regular fiscal stimuli.⁵² Among high-income economies, central

bank guarantees, and asset purchases comprised, on average, 1 percent and 6.8 percent of GDP respectively, compared to an average 0.5 and 3 percent among low-income economies. All other unconventional monetary policies: reserve requirements, repo operations, macroprudential policies, dividend restrictions, as well as lending restrictions, were recorded as dummy variables due to data limitations on the size and scope of these measures, particularly among low-income economies. Low and high-income economies exhibited a similar dependence on regulation towards private financial institutions to bolster liquidity. 30 percent of high-income economies instituted dividend restrictions, compared to 27 percent of low-income economies, while 68 percent of high-income economies eased lending requirements compared to 43 percent of low-income economies. By contrast, most high- and low-income economies alike were not inclined to utilize macroprudential policies, suggesting that stability of the financial system at-large generally not considered to be as potent of a risk as economic stability.

The summary statistics for exchange rate, and other macro variables are shown in Panels 4 and 5 of Table 1, respectively. The average low-income economy devoted 8.2 percent of its GDP towards exchange rate interventions with a standard deviation of 1.7 percent, over six times that of the average high-income economy, which allocated 1.9 percent of its GDP towards exchange rate interventions with a standard deviation of 0.6. These findings complement existing research that has found low-income economies to prefer such exchange rate interventions over other tools, such as swap lines, given their efficacy in manipulating the value of their currency in global exchange markets.⁵³ Each of the variables shown in Panel 5 were also included within the subsequent regressions to examine their influence on the magnitude of economies' fiscal and monetary policies. As expected, high-income economies retained a higher log GDP per capita, averaging 4.5, compared to low-income economies, which averaged 3.6. The latter exhibited a higher log population, averaging 4, compared to high-income economies, which averaged 3.9. Most importantly, high- and low-income economies exhibited similar levels of debt-to-GDP, averaging 53.8 percent and 55.1 percent respectively, but vastly different credit ratings, with high-income economies retaining an average score of 78.5 compared to 32.7 among low-income economies. This sets the stage for an important finding among the following regressions – whether sovereign credit ratings exert a significant influence over the magnitude of fiscal and monetary policies employed by different economies, and whether this bilateral relationship is mitigated or exacerbated by other economic conditions such as economic growth, government debt, or exogenous factors such as exposure to the coronavirus pandemic. The complete results for these comparisons are shown below in Table 1.

Table 1: Summary Statistics & Independent Sample T-Tests

Variable	High-Income Economies			Low-Income Economies			T-Test
	Mean ($\bar{x}$)	Standard Deviation (σ)	# of Observations	Mean ($\bar{x}$)	Standard Deviation (σ)	# of Observations	T-Statistic
Fiscal Policy Instruments							
Fiscal Spending (excluding Government Guarantees)	6.755	4.090	40	3.049	2.328	55	4.900** *
Government Guarantees (% of GDP)	6.823	7.248	40	2.986	3.408	55	2.440**
Healthcare Spending (% of GDP)	6.890	2.201	40	3.773	1.173	50	5.691** *
Household Spending (% of GDP)	23.540	8.886	40	25.025	10.145	50	-0.278
Business Spending (% of GDP)	61.458	8.547	40	62.325	8.857	50	-0.184
Conventional Monetary Policy Instruments							
Interest Rate Level	1.404	2.678	39	6.929	6.293	55	- 5.044** *
Interest Rate Change (Δ)	-0.303	0.309	40	-0.608	0.250	55	- 3.867** *
Unconventional Monetary Policy Instruments							
Central Bank Guarantees (% of GDP)	1.021	1.305	40	0.537	0.511	46	1.703**
Asset Purchases (% of GDP)	6.823	7.247	40	2.986	3.408	45	2.440**
Reserve Requirements Dummy	0.125	0.334	40	0.409	0.497	45	- 3.094** *
Repo Operations Dummy	0.325	0.474	40	0.227	0.423	45	0.991

Macroprudential Policy Dummy	0.300	0.103	40	0.022	0.150	45	1.454
Dividend Restrictions Dummy	0.300	0.464	40	0.272	0.450	45	0.272**
Eased Lending Restrictions Dummy	0.675	0.474	40	0.431	0.501	45	2.284
Exchange Rate							
Exchange Rate (% of GDP)	1.885	0.587	40	8.201	1.667	55	-1.225
Macroeconomic Variables							
Log GDP per Capita	4.514	0.258	40	3.552	0.361	55	14.144**
Log Population	3.945	0.753	40	4.040	0.825	55	-0.551
Debt to GDP	53.841	50.102	40	55.091	32.730	55	-0.134
Log Coronavirus Cases	3.416	0.551	40	2.770	0.855	55	4.158**
Credit Rating	78.500	19.878	40	32.682	16.815	55	11.347**
GDP to Government Expenditures	46.690	9.974	40	30.656	9.645	55	7.475**

* = 90% Confidence
** = 95% Confidence
*** = 99% Confidence

Regression Results

Having examined the differences in the economic policy response between high- and low-income economies during the coronavirus recession, I proceed to analyse the influence of different macroeconomic variables described in Panels 4 and 5 of Table 1 on the magnitude these measures. Table 2 below examines the relationship between different country-specific macroeconomic variables and their fiscal policy during the coronavirus recession, using Benmelech and Tzur-Ilan's simple OLS regression framework.⁵⁴ Columns 1 through 6 consist of univariate regressions meant to provide a baseline estimate of the relationship between each particular macroeconomic variable and fiscal spending excluding government guarantees – the primary dependent variable for countries' fiscal policy. Column 2 yields a fairly obvious result: economic wealth as measured by real GDP per capita is positively correlated with fiscal spending, proving the size of countries' fiscal responses to the coronavirus recession was significantly influenced by their economic wealth providing greater debt sustainability. Specifically, a one percent increase in real GDP per capita was associated with a 7.6 percent increase in fiscal spending. Column 4 finds a significant and positive correlation between coronavirus caseloads and fiscal spending, which suggests that the size of countries' fiscal responses to the coronavirus recession were also influenced by their exposure to the exogenous health-related effects of the pandemic itself. A one percent increase in the number of coronavirus cases was associated with a 3.7 percent increase in fiscal spending, ascertaining an earlier concern that greater coronavirus caseloads, which affected high-income economies at a higher rate than low-income economies, could also determine the size of their fiscal spending as much as their financial capabilities.

Column 1 shows credit ratings are indeed another vital driver of countries' overall fiscal policy, proving economies with the prerequisite repute to access credit markets were more likely to enact larger fiscal policies in response to the coronavirus recession. A one percent increase in countries' credit ratings was associated with a 47 percent increase in fiscal spending. The size of this relationship is much larger than that initially found by Benmelech and Tzur-Ilan.⁵⁵ Yet, when considering the study's examination of economic policy trends within the first seven months of the coronavirus recession itself, these findings suggest the significance of credit ratings became more pronounced as the crisis continued to unfold. Additionally, Column 6 found that government expenditures to GDP are negatively correlated with fiscal spending, suggesting countries with significant government spending programs prior to the coronavirus recession either did not require, or did not have sufficient capital reserves to finance a more robust fiscal policy response to the coronavirus recession. A one percent increase in government expenditures enabled fiscal spending to decrease by 28.1 percent. Nearly all these factors favour high-income economies, which provide significant credence to the lopsided comparisons in fiscal policy responses among high-income and low-income economies shown in Table 1. Column 7 shows the results of the multivariate regression which encompassed all six independent macroeconomic variables from Columns 1 thru 6. Only real GDP per capita, and credit rating proved to still exert a significant influence over fiscal spending, while government expenditures to real GDP exhibited a weak, perhaps spurious, influence as well. These results suggest that countries' economic wealth, as well as their access credit ratings to facilitate the acquisition of additional capital, drove their fiscal policy responses even when confounded by varying degrees of exposure to the coronavirus pandemic, as well as prior levels of government spending. The full regression results are shown below in Table 2, including coefficients, standard errors (*italicized*), and t-values in parentheses.

Table 2: Determinants of Fiscal Policy During the Coronavirus Recession

$$y_{it} = \beta_0 + \beta_1 CRating + \sum_{j=5}^k \beta_j X_{jit} + \sum Z_p + \delta_t + \varepsilon_{it}$$

Dependent Variable: Fiscal Policy as a Percentage of GDP							
Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Credit Rating	0.470*** 0.082 (5.732)						0.115*** 0.046 (2.500)
GDP per Capita, Log		0.076*** 0.021 (3.619)					0.090*** 0.011 (8.182)
Population, Log			0.082 0.069 (1.188)				-0.006 0.004 (1.500)
Debt to GDP				0.017 0.091 (-0.294)			0.017 0.016 (1.063)
Coronavirus Caseload, Log					0.037** 0.011 (3.363)		0.044 0.129 (0.341)
Government Expenditures to GDP						-0.281*** 0.049 (-5.735)	-0.552* 0.536 (-1.030)
Constant	4.431 1.958 (2.263)	3.603*** 0.514 (7.010)	4.543*** 0.497 (9.141)	4.026*** 0.675 (5.964)	4.279*** 0.491 (8.715)	-1.013*** 0.334 (-3.031)	-2.071*** 0.199 (-3.864)
Observations	95	95	95	95	95	95	95
R-Squared	0.258	0.116	0.071	0.008	0.023	0.819	0.834
Adjusted R-Squared	0.250	0.107	0.056	0.002	0.027	0.818	0.828

* = 90% Confidence

** = 95% Confidence

*** = 99% Confidence

Table 3 examines the relationship between these same country-specific macroeconomic variables and countries' conventional monetary policy during the coronavirus recession, using the same OLS regression framework introduced by Benmelech and Tzur-Ilan.⁵⁶ The dependent variable for all univariate and multivariate regressions is the change in central bank interest rates over the course of the coronavirus recession, representing countries' manipulation of their money supply to encourage economic activity. Column 1 shows credit ratings had a significant, negative influence on the change in countries' interest rates, suggesting that high-income economies were less likely to enact further reductions throughout the course of the pandemic. Specifically, a one percent increase in a country's credit rating was associated with a 36 percent reduction in the *change* in interest rates, corroborating the finding within the academic literature that countries with higher interest rates – generally low-income economies – enacted larger reductions during the recession than high-income economies, which already maintained comparatively lower interest rates in the prior year. Additional research has found that increased sovereign credit risk, indicated by a low credit rating, creates a “monetary friction” that increases inflation and requires additional monetary policies to bring it back under control.⁵⁷ This means that low-income economies could be more inclined to enact further reductions to interest rates in order to reduce inflation in the long-term. Column 3 suggests that GDP per capita was not an inherent determinant of countries' monetary policies. However, given the significance of pre-crisis interest rates and credit ratings which inherently favor high-income economies, pre-crisis wealth could still be a factor in the overall change in countries' interest rates. Column 6 shows that government expenditures to GDP also exerted a significant, negative influence over countries' interest rates, a pattern well-aligned with basic macroeconomic theory: government expenditures designed to increase the money supply negate the need for additional such influxes via interest rate reductions.⁵⁸ It would also explain why high-income economies, which were already more inclined to enact expansive fiscal stimuli via government spending, were less likely to depend on interest rate reductions to foster additional economic activity. As with the credit ratings, a one percent increase in government expenditures to GDP yielded an 11 percent reduction in the *change* in interest rates over the course of the coronavirus recession.

Column 7 examines the relationship between the interest rate level and change in interest rates. Unlike most other variables employed in this study, interest rate levels were calculated as a country's interest rate level during the fourth quarter of 2019, since different countries instituted reductions at various times during January and February of 2020 when the coronavirus recession emerged. The univariate regression determined countries' pre-recession interest rate levels were positively associated with the change in interest rates during the coronavirus recession, further underscoring the assertion that countries with higher interest rates had additional flexibility to enact larger reductions. Specifically, a one percent increase in a country's pre-recession interest rate was associated with an 8 percent change in interest rates over the course of the coronavirus recession. Column 8 displays the results of the multivariate regression which encompassed all seven independent macroeconomic variables from Columns 1 through 7. With the exception of government expenditures to GDP and interest rate levels, all other macroeconomic variables examined within the univariate regressions failed to demonstrate any meaningful influence on countries' monetary policy during the coronavirus recession. Yet, both variables maintained similar associations with the change in interest rates, suggesting that countries that enacted major government spending programs, or did not maintain high interest rates in the antecedence of the coronavirus recession, were unlikely to significantly change – let alone reduce – interest rates in the months that followed. A one percent increase in government expenditures resulted in a 10 percent reduction in the change in interest rates, while a one percent increase in pre-crisis interest rate levels was

associated with a 14 percent increase in the change in interest rates. These results provide valuable context to the appeal of conventional monetary policies within high-income and low-income economies. Indeed, the measures are attractive when there is sufficient room for interest rate cuts, in order to achieve the desired boost in economic activity via a short-term increase in the money supply, and intended to serve as a substitute for direct government spending via fiscal policy, where capital is directly injected into the economy. Given the dynamics of the coronavirus recession, conventional monetary policies were more appealing to low-income economies, and less so for high-income economies. The full regression results are shown below in Table 3, including coefficients, standard errors (*italicized*), and t-values in parentheses.

Table 3: Determinants of Conventional Monetary Policy During the Coronavirus Recession

$$y_{it} = \beta_0 + \beta_1 IntLvl + \sum_{j=6}^k \beta_j X_{jit} + \sum Z_p + \delta_\tau + \varepsilon_{it}$$

Dependent Variable: Change in the Interest Rate								
Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Pre-Crisis Interest Rate Level	0.084*** 0.034 (2.471)							0.146*** 0.011 (13.272)
Credit Rating		-0.360** 0.061 (-5.902)						-0.008 0.003 (-2.667)
GDP per Capita, Log			0.002 0.004 (0.500)					0.004 0.004 (1.000)
Population, Log				-0.007 0.004 (-1.751)				0.002 0.053 (0.038)
Debt to GDP					-0.011 0.120 (-0.092)			0.014 0.128 (0.109)
Coronavirus Caseload, Log						-0.014 0.029 (-0.483)		-0.431 0.400 (-1.078)
Government Expenditures to GDP							- 0.113*** 0.026 (-4.346)	- 0.102*** 0.040 (-2.551)
Constant	-2.298** 0.834 (-2.755)	- 6.242*** 1.888 (-3.306)	-2.140** 0.916 (-2.336)	-2.214 0.846 (-2.617)	-2.159 1.491 (-1.448)	-2.131** 0.837 (-2.546)	-2.873** 1.354 (-2.122)	- 6.986*** 2.419 (-2.888)
Observations	95	95	95	95	95	95	95	95
R-Squared	0.789	0.097	0.016	0.007	0.002	0.004	0.167	0.451
Adjusted R-Squared	0.770	0.079	0.022	0.019	0.002	0.015	0.142	0.399

* = 90% Confidence
 ** = 95% Confidence
 *** = 99% Confidence

Table 4 examines the relationship between these same country-specific macroeconomic variables examined within Tables 2 and 3 on three different forms of fiscal policy: fiscal policy excluding government guarantees, government guarantees, and aggregate fiscal policy including government guarantees. These analyses provide a detailed examination of countries' rationale for enacting different types of fiscal stimuli, with above-the-line measures like direct payments to citizens, and government guarantees, otherwise known as below-the-line measures, which include government-sponsored loans to businesses and municipalities. Column 1 revealed statistically significant relationships between fiscal policy excluding government guarantees, and countries' GDP per capita, credit ratings, and government expenditures to GDP, which suggest once again that high-income economies were better positioned to enact more robust, albeit expensive, above-the-line economic stimuli via their economic wealth and access to credit markets. A one percent increase in each of these variables was associated with a 9.4, 2.8, and 29.1 percent increase in fiscal policy excluding government guarantees, respectively. These variables posted substantially weaker – if not insignificant – effects when regressed against government guarantees in Column 2. Here, only debt to GDP exhibited a significant, positive correlation with government guarantees, indicating that countries with large amounts of corporate/municipal debt, as well as those facing disruptions in business/foreign direct investment, might be more inclined to provide government guarantees to safeguard against waves of institutional defaults. Specifically, a one percent increase in debt-to-GDP yielded a 5.2 percent increase in government guarantees. Finally, Column 3 examined the relationship between all six macroeconomic variables and aggregate fiscal policy, finding that GDP per capita, debt to GDP, credit ratings, and government expenditures to GDP were positive and statistically significant influences. These results underscore the impact of economic wealth, access to credit markets, and debt sustainability on robust fiscal policy measures, factors which inherently favour high-income economies over low-income economies. The full regression results are shown below in Table 4, including coefficients, standard errors (*italicized*), and t-values in parentheses. X is a vector which represents all other macroeconomic variables outside of credit rating, which was the primary independent variable of interest.

Table 4: Determinants of Fiscal Policy Components during the Coronavirus Recession

$$y_{it} = \beta_0 + \sum_{j=6}^k \beta_j X_{jit} + \mu_{it}$$

	Dependent Fiscal (excluding Guarantees)	Variable: Spending Government	Dependent Government Guarantees	Variable: Guarantees	Dependent Fiscal (including Guarantees)	Variable: Spending Government
Variable	(1)		(2)		(3)	
Credit Rating	0.028*** 0.003 (9.333)		0.019 0.122 (0.156)		0.056*** 0.019 (2.947)	
GDP per Capita, Log	0.094*** 0.021 (4.476)		0.054 0.055 (0.982)		0.121*** 0.026 (4.653)	
Population, Log	0.016 0.527 (0.030)		0.437 0.238 (1.836)		0.214 0.963 (0.222)	
Debt to GDP	0.004 0.009 (0.444)		0.052*** 0.007 (7.429)		0.022 0.017 (1.294)	
Coronavirus Caseload, Log	0.059 0.381 (0.154)		0.442 0.879 (0.503)		0.021 0.015 (1.400)	
Government Expenditures to GDP	0.291*** 0.038 (7.766)		0.240 0.192 (1.250)		0.282*** 0.068 (4.147)	
Constant	0.371*** 0.059 (6.288)		-0.441 0.149 (-2.960)		-0.107** 0.025 (-4.280)	
Observations	95		95		95	
R-Squared	0.536		0.528		0.535	
Adjusted R-Squared	0.499		0.440		0.499	

* = 90% Confidence
 ** = 95% Confidence
 *** = 99% Confidence

Finally, Table 5 contains several regressions examining the relationship between different country-specific macroeconomic variables and unconventional monetary policies. This analysis is especially important considering the low-interest rate environment that both high- and low-income economies had to consider when considering supplementary or alternative measures to traditional interest rate reductions. Among all seven regressions, pre-crisis interest rate levels proved to be the most consistent determinant of countries' unconventional monetary policy choices. Columns 1 and 2 show pre-crisis interest rate levels had a significant negative effect on reserve requirements and dividend restrictions, suggesting that countries entering the coronavirus recession with lower interest rates sought the assistance of private financial institutions to boost their money supply in conjunction with lower interest rates. A one percentage point increase in interest rates resulted in a 27 percent lower propensity to enact reserve requirements, as well as a 15 percent lower propensity to institute dividend restrictions. However, as per Column 3, pre-crisis interest rates did not have a similar significant effect on relaxed lending requirements, a comparatively risky option compared to other such policies towards private financial institutions. Column 4 shows pre-crisis interest rates had a significant, negative impact on macroprudential policies, further indicating that in a low-interest rate environment, central banks were keen to monitor systemic risks within the financial system to ensure private financial institutions were not overleveraged or susceptible to short-term liquidity shocks. Specifically, a one percent increase in interest rates resulted in a 14 percent lower propensity to institute macroprudential policies, suggesting that countries with lower interest rates prioritized the impact of such policies on their financial system and the institutions within it. Overall, these findings suggest that countries with lower interest rates were more likely to employ unconventional monetary policies via actions toward private financial institutions, enlisting their assistance to augment the money supply. The full regression results are shown below in Table 5, including coefficients, standard errors (*italicized*), and t-values in parentheses. X is a vector which represents all other macroeconomic variables outside of pre-crisis interest rates, the primary independent variable of interest.

Table 5: Determinants of Unconventional Monetary Policy during the Coronavirus Recession

$$y_{it} = \beta_0 + \sum_{j=7}^k \beta_j X_{jit} + \mu_{it}$$

	Reserve Requirements	Dividend Restrictions	Eased Restrictions	Lending	Macroprudential Policy	Repo Operations
Variable	(1)	(2)	(3)		(4)	(5)
Pre-Crisis Interest Rate Level	-0.276*** 0.072 (-3.833)	-0.152*** 0.077 (-1.974)	-0.092 0.084 (1.095)		-0.140*** 0.067 (-2.090)	-0.057 0.081 (-0.704)
Credit Rating	0.036 0.022 (1.636)	0.039 0.024 (1.625)	-0.009 0.026 (0.358)		-0.007 0.021 (-0.333)	0.023 0.025 (0.922)
GDP per Capita, Log	-0.046** 0.005 (-9.201)	0.079 0.043 (1.837)	0.000 0.000 (0.554)		-0.085** 0.013 (-6.54)	-0.022*** 0.003 (-7.333)
Population, Log	0.026 0.140 (0.186)	-0.001 0.001 (0.795)	0.002 0.002 (1.676)		0.002 0.001 (1.265)	0.002 0.002 (1.157)
Debt to GDP	0.008 0.004 (1.990)	0.023 0.016 (1.43)	-0.005 0.018 (0.286)		0.000 0.014 (0.029)	-0.015 0.0173 (0.867)
Coronavirus Caseload, Log	0.056 0.042 (1.333)	0.018 0.427 (0.042)	0.068 0.468 (0.145)		0.009 0.037 (0.243)	0.000 0.000 (-0.431)
Government Expenditures to GDP	-0.039 0.032 (-1.250)	0.059** 0.004 (14.751)	-0.039 0.037 (1.054)		0.011 0.029 (0.379)	-0.027** 0.004 (6.751)
Constant	-0.513 0.335 (-1.531)	0.035 0.356 (0.098)	0.375 0.391 (0.960)		0.242 0.312 (0.776)	0.142 0.377 (0.377)
Observations	95	95	95		95	95
R-Squared	0.490	0.473	0.262		0.472	0.187
Adjusted R-Squared	0.425	0.417	0.163		0.429	0.095

* = 90% Confidence
 ** = 95% Confidence
 *** = 99% Confidence

Policy Implications

My analyses provide several important findings with respect to the fiscal and monetary policies enacted by high-income and low-income economies during the coronavirus recession. High-income economies were more likely to deploy extensive fiscal stimuli comprising of direct payments to households and businesses given several pre-crisis financial capabilities including inherent economic wealth, debt sustainability, and robust credit ratings. Low-income economies were more inclined to employ both conventional and unconventional monetary policies given their pre-crisis interest rate posture, and comparative disadvantage to high-income economies in terms of inherent economic wealth, debt sustainability, and credit ratings. While monetary policy is a useful tool during periods of economic downturn, it retains several shortcomings compared to fiscal policy. First, there is a considerable lag-time between the enactment of interest rate reductions and the enlargement of money supplies, even if such policies are enacted quickly. This means households and businesses have to face a prolonged period of financial strain before economic activity begins to rebound.⁵⁹ Second, interest rates can only be reduced – nominally – to zero, which limits their efficacy within a long-term low-interest rate environment, and, if kept near the zero bound for an extended period of time, could trigger a liquidity trap.⁶⁰ Third, unconventional monetary policies, like interest rates, depend on equilibriums in supply and demand that could still exclude vulnerable segments of the economy without the financial resources to obtain goods and services at their going rate. Finally, conventional and unconventional monetary policies run the risk of increased inflation or hyperinflation, where prices rise too quickly without any real change in economic output.⁶¹ While fiscal policy carries its own array of disadvantages, from budget deficits to inflation, it is a preferable course of action during an exogenous economic crisis like the coronavirus recession, where near-universal slowdowns in economic activity are an immediate threat for households and businesses.

While almost all high-income and low-income economies have enacted a considerable array of policy prescriptions to soften the economic consequences of the coronavirus recession, disparities in policy driven by uneven financial capabilities threatens a disjointed global recovery, likely exacerbating inequalities between individuals and entire countries alike. Recent research by the IMF determined that many low-income economies would require an additional \$200 billion between 2021 and 2025 to maintain a similar trajectory of recovery as high-income economies, primarily to supplement financial buffers and prevent potential aftershocks.⁶² In case the latter takes place, the IMF also estimated that low-income economies would require an additional \$100 billion in financing per year.⁶³ Unfortunately, this five-year timeframe may still be inadequate to prevent significant economic scarring through poverty and inequality. The United Nations determined that over 32 million people in 47 of the world's least developed countries were at-risk of extreme poverty due to increased inequalities in healthcare, education, and employment opportunities within the same timeframe.⁶⁴ This would add to the nearly 120 million people that the World Bank estimates have been pushed into poverty during the course of the coronavirus recession.⁶⁵ Given these inequalities, and their impact on the trajectory of economic recovery facing the international community, it is vital that low-income economies have the opportunity to access additional financing to recuperate from this crisis at an adequate cadence as their high-income peers.

High-income economies can assist in this endeavour by adjusting their debt, restructuring frameworks to provide relief for countries whose loan obligations have become unstable during the coronavirus recession, while also persuading private-sector creditors to join such initiatives. Such efforts to synchronize debt-restructuring policies under a Common Framework for Debt Treatment have stalled in recent months due to procedural issues, such as the composition of

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creditor committees which negotiate with borrowing nations as well as disagreement over the scope and terms of a debt-service standstill for countries in default.⁶⁶ These efforts were further complicated by the absence participation from private-sector lenders, who refused to observe the G20's debt-service moratorium but received concessions from member countries that provided significant flexibility in choosing to engage in debt restructuring negotiations with borrowing nations.⁶⁷ Therefore, it is essential that high-income economies realize the terms of the Common Framework for Debt Treatment and ensure that private creditors are included in this framework, so as to accommodate the financial needs of low-income economies as they manage their debts during these extraordinary economic conditions.

Multilateral institutions like the IMF and World Bank have an equally important role to play by offering reasonable, competitive financing for nations whose needs are unmet by bilateral or private creditors. These institutions have made some headway. As of February 2021, the World Bank issued USD 14.2 million in loans to low-income countries and another USD 37 million in loans to lower-middle-income countries.⁶⁸ However, low-income countries saw their GDP growth decline by over 6 percentage points, while commitments and actual disbursements accounted for just 1.7 percent of lost growth.⁶⁹ Furthermore, the IMF has prepared \$21 billion in Special Drawing Rights for low-income countries as reserves.⁷⁰ Yet, this is subject to agreement by its collective membership on the terms for each borrowing nation to exchange their share for other currencies, and how wealthier nations may redistribute their own Special Drawing Rights allocations to low-income countries.⁷¹ These bureaucratic obstacles must be resolved so they do not confound the timely distribution of essential aid to low-income countries. In addition, the IMF and World Bank will need to allocate additional funding for these programs so they can remain available to low-income economies throughout the course of their recovery.

Finally, both high-income economies and multilateral institutions should persuade a more liberal approach to sovereign credit ratings – especially to those of low-income economies – for the remaining duration of the coronavirus recession. According to research by CountryRisk.io, while the economic downturn imposed by the coronavirus recession affected high-income economies more acutely than low-income economies, the former only experienced six notches of rating downgrades from the “Big Three” credit rating agencies - S&P Global Ratings, Moody's, and Fitch Group - or 4.6 percent of all rating downgrades.⁷² Approximately 40 percent of these credit downgrades were borne by countries in Sub-Saharan Africa, while 35 percent were concentrated among countries in Latin America and the Caribbean.⁷³ Additional research has confirmed that the Big 3 prioritized countries' economic outlook and their national response to the health crisis rather than the severity of the coronavirus pandemic itself, utilizing a business-as-usual approach which often did not account for disparate severity of this economic shock within low-income economies.⁷⁴ Furthermore, experts have pointed to information asymmetry between the Big 3 and the governments of low-income economies in which the agencies created faulty assumptions or miscalculated key risk factors based on a lack of credible data.⁷⁵ Credit rating downgrades are extremely detrimental for low-income economies because they limit their access to capital markets and limit their policy responses during a crisis. Therefore, it is essential that high-income economies and multilateral institutions investigate the practices of the Big 3 and lend their support for a more liberalized approach to calculating the sovereign credit ratings, accounting for the economic burden of the coronavirus recession on low-income economies.

Conclusion

As countries begin to turn the page on a pandemic and recession of historic proportions, it is important to consider the consequences of the economic policies they enacted during this crisis on their individual recovery trajectories, as well as that of the international economy at large. By analysing specific economic policies employed by high- and low-income economies, as well as the macroeconomic factors that influenced their responses, this study provides a better understanding of how the coronavirus recession exacerbated inequalities between countries and continues to threaten progress towards a synchronized global recovery. High-income economies had the wealth, robust credit ratings, and debt sustainability to implement expansive fiscal stimuli nearly double that of low-income economies in terms of spending as a percentage of GDP. Low-income economies were more likely to deploy conventional and unconventional monetary policies including interest rate reductions, in addition to enlisting the assistance of private financial institutions to bolster economic activity by enacting reserve requirements, dividend restrictions, and macroprudential policies. Interest rates were the most important determinant of the size and scope of countries' monetary policies, though this was mostly an advantage of low-income economies that maintained their interest rates at a higher level than high-income economies prior to the coronavirus recession. GDP per capita, credit ratings, and government spending to GDP were the most important determinants of the size and scope of countries' fiscal policies, a significant advantage retained by high-income economies when entering the coronavirus recession.

The study also discussed the downsides of fiscal and monetary policy, specifically the latter's comparative disadvantages in terms of providing timely and adequate financial relief during times of crisis. Hence, it also examined several potential actions that could be taken by high-income economies and multilateral institutions to ensure that low-income economies can recover at a decent pace to the benefit of the international economy at large. First, high-income economies can revise their debt restructuring frameworks while including private creditors under their purview, using the Common Framework for Debt Treatment as a starting point. Second, multilateral institutions can provide additional financing at competitive rates through reforms to Special Drawing Rights for low-income economies that are unable to access bilateral or private credit markets on reasonable terms. Finally, both high-income economies and multilateral institutions can encourage a liberalized approach to sovereign credit rating systems, which have not sufficiently accounted for the toll of the coronavirus recession on the finances of low-income economies and have further threatened their ability to access necessary financing to recover from this crisis. The coronavirus recession presents a unique opportunity to study the influence of global inequalities on the policy responses undertaken by high- and low-income economies during economic crises. By understanding their rationale for deploying different treatments, as well as the consequences of such treatments on their prospects for recovery, the international community at large can better prepare itself to tackle future economic crises on the horizon by acting in the interim to reduce outstanding inequalities on its shores.

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Energising Tensions in the Eastern Mediterranean: The Impact of Hydrocarbons on Regional Security

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Abstract

The hydrocarbons discovery in the Eastern Mediterranean brought the region to the spotlight as a distinct sub-Regional Security Complex (s-RSC). It also opened the door for the emergence of non-existent regional collaborations among the like-minded actors, but also for more tension, escalation, and the solidification of mutually exclusive positions primarily between Turkey on one hand and Greece and the Republic of Cyprus (RoC) on the other. This paper examines the emergence of the Eastern Mediterranean as a s-RSC and the impact the hydrocarbons had on the Cypriot and Turkish foreign relations approaches, as well as the impact the latter has on the resolution prospects of the Cyprus problem. More specifically, it examines how the hydrocarbons, even in the absence of actual exploitation as of the time of writing, has allowed the RoC to have a relatively bigger foreign and security role in the region relative to its size and to strengthen its relations with both regional and extra-regional actors – including the US. On the flip side, the hydrocarbons discoveries further energised the already revisionist Turkish foreign policy, which, driven by the increasingly important Turkish defence industry, adopted a more militarised path, which in turn led to coercive diplomacy and inevitable escalation, and a concurrent distancing from the EU and the West. Lastly, the paper explores how the latter development has a major impact on the conflict resolution efforts, not least because the Turkish incentive structure and preferred settlement options have changed due to, and because of, the more militarised foreign policy.

Introduction

The so-called energy bonanza in the Eastern Mediterranean shone a geopolitical spotlight directly on the region, at once elucidating the regional security challenges that were either ignored or under-examined. The hydrocarbons in the region did not necessarily create the geopolitical confrontations and collaborative opportunities, but rather expedited existing trends or else acted as an enabling pathway—an excuse—for neutral and ‘silent’ relations to develop into more positive and vocal ones, and for the already negative relations to take a decisive step in the wrong direction. More importantly, it accelerated a change in the Turkish national security perceptions which, in turn, led to more aggressive and military-oriented foreign policy. At the same time, it provided the opportunity to incorporate the issue of hydrocarbons in the national security agenda of numerous regional and external major actors, concurrently and unavoidably altering the security dynamics in the region. At the heart of these changes is one of the most protracted conflicts in the world, the Cyprus Problem. The regional political developments, energised by the hydrocarbons prospects, allowed the Republic of Cyprus (RoC) to have a disproportionate to its size role in the region, while at the same time it became a target for new threats that cannot be dealt with unilaterally, thus creating geopolitical headaches for the EU. Given that this problem is, above all, a perceived zero-sum situation where any changes are unlikely to remain unanswered, inevitably Turkey reacted in a way that further solidified the opposing positions and the complexity of the Problem, leading to new, albeit unwanted, settlement possibilities.

The first part of this paper focuses on analysing the development of a unique Eastern Mediterranean sub-Regional Security Complex (s-RSC) in which the intra-complex security relations have changed significantly since the post-hydrocarbons findings era. In this section, the paper also focuses on how these new security confrontations in the European Union's (EU) back yard pose a geopolitical challenge for the latter: a challenge that tests the EU's strategic autonomy capabilities and willingness to act. The second part of the paper discusses how hydrocarbon developments expedited and highlighted the more military-induced changes in Turkish foreign policy and how the latter affects, and is affected by, the Cyprus problem. It also elaborates on why the hydrocarbons variable failed to emerge as the conflict resolution force that many hoped it would be, and why, on the contrary, it allowed for the development of a parallel zero-sum based problem that affects negatively any de-securitisation prospects, while at the same time it contributed to a harder Turkish position. Specifically, it examines the hypothesis that there is a significant change in the Turkish approach vis-à-vis the Cyprus problem, as there seems to be an open and public shift in the Turkish settlement preference, from a Bizonal Bicommunal Federation (BBF)—the accepted proposed settlement framework—to a two-state solution. While BBF could still potentially serve the Turkish interests, especially if the specifics of the settlement would allow Turkey to become 'Master in the North and Partner in the South,' the altered preference to a hard division may better serve Turkey's geostrategic interests given the new regional security dynamics.

Energy-induced securitisation and de-securitisation processes in Regional Security Complexes

Buzan, in his seminal 1983 work, considered the RSCs as "a group of states whose primary security concerns link together sufficiently closely that their national securities cannot reasonably be considered apart from one another".¹ The concept was further 'infused' with securitization theory, and the end result was a revised definition whereby an RSC is better understood as "a set of units whose major processes of securitisation, desecuritisation or both, are so interlinked that their security problems cannot be reasonably analysed or resolved apart from one another".² As Huysmans notes, the focus was on the interdependence of securitisation processes rather than simply on the interdependence of security interests.³ The driving force of security complexes is not primarily the balance of power, but rather the enmity and amity relationships among states within the complex,⁴ and these relationships inevitably depend on the fear and suspicion of the units participating in the Complex. In turn, these relationships will determine the 'framework' of the complex, with numerous possible outcomes ranging from regional conflict formation to regional security integration.⁵

What makes the Eastern Mediterranean an interesting case is its development into a unique sub-Regional Security Complex (s-RSC) that is not, however, subsumed within larger RSCs as is the case—for instance, of the Balkans within the European RSC. The East Med s-RSC is situated among two major complexes, the European and the Middle Eastern, and Turkey, a former insulator state, but currently the main actor that drives most of the securitisation relations.⁶ Indeed, Turkey transformed its role from a relatively passive insulator into a very active and central pole within the s-RSC with hegemonic tendencies. This transformation predictably became the driving force of the securitisation and de-securitisation processes in the region. These changes are not unique to the East Med, but they are certainly evident in the specific area. Indeed, there is a growing tendency in the post-Cold War system for regional powers to take advantage of power 'gaps', not least because of the decreasing US influence,

meaning that medium-size regional actors are less dependent on, and less aligned with, the major powers.⁷ While the international system is still in transition, regional powers can exert power, influence and, occasionally, even hegemonic behaviour. The promotion of regionalism (top-down process) and regionalisation (bottom-up process) through the creation of clusters may also become a goal in and of itself for some states, as it allows them to cope better with global challenges,⁸ while at the same time they can have a much 'louder voice' in the complex or sub-complex they helped create. The East Med is an indicative example as there is strong evidence of both regionalism and regionalisation with the creation of sub-regional clusters focusing on security, economic and political areas.

The discovery of hydrocarbons in the Eastern Mediterranean further complicated the environment and the regional de-securitisation relations, as energy can have a major multiplier effect on the existing relations in the political, military, and economic sectors.⁹ In other words, energy is likely to make already tense relations even more volatile, as it will become either an additional issue of contestation or add pressure to the existing ones. Conversely, in cases where the environment is de-securitised, the prospects of energy-related benefits and collaborations are more likely to reinforce the de-securitisation trends and even contribute to the development of converging interests and quasi-alliances in areas beyond energy (*ibid*). Thus, within the framework of de-securitisation, the impact of energy—positive or negative—is subject to the level of political securitisation. Thus, if the political and/or military sectors are deeply securitised, then the potential economic benefits of energy are unlikely to lead to collaborations and a positive (de-securitisation) impact. This also ultimately means that hydrocarbon-based economic incentives for conflict resolution are more likely to be wishful thinking rather than an actual possibility. It is also worth noting Rettig's contribution, that energy-induced regional political collaborations can occur only if the energy supply of the country is highly reliable,¹⁰ not least because energy supply is a 'high politics' issue and part of a country's national security.¹¹ Indeed, there are numerous cases where even 'friendly states' were reluctant to share gas and electricity for the sake of their own energy security, as was the case of Bulgaria and Romania in 2017.¹² The inability of the EU to fully advance the Energy Solidarity initiative is also witness to the competing national energy policies.¹³ Once energy supply is guaranteed, elites then utilise the potential energy-related collaborations to gain support, both internally and externally, concurrently allowing for the emergence of 'neoliberal "commercial peace" principles of security through trade'.¹⁴

The region can act as a case study to examine the aforementioned theoretical propositions. The Cypriot, Israeli and Egyptian natural gas findings put the hypothesis to the test. The aforementioned states, as well as Greece, that enjoyed de-securitised relations used the natural gas as an enabling path for stronger political, economic, and even military relations through bilateral and trilateral agreements, or what Tziarras calls 'quasi alliances',¹⁵ which helped balance the Turkish threats, while at the same time solidified the challenged Greek and Cypriot sovereignty.¹⁶ Similarly, it allowed for the creation of a trans-RSC regional organisation, the Eastern Mediterranean Gas Forum (EMGF), which includes the aforementioned states as well as Jordan, Italy, and the State of Palestine. France requested full membership and the EU and the US asked for a permanent observer status, while Turkey and Lebanon are the two key states that are not part of the Forum. In addition to the EMGF over the past decade, there have been numerous bilateral and trilateral meetings and summits, common military drills, and enhanced economic and tourism activities among several of the aforementioned states. All occurred even though so far there is no actual common energy exploitation, trade, pipelines, or LNG terminals. In simple terms, energy acted as an 'enabler' that led to stronger political, economic, and even, to some extent, military relations. The reverse is also true. Energy had a negative

multiplier effect on the already tense relations between Turkey on one hand and Cyprus, Israel, Greece, and Egypt on the other. Indeed, the Turkish gunboat diplomacy approach against Cyprus, and the threat of military confrontation between Turkey and Greece, were 'energized' by the hydrocarbons, despite the absence of any actual natural gas exploitation. It is also worth noting that the prospects for exploitation, too, are somewhat anaemic, despite the unquestionable political benefits. Indeed, excess natural gas supply given, *inter alia*, the US shale gas and Russia's ability to produce gas at much lower prices, the East Med gas will face tremendous competition to secure a market.¹⁷ Furthermore, the future of Europe is 'Green' as it aims to become the first climate-neutral continent by 2050. As a result, the European gas use is expected to decline 20% by 2030 and more than 75% by 2050.¹⁸ With the above in mind, it becomes more obvious that the disputes are less about energy security and energy-related financial benefits and more about geopolitics, sovereignty, and maritime security.

The hydrocarbons developments acted as an enabling variable, a pretext, that legitimised, in the eyes of Turkey at least, hard power actions. While it would be naïve to argue that natural gas is the only factor that led to these geopolitical shifts, the energy-variable carries significant weight in the developments and the overall Turkish militarised foreign policy that affects the dynamics of the East Med s-RSC, not least because the energy-induced relations highlighted issues of sovereignty, the feeling of exclusion and the threat of encirclement. The latter point is discussed in detail in later sections. It should be noted that Turkey approaches the Eastern Mediterranean developments not only as an energy security issue, but primarily as an issue of territorial rights and subsequently maritime security.¹⁹

Lastly, all these changes pose a challenge for the regional actors, as well as for other major players that may have direct and indirect interests in the region. For the EU, a stable Eastern Mediterranean that could contribute to the stability of some of the turbulent Middle East areas and to the perpetuation of a solid security architecture that would diminish the chances for a new major crisis, is of utmost importance. Furthermore, the developments are also a geopolitical test and an opportunity to demonstrate whether the EU is capable of handling such challenges, especially given that they are taking place in its own backyard. There are clear voices criticising the Turkish behaviour, but the warnings and proposed sanctions, if they are ever fully implemented, do not seem to have the deterrent effect that Cyprus and Greece are hoping to see. It is hard to determine what Turkey's behaviour would have been had Greece and Cyprus not been EU Member States, and we should not discount the impact of the EU pressure. However, the EU's ability to deter escalation in its own backyard unquestionably tarnishes the EU's aspirations as a global and autonomous geopolitical actor.

Other actors such as the US, France and Russia compete for regional influence. France so far seems to be filling the gap more efficiently than any other actor, through strong ongoing political support towards Cyprus and Greece as well as through the much more active military relations and arms sales with the latter. Middle East players, such as the UAE and Egypt, are also entering the game through bilateral relations and politico-military agreements with Greece.

It is worth noting that the s-RSC of the Eastern Mediterranean should not be observed in isolation from its neighbouring RSC and the international threats deriving from the neighbourhood. Indeed, the region always had historical geopolitical importance. The British considered the region as the gateway and bridge to the Middle East and later on, during the Cold War, the US considered it important for containing the USSR's influence. Currently there are numerous threats and security concerns that could (further) disrupt the regional stability, ranging from ongoing active or semi-active conflicts that could easily escalate; terrorism; the proliferation of Weapons of Mass Destruction; migration flows; and potential border changes.

Following the outcome of the Syrian civil war, there is little doubt that all these threats are potential major problems for the EU. At the same time, seemingly unrelated to the region issues, problems such as the Russian assertiveness forced the EU to pay serious attention to the possibility of energy diversification through the East Med in a way that would reduce the dependency on Russia (see, e.g., Proedrou 2021). However, as mentioned earlier, the hydrocarbon markets are not particularly favourable for East Med projects at this point.

The Changing Turkish Foreign Policy

It is becoming increasingly obvious that Turkey considers the 1923 Treaty of Lausanne as being anathema, with loud voices arguing that it should have never accepted the agreement.²⁰ Unlike the Kemalist-like approach to foreign policy wherein the main concern was to not lose territory, under Erdogan the desire for expansion and a more influential regional global role is constantly growing—and so are the reactions. It is, therefore, no coincidence that Turkey has found itself from a place of having ‘zero problems with neighbours’ to being actively engaged in conflicts near and far.²¹ Indeed, it is partly Turkey’s new foreign policy under President Erdogan that led to (in)security relations among the East Med states from the Middle East and Europe, which subsequently allowed for the present geopolitical developments and the creation of this unique s-RSC.²²

Especially after the most recent coup attempt, Turkey cannot seem to escape the feeling of being under constant existential threat both internally and externally. There is also an ever-stronger feeling of distrust and suspicion towards traditional allies, who are treated and perceived more as ‘frenemies’ and they, too, now contribute to the exclusion and encirclement feeling. This is especially the case with the US and Israel, two key states for Turkey: both are particularly unhappy with Turkey’s actions, and vice versa. The negative perceptions towards the US mostly revolve around the latter’s support for the Kurds in Syria and Iraq and due to the Fethullah Gülen issue. Beyond these two specific issues, there is a growing perception that the US is interfering in Turkish domestic politics and is subsequently a potential threat to the country’s strategic autonomy. When these fears are coupled with the quest for more strategic autonomy and the distancing of Turkey from the EU and the West in general, then the changes in Turkish foreign policy and regional behaviour are essentially inevitable.

Turkey’s goal to become a regional and even a global hegemon unavoidably requires more power projection and a say in all regional affairs, or as Tanchum notes, it aspires to be an ‘inter-regional power’.²³ This goal can only be achieved if it feels that it has the capacity to project this power autonomously. Interestingly, this projection is no longer limited to land forces—which was Turkey’s traditional strong area—but also in the sea, the air (especially with drones), and, more importantly in terms of strategy and mentality. The enhancement of the Turkish defence industry led to a change in the country’s strategic orientation and in the ‘grammar of [Turkey’s] warfare’ whereby the threat of hard power is the main instrument of Turkey’s policies.²⁴ Given that Turkish hard power did not remain in the realm of theoretical projection of power as its presence in Libya, Syria, the Aegean and in the Cypriot EEZ attest, there were reactions of various intensity from the regional and international actors. The EU attempted to highlight that such behaviour is not in line with EU norms and is driving Turkey further from the Union as the EU High Representative, Josep Borell, noted in a warning.²⁵ That said, the EU does not seem to have a clear idea on how to handle Turkey, or indeed what Turkey really wants. The Union seems unable to truly delegitimise Turkish efforts in a strong and deterring

manner, which essentially allows Turkey to push the limits of coercive diplomacy in the region.²⁶ The relative lack of resolute actions does not just highlight the inability of the EU to deal with this geopolitical test in its own southeast limits. It also takes a risk, as things can easily escalate in hard power ways that the EU is ill-equipped to counterbalance. For (Greek) Cypriots and Greeks, this unwillingness is a very strong indication as to how much they can(not) rely on the EU for their security.

The US's focus is more on the S-400 missiles issue, but it, too, demonstrated through numerous symbolic gestures—both in the region and back in Washington—that it has an eye on the East Med and disapproves of Turkish behaviour. Other strong regional actors such as Egypt, Israel and France reacted by strengthening the political and military relations with Greece and Cyprus through political and economic agreements and common military drills.

Despite the lukewarm reactions by the aforementioned actors, Turkey realised that the evolving s-RSC Middle East RSC dynamics have a negative impact on its planned goal for a regional hegemonic role. The deteriorating relations with the US further supported this notion. While dealing (militarily) with Cyprus may be relatively easy for Turkey, the same cannot be said about Greece, Egypt and Israel, especially given the lack of US support. It is not surprising, therefore, that Turkey attempted to remedy its relations with Egypt. One such action was a proposal of a specific EEZ delimitation beneficial for the two countries, but at the expense of Greece. In early March 2021, in a swift response to the Turkish claims, the Greek and Egyptian Foreign Ministers—Nikos Dendias and Sameh Shoukry—introduced a new map that positions the Block EGY-MED-W18 in a way that does not extend beyond the 28th meridian, and quickly shut down the Turkish attempt to create a rift in the trilateral Egyptian-Greek-Cypriot relations.

The strained relations with the EU and the US, coupled with the exclusion from regional collaborations and relations and the inability of Turkey to spoil the bilateral and trilateral relations, fed into the Turkish perception of encirclement and existential threats, thus creating a cycle of balancing and escalation prospects. The quest for more autonomy and militarisation of the Turkish foreign policy only enhances the probability of an unwanted development, not least because hard power and coercive diplomacy seem to be the optimum, if not the only, way forward in the eyes of Turkey.

This is something that appears to be fully acknowledged by both Greece and the Republic of Cyprus (RoC). While the latter has relatively limited military capabilities and thus relies primarily on the political protection of the EU and the international community, Greece is not willing to operate under military threats and has made significant military agreements with, *inter alia*, France and the US for the enlargement and upgrade of its air force, while it also participated in common drills with UAE, Egypt, Cyprus, France and Saudi Arabia. Greece is also taking bold steps towards a more active engagement with Middle East states; these actions are not necessarily at the same pace as Brussels, but they are with the implicit support of the US. Furthermore, the improved relations between Israel and the UAE and Bahrain allows for more positive prospects for the role of Greece in the area, especially with the UAE in the realm of defence and security—even if at this point the agreements are mostly symbolic rather than tactical. On a political level, there is common ground with the UAE, based primarily on the opposition to the Turkish regional hegemonic aspirations.

Greece's role has been further upgraded after the US's intention to station ships at Souda Bay, for the first time since the end of the Cold War, clearly signalling that the US wished to have a much more active regional role, albeit more through Greece and potentially Cyprus, and less via Turkey. This is not necessarily because the US wants to side with Greece and/or Cyprus,

but rather because of the great power competition in the area after the much more active Russian presence in Syria and Libya, and because of China's ever-growing influence in the wider region. The aforementioned, coupled with the growing anti-Turkey voices in Washington, D.C., could turn Greece into the new preferred partner as NATO's and US's most important southeastern ally.²⁷ Similarly, for the US Cyprus can play an important role both as leverage against Turkey and as a complementary 'asset' to Greece. In general, the US and the Biden Administration seem to have different plans for the region and the way to handle issues with its European allies, as compared to the Trump Administration.

All of the above further intensify the Turkish feeling of exclusion and encirclement and, given that Turkey is not a country which traditionally backtracks on its geopolitical claims and threats, the possibility for escalation in areas where it feels to have the upper hand is not an improbable scenario. The area where Turkey has the biggest advantage in terms of hard power is none other than Cyprus.

Energising the Cyprus conflict

As one of the most protracted conflicts in the world, the Cyprus problem does not need much introduction. What is worth highlighting is that, despite its intractability, the *status quo* is rather comfortable: acts of violence have been scarce and of relatively low intensity, although the situation remains unquestionably illiberal, given the ongoing occupation since 1974.²⁸ The conflict is also characterised by very strong internalised securitisation routines that contribute to the development of a mentality and culture—on an elite and public level—wherein the absence of settlement is preferred to what is considered an inadequate settlement.²⁹ The problem is that essentially all settlement options are seen as bad for one or both sides. It is beyond the scope of this paper to discuss whether or not they are indeed inadequate, but it is important to note that the strong conflict-perpetuating routines further reduce the prospects to see a settlement as being positive, which subsequently reduces the chances and interest for a settlement. Following the negative outcome of the UN-sponsored Annan Plan in 2004, there was not much international interest in the conflict: that is, until the hydrocarbons energised the situation. In 2011, Noble Energy announced its findings in the Aphrodite field of Block 12 in the RoC's EEZ, and since then the Cyprus Problem started to gain attention, both internally and internationally.

The early hopes that the hydrocarbons would act as a catalyst for settlement were essentially baseless. The 'peace pipelines' logic on which many place their hopes for conflict resolution (not just in Cyprus) is faulty.³⁰ On the contrary, in Cyprus the hydrocarbons further complicated the conflict on multiple levels. The first level is the development of the s-RSC analysed above, and how that aggravated Turkey. The second level is that it created a parallel and equally difficult problem to the overarching conflict. Concurrently, the hydrocarbons and the associated international agreements pose a major challenge on the issue of governance in the settlement negotiations, which is one of the most difficult aspects of the Cyprus Problem. The third level, which is more relevant for the Greek Cypriot community, is linked to the conflict culture and routines, and more specifically to the hope that the developing dynamics will lead to more favourable conditions for settlement. This is a similar feeling to that of 2004 when the RoC gained EU membership, hoping concurrently that the balance will shift in a way that would allow for a fairer resolution. The fourth level is more applicable to Turkey and the fact that the hydrocarbons developments allowed the former to develop a more nationalist and aggressive path, that questions, *inter alia*, the agreed settlement framework—the BBF—as well

as the current and future sovereign rights of the RoC, especially considering that Turkey does not accept that islands are entitled of full Exclusive Economic Zones (EEZs).

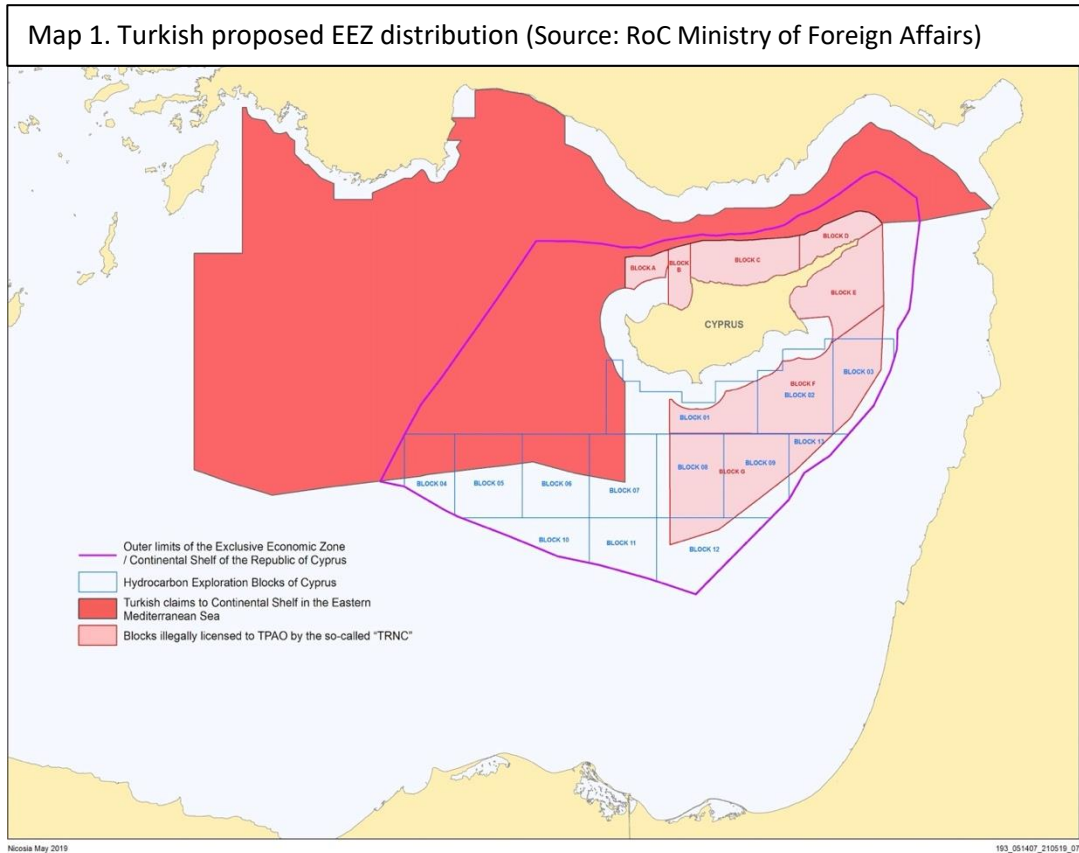
Level 1: Turkey's reaction to the changing s-RSC dynamics

Turkey's political reactions and hard power threats in response to the regional relations were not particularly surprising, with minor exceptions, as was the case when in February 2018 the Turkish navy set up a blockade to stop the Italian ENI drill ship off Block 3 of the Cypriot EEZ. Obviously, such reactions only harm the prospects of a settlement, not least because they remind Greek Cypriots that the Turkish military threat is not just the outcome of successful securitisation, but an actual possibility. Furthermore, they highlight that Turkey is not a neighbour that is likely to resolve potential disagreements without the use, or threat of or use of, force. Given the transformation of the Turkish foreign policy and the use of more hard power instruments, this is not an illegitimate concern. Turkey's active military actions in Syria, Iraq, Libya and Nagorno-Karabakh further solidify the Greek-Cypriot established and well-internalised threat perceptions. Indeed, given Turkey's record, any desecuritisation attempts based on the notion that Turkey will not utilise its military to promote its interest in Cyprus are essentially doomed to fail.

Given that Turkey wants to promote its hegemonic role, there is not much hope that it will change its approach to regional challenges. Thus, it is unlikely that Turkey will not react to the bilateral and trilateral agreements in which it does not have an active role. At best, it will try to politically pause or cancel such agreements through reconciliation attempts with Egypt and Israel, and at worst it will utilise hard power instruments to increase the cost for the weaker party in the equation, which in this case will always be the RoC. Either way, the impact on the Problem will be negative.

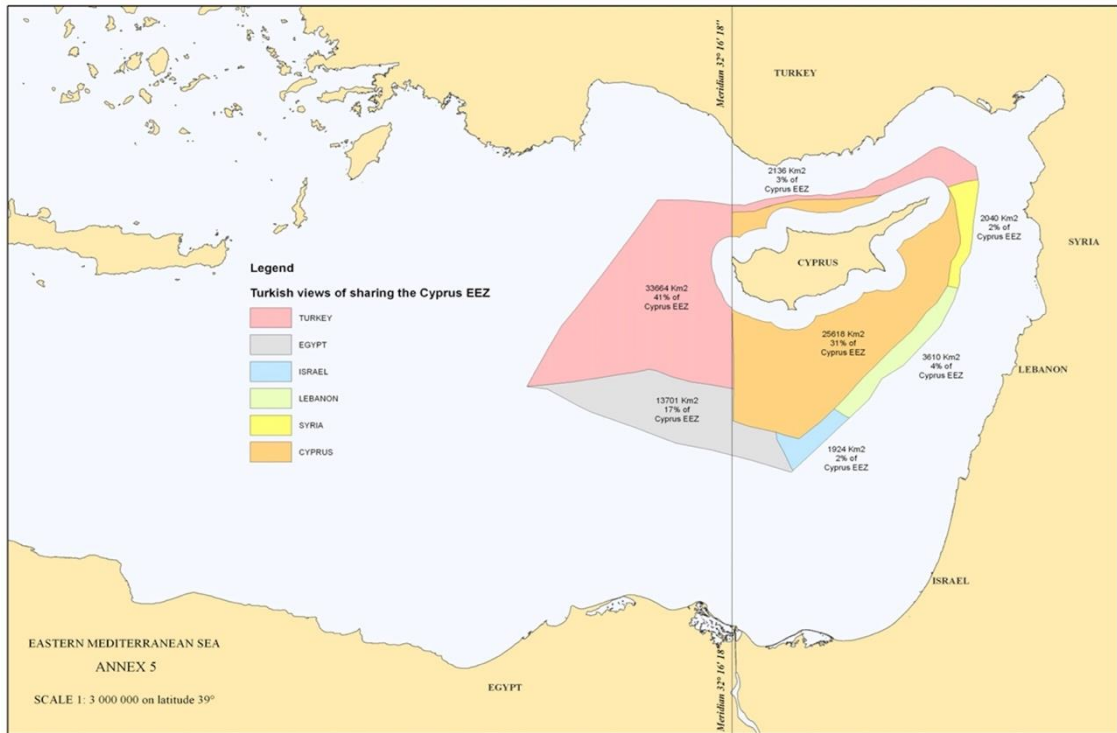
In essence, the hydrocarbons discoveries provided theoretical settlement incentives and opportunities for regional collaborations. The incentives never materialised, unlike the collaborations, which did indeed receive a significant boost, albeit only among the states whose relations were already desecuritisised. And as mentioned earlier, the reverse is also true for cases where relations were securitisised, as the energy factor worsened the situation as it brought to the surface military threats, strong political statements and, in general, created a fertile ground for an even more deeply securitisised environment between Turkey on one side and the other regional actors on the other.

Level 2: Hydrocarbons: A parallel problem



While the second level cannot be examined in full isolation and without taking into consideration the first ‘level,’ there are elements that can still be analysed as standalone issues. Energy, in the political realm, cannot be treated as just another commodity over which two parties have commercial disagreements.³¹ Energy-related issues, even when discounting the energy security aspect that can be analysed as an existential threat in and of itself, involve questions of sovereignty and the interaction with International Oil Companies (IOCs) that are either state-owned or state-backed (ibid). In the case of Cyprus, the disagreements over hydrocarbons are both subsumed by the overarching conflict, but are also dealt with as a standalone issue.³² Unlike other cases, such as Israel and Lebanon, where the problem is over a relatively small specific area that can theoretically be resolved through an agreement on how to split the rights of each state, the conflict over the RoC EEZ is very much a non-starter situation with significant implications for the prospects of settlement. The fact that Turkey does not recognise the rights of Cyprus—or islands for that matter—to have a full EEZ does not leave much room for negotiations on the specific subject while it concurrently casts shadows on the future of any settlement. So does the proposed Turkish distribution of the EEZ that essentially reduces the current RoC EEZ to 31% (see Maps 1 and 2). The dark red is the area claimed by Turkey and the light red color are plots ‘given’ to TPAO³³ by “TRNC”, essentially leaving a very small (31%) area to the RoC, and even that, according to Turkish claims, does not belong to the RoC but to Egypt, Israel, Lebanon, and Syria. Such propositions spoil the prospects for settlement, while at the same time they form the foundation for legitimising future actions tailored specifically to deal with this issue, irrespective of the conflict resolution developments. This is key for both sides, not least because time is of the essence.

Map 2. Turkish proposed EEZ distribution (Source: RoC Ministry of Foreign Affairs)



Nicosia April 2014

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Time factor

As the RoC wants to proceed with hydrocarbons exploitation and to solidify the international agreements, it wants to avoid linking the specific dispute with the settlement of the Problem. The IOCs must know that they have the option to proceed with hydrocarbons exploitation if they choose to do so, irrespective of a political settlement. If the two were to be linked, then the hydrocarbons future could easily become a hostage to the intractability of the conflict. With this in mind, it is in the best interest of Turkey to link the two, as it can ‘proxy-delay’ the energy-related agreements for as long as the conflict remains unresolved. Turkey also recognises that the energy developments move, to some extent, independently from the political developments. This eliminates the option of ‘waiting it out,’ as the cost of interrupting progress is frequently time dependent. Specifically, the cost of interrupting an exploitation agreement from emerging—by threatening to take action, for instance—is smaller than actually disrupting the actual exploitation if a drill platform is operational and in place, something that would actually require the implementation of a threat. Thus, it is rational, albeit illegal, for Turkey to take decisive and hard power-based actions similar to the aforementioned naval blockade in February 2018. Such actions serve the dual purpose of demonstrating Turkey’s willingness to carry out its threats, while at the same time achieving the goal of disruption with relatively small political cost.

Level 3: Entrenching the conflict routines

Without discounting the long-term significant threats deriving from the lack of settlement, the stalemate, on a 'daily basis,' is not particularly costly for either side. All sides have learned to live with the conflict and have developed routines to cope with the issue. Indeed, the lack of resolution is part of the people's routines and it allows them to develop their lives in the absence of settlement and not necessarily in order to facilitate a settlement. This is not surprising, given that the settlement of a protracted conflict would disrupt the existing routines on which the conflict sides 'base' their ontological security. As Mitzen notes, the need for ontological security is just as necessary as the physical security. Similarly, there is a significant political and psychological investment in the conflict that cannot be neglected, as it drives much of the political actions and support.³⁴ Thus, the (non-violent) conflict-perpetuating routines developed into a mechanism through which Greek and Turkish Cypriots maintain their sense of identity and way of living and are thus reluctant to disrupt them, even at the potential prospect of settlement.³⁵ Political and other elites are unlikely to make daring propositions to break those routines, not least because such actions require sacrifices that are linked to potentially high political cost, given that they are likely to be perceived as concessions. Similarly, part of the population is also unwilling to take risks associated with the settlement, indirectly endorsing the *status quo* as a preferred option.³⁶ In the meantime, any aggressive behaviour in the area acts as a theoretical reminder of why a settlement is necessary, but at the same time it is also a force that further entrenches the feeling of distrust and the perceived safety of the *status quo*.

The hydrocarbons developments, by changing the aforementioned s-RSC relationships, contributed to the creation of frequently conflicting, albeit very strong, feelings regarding the necessity and the prospects of settlement. Numerous studies noted the 'peace dividends' prospects of a settlement—the notion that all Cypriots would be economically better off in a post-solution environment—³⁷ which would become even greater if the (new) RoC would be able to exploit its natural gas without Turkish interruptions or even potentially with Turkish contribution in a post-settlement Cyprus. However, much like the peace pipelines, peace dividends have not proved to be sufficient to alter the incentive structure of Cypriots. On the contrary, frequently this discussion is perceived in negative terms, as it appears that Cypriots are asked to make concessions for the sake of more wealth.

Others support the idea that, given the Turkish threats and the reluctant IOCs, a resolution is a prerequisite for exploitation, and that the alternative, for the RoC to proceed unilaterally, entails too many risks for Cyprus. The attempt in this case is to securitise the unilateral natural gas path for the RoC. These attempts gain some traction with every Turkish aggressive move, but at the same time it is extremely difficult and rather unlikely for the RoC to openly succumb to the threats and stop its efforts as that would simply only strengthen the already powerful Turkish coercive diplomacy tactics.

Then there is a third category, with individuals who believe that the changes in the s-RSC are actually creating a more fertile ground for the RoC to gain some relative advantage that would allow the latter to negotiate with a 'stronger hand'. The trilateral collaborations do create a sense of safety, as frequently they are presented as 'quasi-alliances'.³⁸ Yet in reality, and despite their political usefulness, they may lead to a false sense of security.³⁹ Both the perception of extra security and that of relative advantage may be partly true, but they are also dangerous. They are true because the RoC appears to have gained importance as a 'pawn' in the chessboard of the region, and as such it might be worth some form of extra protection. However, if things escalate, the 'extra security' notion will be put to the test with questionable outcomes. Neither the EU, nor its neighbouring partners, are likely to express their willingness

to play the role of an ‘active protector’, which subsequently means that this security is essentially limited to the level of deterrence. If the overall Turkish willingness to ignore warnings in Libya, Syria and Nagorno Karabakh is an indication, then it is questionable whether deterrence is likely to work in the Cyprus case. This is not to argue that such developments should be seen as unwanted for the RoC. On the contrary, the deeper regional political relations strengthen the Cypriot position vis-à-vis Turkey, but they should not be perceived—especially by the public—as evidence of ‘hard security’, as that carries the false safety risk.

Lastly, the perception that Greek Cypriots can negotiate from a stronger position is also partly true, but the danger is that time does not favour the Greek Cypriot side, as the *status quo* becomes entrenched and any changes are, so far, negative for the latter. This is the case with the opening of the closed city of Varosha, which is a significant shift and violation of the *status quo*. Indeed, some have placed their hopes on the development of new, energy-induced geopolitical realities that would ‘force’ Turkey to make concessions, concurrently removing the sense of urgency. However, a more likely scenario is that Turkey would be willing to incur the political and potentially economic cost than to give in to the Greek-Cypriot positions. This is partly due to symbolic reasons, as Turkey, the regional hegemon wannabe, cannot be seen as backtracking due to Greek Cypriot pressure. The second and more substantial reason has to do more with the role that the Turkish-controlled areas can have in the—overall more militarised—Turkish path. The latter is the ‘Level 4’ analysed below.

Level 4: The impact of a more militarised approach to the form of settlement

Turkey’s distancing from the EU, coupled with the quest for strategic defence autonomy, may have shifted the Turkish preference for the form of settlement. The only agreed settlement framework has been, since the 1970s, that of a Bizonal Bicomunal Federation (BBF). Lately, Turkey insists on a different framework, and more specifically that of a two-state solution, arguing that BBF is no longer a feasible option as the two sides have repeatedly failed to reach an agreement. While a two-states solution has always been, theoretically, the preferred Turkish option, Turkey has been negotiating the BBF framework, albeit one where it would allow it to have some form of control through the Turkish-Cypriot community – Greek Cypriots call this approach ‘master in the north, and partner in the south’. A new state that would allow Turkey to have a role in the decision-making mechanisms would allow for an indirect voice, *inter alia*, in the EU; a goal that now may be less valuable given the EU-Turkey growing gap. At the same time, such a settlement could allow Turkey to control the extent of the international agreements and collaborations that would be deemed to be anti-Turkish, creating numerous governance deadlocks, among other things.

As attractive as a ‘convenient BBF’ may be for Turkey, it is the two-state option that seems to be the primary goal. It is therefore not surprising that in the 2020 Turkish-Cypriot elections Turkey fervently and openly supported Ersin Tatar for the leadership of the Turkish Cypriot community: a politician who is not only fully compliant to President Erdogan, but is also one who had based his entire election campaign on a two-state solution settlement. Evidently, the former Turkish Cypriot leader, Mustafa Akinci, seemed to be an obstacle to Turkey’s goals, not least because he was a firm believer of a BBF solution. Tatar, in multiple occasions, argued that the conditions have changed, and the goal should be ‘two states based on sovereign equality’ emphasising that any agreement would maintain the “TRNC” sovereignty.⁴⁰ Such statements are in line with the Turkish view, as noted both by President Erdogan and by Foreign

Minister Mevlüt Çavuşoğlu, who also argued that ‘sovereign equality must be negotiated and there must be a two state [solution]’.⁴¹

The question is, why do we observe such a clear and explicit shift now? One answer could be that it is simply a well-known negotiating tactic to apply pressure to the Greek Cypriot side and force it to accept a BBF version that would be favourable to Turkey. The alternative reading is that a BBF is no longer the optimum choice for Turkey. An actual—not a negotiation gimmick—two-state solution may have become a more preferred option as it best serves Turkey’s interests and aspirations, as the more military-oriented policy instruments would be best implemented in an area that is essentially under full Turkish control.

As noted in the aforementioned sections, the Turkish geographical position has diachronically made it an important regional actor. Beyond its role as an insulator, its location may also make it subject to encirclement by enemy forces especially in periods of high volatility.⁴² The 2016 attempted coup contributed to the internal volatility, as it had a significant impact on the state structures,⁴³ while the shifting s-RSC interests and relations influenced the external security considerations and volatility variables, creating both internal and external insecurities. Internally, Erdogan followed a “one nation, one state, one homeland, and one flag” discourse strategy that contributed to the articulation and strengthening of AKP’s preferred security path. To diminish the external threats and to promote the internal discourses, Turkey gave particular emphasis to the country’s defence autonomy, not only as a form of self-help and as part of the new national security strategy,⁴⁴ but also an additional instrument that could be utilised for the promotion of Turkey’s foreign policy agenda.⁴⁵ In this framework, Turkey’s role in an unfavourable s-RSC may require pre-emptive actions, frequently far from home, to deal with the (external) threats and reduce the encirclement risk. Hence the presence of Turkey’s military in places like Libya, Qatar and Somalia.

In Turkey’s eyes, the way the RoC handled the hydrocarbons issues contributed to the fear of encirclement as it promoted Turkish isolation, and as such it was treated as an active threat. Thus, the hydrocarbons issues were not just a continuation of the Cyprus problem that could essentially be ‘waited out’ until time would solve it through *de facto* partition, but rather a more pressing parallel problem that had to be dealt with rather urgently and decisively. Given these developments, coupled with the fact that the RoC does not seem to be fully deterred from the Turkish actions in regard to its international collaborations, a firm grasp of the northern part of Cyprus through a two-state solution may be a preferred option that best serves Turkish national security strategy. A fully controlled part of the island would allow the export of Turkish defence, at least on the southern flank, to Cyprus and away from Turkey, while at the same time it could also serve as an unsinkable aircraft carrier for its missions in the region. Permanent Turkish military air force and naval bases are a real possibility and an attractive option.⁴⁶ It seems that strategy has reached beyond the realm of possibility, as President Erdogan confirmed in May 2021 that Turkey has created a drone base in the Turkish occupied northern part of Cyprus, arguing that it is necessary in case Turkey is attacked.⁴⁷ Both the base and the explicit confirmation are clear indications of Turkish regional concerns and aspirations, while they also act as witness to the preferred militarised approach to dealing with the regional challenges. The importance of Cyprus as a potential ‘outpost’ is not new. What has changed is the explicit preference for a two-state solution and the risk a BBF poses for the Turkish goals. As Gurdeniz noted, Cyprus is considered to be a fortress that must be defended at all costs, and the future of “TRNC” should not be jeopardised through a BBF solution.⁴⁸ Thus, the military-oriented options and goals may not be possible in a BBF settlement given that an agreed settlement would most likely entail either a de-militarised (new) country, or one without

foreign troops. Subsequently, the preferred settlement for Turkey may shift depending on how these military issues, clearly linked to the Turkish strategic autonomy, are valued by the political and military elite in Ankara. The developments provide strong indications that a highly militarised and fully controlled northern part of Cyprus is shaping up to be a genuinely preferable option for Turkey, compared to a BBF settlement that would put Turkey's regional plans at risk.

Conclusion

The energy developments in the Eastern Mediterranean coincided with, but also contributed to, the changes in regional security relations. The hydrocarbons-based relations acted as a multiplier force for the regional securitisation relations and spilled over into non-energy related sectors, such as the political, defence and tourism. Collaborations in non-energy sectors were also possible because energy security for the main cooperating states was mostly settled, given the Israeli findings of Tamar and Leviathan and the Egyptian Zohr. In the absence of energy insecurity, the prospects for 'commercial peace' principles of security through trade came to the surface and were strengthened through a series of bilateral and trilateral agreements.⁴⁹ They were also possible because of the energy-irrelevant deteriorating relations between Turkey and the other two main regional security actors, Israel and Egypt. This allowed countries such as Greece and Cyprus to enhance the already good and de-securitised relations with the latter. At the same time, however, the new structure of the East Med s-RSC created an environment of insiders and outsiders, wherein Turkey—primarily and to a lesser extent countries such as Lebanon—feels excluded, isolated, encircled and ultimately threatened. The counter argument is that Turkey chooses to remain as an outsider: a position maintained by most actors in the area but rejected by Turkey.

Given the internal and external changes in Turkey and the distancing from the EU, Turkey's reactions were, and remain, inevitable. The export of Turkey's defence beyond its borders and the overall emphasis on its military as one of the strongest elements of its foreign strategy has significant implications for the stability of the region, for the prospects of escalation and, unquestionably, for the Cyprus conflict settlement. Indeed, it is very unlikely that Turkey will water down its positions vis-à-vis Cyprus and, to a lesser extent, Greece. This ultimately means that the region will continue to experience a 'resilient tension' characterised by constant escalation actions and threats with occasional de-escalation moves for political and diplomatic benefits. Such an environment will put to the test both the EU's overall attempt for strategic autonomy as a global actor, as well as the regional relations.

Cyprus, specifically, is literally and figuratively at the centre of this environment and the form of settlement, or lack of it, can and will play a role in the s-RSC relations. In the rather unlikely event that there is a fair settlement, Cyprus can be (a) key in the normalisation and desecuritisation efforts of the area. The alternative, a settlement that will allow for direct or indirect Turkish control of the island, will render the (new) RoC less useful to regional and external actors who see Cyprus as a useful and independent player. The lack of settlement maintains the current security and securitisation dynamics, at least until the next pivotal event changes things once again.

Given that it is unlikely to see normalisation in the Greco-Turkish and in the Turkish-RoC relations, Turkey will most likely direct its reconciliation attempts towards Egypt and Israel. If successful, they will once again reshuffle the securitisation dynamics of the s-RSC. While such a development is theoretically a positive development as it removes the tension between the major regional powers, it is questionable whether more desecuritised relations between Turkey

on the one hand and Egypt and Israel on the other will lead to stronger or weaker securitised relations between Turkey and Greece/Cyprus. Similarly, it is questionable whether partial regional de-securitisation is indeed possible. In other words, it is not entirely clear whether de-securitisation between Turkey and Egypt/Israel can be achieved without disturbing the existing regional bilateral and trilateral agreements and inter-state relations between the latter and Greece/Cyprus and even extra-regional actors such as France. Partial de-securitising developments will test the resilience of not just the bi/trilateral relations and agreements, but also that of the EMGF. If the latter turns out to be resilient and able to absorb partial regional normalisation, then there is hope for a positive spillover into the Greco/Cypriot-Turkish relations. In this regard, the absence of Turkey in the regional collaborative activities cannot be ignored, as it is unlikely that full normalisation can be achieved in isolation and just through bilateral efforts. Whether or not the energy-induced regional political collaborations and benefits can create a big enough incentive for all sides to become more inclusive remains to be seen; the alternative is a region comprised of insiders and outsiders, characterised by tension, and deeply securitised and strong de-securitised relations.

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BOOK REVIEW SECTION

Letter from Book Section Editor

Dear readers,

Since the early 2000s, China has been gradually rising in terms of its economic capacity, political influence and military power. Since then, the rise of China and its consequences for geopolitics has become one of the most important topics in the field of international relations. The book reviews selected for this issue give a timely and critical review of the most recent research on the “rise of China”, which contributes to scholarly understanding on this issue. I would like to thank the entire STAIR team and all the book contributors for their time in putting together the book review section of this issue.

The reviews selected for this issue cover a wide range of issues related to the theme of the “rise of China”. Samuel Murison’s review of Rory Medcalf’s *Contest for the Indo-Pacific: Why China Won’t Map the Future* critically examines the Indo-Pacific’s responses to China’s rise. Ben Hales gives a timely review of Shelley Rigger’s *The Tiger Leading the Dragon: How Taiwan Propelled China’s Economic Rise*, which explores how Taiwan contributed to China’s economic development. Samuel Dong’s review of Isabella M. Weber’s *How China’s Escaped Shock Therapy: The Market Reform Debate* offers important insights into Chinese contemporary debates over market reform. In addition, Joseph Cash provides an interesting review of Peng Bo’s *China and Global Governance: A New Leader?* which draws attention to China’s new globalism and why theories generated by Western experiences often fail to adequately explain China’s rise.

Apart from the book reviews on the theme of the “rise of China”, book review contributors also offer critical insights into other important topics in the field of politics and international relations. Dr. Jingwei Li’s review of Ina Zharkevich’s *Maoist People’s War and the Revolution of Everyday Life in Nepal* critically examines the interaction between politics and culture during the Maoist movement in Nepal. Meanwhile, Mathias Gjesdal Hammer’s review of *Tomorrow, the World: The Birth of U.S. Global Supremacy* by Stephen Wertheim helps to enhance our understanding of America’s rise to global hegemony.

Overall, readers can look forward to a varied collection of reviews on the most recent scholarship related to the rise of China and other important topics in political science. On behalf of myself and the STAIR team, I welcome readers to enjoy them.

Yours Sincerely,

The Book Review Editor,

Yuhan Hu (DPIR/St Antony’s College)

Isabella M. Weber, *How China Escaped Shock Therapy: The Market Reform Debate*

Publisher: Routledge, 2021

Samuel Dong

Dr Weber sets out to accomplish two goals in her monograph. The first is broadly as her title suggests: to uncover the history of debates about *which* road to take for enduring reform of the Chinese economy beyond the years immediately post-1978. As known to history, these debates led ultimately down the path of gradualist reform and reindustrialisation, instead of the neoliberal ‘shock therapy’ treatment that proved disastrous for swathes of the erstwhile Eastern bloc. Weber’s ambitious second goal is to chart the intellectual foundations for the arguments on each side of the debate. It is this goal, which she fulfils, that sets her book apart.

Part I of the book sets the stage for both tasks with a dive into three historical modes of market creation and price control, accompanied by an analysis of their underlying logics. Weber begins with a retrospective look into China’s historical state-market relations. Via analysis of the *Guanzi* and the *Salt and Iron Debates*, chapter 1 uncovers a longstanding Chinese tradition of market consciousness and state commerce that has historically underlain price regulation by the state since antiquity. The next chapter turns to American, British, and West German experiences of transition from wartime price control to peacetime free markets in the 20th century – historical episodes which received special attention from Chinese economists during the reform debates of the 1980s. Weber then turns back to China and investigates economic policy in liberated areas during and after the civil war. Finally, chapter 3 shows how the Communists achieved price stability and confidence in their currency (which evaded the Nationalists for over a decade prior) using similar logics to those examined in the first chapter.

The first part builds a robust intellectual foundation for Part II, the central storyline of the book. After briefly reviewing the history of Mao-era price control policies in Chapter 4, Weber brings the reader into the heart of the reform story. The central question was whether China should choose to undergo ‘shock therapy’, a package of policies consisting of rapid lifting of price controls, privatisation, trade liberalisation, and stabilisation via austerity measures. Before the disastrous experience of shock therapy in post-Soviet Russia (spearheaded by neoliberal economists such as Jeffrey Sachs) could serve as an example of what not to do, a prominent group of well-established Chinese economists advocated for this approach in the 1980s. Bolstered by the support of a contingent of foreign visitors including American and Eastern European economists, this group lobbied for a ‘big bang’ of neoliberal reforms. Working from Western economic theory, they reasoned that wholesale liberation was preferable on the grounds that the short-term pain of inflation was necessary to fully transition to the market-driven target model. Otherwise, they argued, the old system could never be escaped.

On the other side of the ring was a coalition of upstart economists and old-guard revolutionary veterans who advocated a cautious, piecemeal, experimental-based approach to reform. This group’s formative and personal experiences in the Chinese countryside, respectively during the cultural revolution and the civil war, informed their ‘seeking-facts-from-truth’ approach and distrust of one-size-fits-all economic doctrine. They reasoned that gradual marketisation from the margins of the system should take precedence over drastic abolition of the dual-track price system for core economic commodities. The river, so the analogy goes, should be crossed

inductively by ‘feeling for the stones’, instead of in one fell swoop based solely on deductive reasoning from academic economics.

These two perspectives (and their variations) clashed at two critical junctures; at both, China teetered on the verge of shock therapy, only to be pulled back from the brink. In 1986, Premier Zhao Ziyang was convinced by gradualist economists that the ‘big bang’ would be disastrous. In 1988, Deng Xiaoping and Zhao, who had made another about-face, pushed forward again on price reform. This time, warnings from prominent economists were accompanied by widespread panic and loss of faith in fiat currency following the worst inflationary spiral since the revolution. Fearful of further unrest, the state reasserted its control over the economy and reined in liberalisation. Given the Communist Party’s solid record of decades of price stability, Weber argues, the state-society tensions opened by this sudden inflationary episode paved the way for the political turbulence of 1989, which spelt the end of any hopes for political reform. Though many of the gradualist economists were subsequently forced into exile, the Chinese economy ultimately avoided wholesale liberalisation and went on to outperform the post-Soviet and Eastern European economies, where shock therapy had been the word of the day.

Thoroughly researched and carefully written, the book provides convincing evidence for the argument that shock therapy was routed at critical junctures, showcasing the contingency of this crucial phase of modern Chinese history. Though the conversations behind many of the key decisions are officially undocumented, Weber’s evidence is sourced from an impressive array of interviews with surviving participants of the debates, lending substantial credence to her argument.

Throughout the book, Weber retains a deep commitment to analysing the substance of economic arguments on their own terms. The book does not disappoint in its objective of illuminating the intellectual foundations of thought on market-based reform. As this focus itself is unique among works on Chinese reform economists in the 1980s, the book is meticulous in contextualising and evaluating the nuanced logic of different threads of reform-era reasoning. Weber traces individual actors’ arguments diachronically, and also situates them in the long-durée tradition of Chinese state-market relations whilst still taking care to sidestep the trap of historical determinism. The effect, impressively achieved, is to denaturalise the idea of market transition as merely an imported Western concept. In short, Weber succeeds at delineating a nuanced and multithreaded intellectual history of reform-era economic thought.

Stylistically, the expansive cast of characters and the detailed exposition of their evolving views on price reform in Part 2, can be daunting for readers unfamiliar with this specific episode in Chinese history. Nevertheless, the clash of reform thought is articulated in an almost gripping way, making this book a smooth read overall. The emphasis on intellectual foundations makes Weber’s work an exciting new contribution to the field, and a complement instead of a competitor to Gewirtz’s *Unlikely Partners* (2017). *How China Escaped Shock Therapy* is an impressive work and an enlightening read to students and scholars of economic theory, economic history, and modern Chinese reform.

Stephen Wertheim, *Tomorrow, the World: The Birth of U.S. Global Supremacy* Publisher: Harvard University Press, 2020

Mathias Gjesdal Hammer

America's rise to hegemony has a certain taken-for-granted quality. Combining America's material advantages in the post-war era with a new-found willingness to remove the shackles of isolationism, there is more than a hint of inevitability in the commonly told narratives of America's rise to global supremacy. It is exactly this story, however, that Stephen Wertheim aims to upend in *Tomorrow, the World*. According to Wertheim, the period of 1940-45 marks a transition not from isolationism to internationalism, but from restraint to armed primacy—the belief that America alone could prevent the international system from collapsing into chaos and conflict through economic and military power. Moreover, Wertheim stresses that this transition was hardly the inevitable acceptance of America's predestined mantle of global supremacy, but a contested and contingent diffusion of ideas that gradually made American hegemony appear as the only viable foreign policy ideal.

At the heart of the book is a cunning rhetorical manoeuvre, through which supporters of a more expansive American foreign policy were able to label a wide range of policy options as “isolationist.” This concept only emerged as advocates of collective security arrangements used it to tar interwar internationalists, pacifists and noninterventionists as promoters of “a policy of walled separation from all contacts with other peoples” – as put by the *Chicago Daily Tribune*. This new concept allowed more hawkish foreign policy elites to lump together everyone who was hesitant about the use of force in the international realm as selfish, backwards and introverted. In other words, the use of this epithet created a dichotomy between a total retreat or a complete embrace of the use of force to secure world order. If Wertheim is convincing in his documentation of this rhetorical move taking place, more could be said about why old-fashioned internationalists were not able to resist this re-designation of their desires to avoid military entanglements as dangerous isolationism. In Wertheim's telling, this transition seems somewhat too easy.

If the deployment of the isolationist/internationalist dichotomy marked a gradual transition in US foreign policy debates in the late 1930s, it is only in 1940 that global hegemony becomes a plausible policy option in Wertheim's narrative. In the early 20th century, non-entanglement and an aversion to European *realpolitik* dominated American foreign policymaking. If America was hegemonic within its own hemisphere, global dominance remained implausible. However, over the course of five short years, from 1940-1945, global hegemony became the default option among American policymakers.

What is particularly striking about this transition is the primary role accorded to policymakers and intellectuals in establishing American primacy as the cornerstone of the country's foreign policy. The key actors in this shift reside, above all, in the Council of Foreign Relations (CFR), which was entrusted by the State Department with setting the terms of a post-war international order. After the fall of France in the early summer of 1940, this group became increasingly convinced that the only way forward was armed American hegemony to counter the prospect of a Fascist-dominated Europe. Even as this threat gradually waned over the course of the war, this vision of global dominance only become more enticing for US elites.

Strikingly, public opinion rarely features at all – other than as a concern for policymakers. For budding proponents of global hegemony, the American public needed convincing to overcome its isolationist instincts. Rather than attempting to follow the American public, American policymakers hired public relations experts and launched a swathe of pamphlets, films and campaigns to ensure that their foreign policy visions would become the status quo. Proof of their success is that UN membership was never seriously debated among the American public, which twenty years earlier had spurned membership of the League of Nations.

In any case, this unwarranted fear of public opinion gradually led these wartime planners to transition from imagining American dominance in terms of an exclusive Anglo-American alliance, to proposing a more appealing vision of American leadership in a democratic international organization – the United Nations (UN). Within this body, military power would be the exclusive purview of a handful of powerful states, while a general assembly of all nation-states would grant this hierarchical form of global governance a veneer of legitimacy. Tellingly, Wertheim describes how these policymakers ensured that American coercion would remain outside UN control from the organization's onset. Even as a system of vetoes and blocs on coercion was being created in San Francisco, American officials quickly declared that nothing could be done by the UN to stop American power.

As Wertheim concludes, the narrative of American hegemony replacing the inward-looking isolationist tendencies has obscured the prospect of any debates about the specifics of America's role in the world. As long as this narrative remains in place, there is little hope of unsettling America's vision of itself – let alone of reshaping it. If a book that is so openly critical of America's role in the world leaves questions on what the country's role *should* be, Wertheim has made this increasingly clear over the months since the book was published. In op-eds in *The New York Times*,¹ *Prospect Magazine*² and *The Guardian*,³ he argues that America ought to see its role internationally in a far more humble light: “a nation among nations, no longer dominant but no longer minding.” Alongside prominent intellectuals such as Samuel Moyn, Jeanne Morefield and Patrick Porter, Wertheim is at the forefront of a new era of American foreign policy debates, which addresses the question of what America's role in the world ought to be.

If the US foreign policy Blob is to take this message seriously and reconsider its commitment to global primacy,⁴ there are few better places to start than Wertheim's *Tomorrow, The World*. However, if one recent article by Deudney and Ikenberry (prominent liberal institutionalists, who famously coined the phrase Liberal International Order) is anything to go by, these ideas still appear to challenge the American establishment.⁵ Deudney and Ikenberry paint Wertheim and others as promoting a “roughly Trumpian” foreign policy agenda. Critiques of America's primacy, it would seem, rarely escape unchallenged. If Wertheim's book traces how alternative visions of America's role in the world were pushed out of sight, what remains to be seen is whether our own moment of ideological contestation will end with the same exclusion of alternatives to American primacy.

Notes

- ¹ Wertheim, Stephen. 2021. "Opinion | America Is Not 'Back.' And Americans Should Not Want It to Be." *The New York Times*, February 24, 2021, sec. Opinion. <https://www.nytimes.com/2021/02/24/opinion/biden-foreign-policy.html>.
- ² Wertheim, Stephen. 2021. "The Legacy of 9/11." *Prospect Magazine*. July 14, 2021. <https://www.prospectmagazine.co.uk/world/the-legacy-of-9-11-us-foreign-policy-afghanistan-iraq>.
- ³ Wertheim, Stephen. 2021. "Is America's Longest Forever War Really Coming to an End?" *The Guardian*, April 19, 2021, sec. Opinion. <https://www.theguardian.com/commentisfree/2021/apr/19/is-americas-longest-forever-war-really-coming-to-an-end>.
- ⁴ Porter, Patrick. 2018. "Why America's Grand Strategy Has Not Changed: Power, Habit, and the U.S. Foreign Policy Establishment." *International Security* 42 (4): 9–46. https://doi.org/10.1162/isec_a_00311.
- ⁵ Deudney, Daniel, and G. John Ikenberry. 2021. "Misplaced Restraint: The Quincy Coalition Versus Liberal Internationalism." *Survival* 63 (4): 7–32. <https://doi.org/10.1080/00396338.2021.1956187>.

Peng Bo, *China and Global Governance: A New Leader?*

Publisher: Cham: Palgrave Macmillan, 2021.

Joseph Cash

The People's Republic of China (PRC) is now a decision-maker in international affairs. Having spent decades experimenting with adapting elements of the liberal order, such as FDI from the United States (US) and accession into the World Trade Organization, so that they work to advance the dirigiste approach to economic management Beijing prefers domestically, the country has emerged as a powerful presence in international political economy. In *China and Global Governance: A New Leader*, Peng Bo seeks to explain what underlies the PRC's new globalism, and why analyses rooted in Western history and political theory cannot satisfactorily explain China's rise.

Peng argues that since the launch of Reform and Opening Up in 1978, the PRC has been on a journey, climbing incrementally towards the top tables of global governance. After having lifted 500 million people out of poverty and grown in domestic capability, as a manufacturing and business hub first, and as a leading provider of international finance second, the country now aspires to share what it has learnt. As Peng asserts, China is now an emergent superpower. However, the PRC has still not reached its full potential. China's rise has occurred against the backdrop of a weakened Western liberal order, in which multilateralism has failed to deliver to its fullest extent because it finds its foundation in the American-led post-war world order.

Now, multilateralism is beginning to inhibit China's rise. As Peng asserts, developing states have particularly become too used to America's way of approaching international collaboration. However, Peng presents China as ready to take a tighter grip on the reins of global governance and move the centre of gravity in international decision-making, away from the Anglosphere and closer to the Global South. After all, the PRC, according to Peng, has already shown itself to be a "facilitative," "constructive" or "exemplary" power, as opposed to a unipolar hegemon like the US - a conclusion he reaches by analysing China's involvement within four multilateral forums through his new theoretical framework, "International Leadership with Chinese Characteristics" (ILCC).

China and Global Governance sees Peng first introduce the concept of ILCC through a literature review that presents the predominant features of China's worldview. The book then moves to a methodology, before the author assesses the validity of ILCC by examining its applicability in interpreting the PRC's behaviour within the G20, the BRICS, the Shanghai Cooperation Organization (SCO), and along the Belt and Road Initiative (BRI). Given the author's background and the selection of case studies, this book provides a helpful reference to those seeking to understand how Chinese scholars consider their country's contributions to those four forums in particular.

Peng presents a simple account of China's rise and the circumstances in which it has taken place. Since the 2008 global financial crisis, "*the existing Western-dominated governance system [has been] seriously under question and stands at a crossroads,*" the author asserts.¹ By adopting Lockhart and Li's "Four Crises of US-dominated International Order/Global Governance" – i. Crisis of Functionality, ii. Crisis of Authority, iii. Crisis of Scope, and iv. Crisis of Legitimacy – Peng continues that "*the weakening of Western-based global governance has been accompanied by opportunities and challenges and new injections of*

energy and ideas bought about by the rise of China.”² In conclusion, the international order needs new management, and the PRC, being the only power promoting egalitarian multilateralism, is the perfect candidate for the job. Peng delves deep into the literature, citing widely across both Chinese and non-Chinese scholarship to substantiate this assertion. However, it is not very convincing. Choosing not to comment on, for example, China’s continuing defiance of the United Nations Convention on the Law of the Sea, his presentation of the PRC as a leader that derives its legitimacy from demonstrating facilitative, constructive, or exemplary leadership struggles to stand up to any significant scrutiny.

ILCC fits into a wider body of literature touting the merits of Chinese exceptionalism in the study of international relations. Indeed, Peng comments that “*this book draws inspiration from a number of sinicised terms, such as ‘socialism with Chinese characteristics’ and ‘market economy with Chinese characteristics,’*” both terms that denote the unique way that the Party often bends elements of political economy to suit its aspirations.³ Peng expands on this to argue that Western schools of thought in international relations theory – especially realism, neo-liberalism, institutionalism, and structural constructivism – cannot adequately explain China’s rise because “*systematic theories usually treat China as a rational and unitary actor without seriously taking into account Chinese domestic political and social conditions.*”⁴

One reason to read this book is that it provides a good account of the Chinese perspective on the ongoing international debate over what underlies the PRC’s new globalism. Peng Bo is an assistant research fellow at the Institute of World Politics within the Chinese Academy of Social Sciences (CASS). He draws widely across Chinese language scholarship on the country’s place in the world, seeking to “incorporate ‘Chineseness’ into mainstream international relations theory.”⁵ How persuasively Peng incorporates Chinese perspectives on China’s rise with those held by their foreign contemporaries, differs from chapter to chapter though. For example, when examining whether China has exhibited leadership potential within the BRI, Peng bombards the reader with quotes attributed to China’s President Xi Jinping. Elsewhere, there are moments where the book validates criticism that Western scholarship towards China’s behaviour in international affairs pays insufficient attention to Chinese perspectives. For example, Peng melds contributions from Yan Xuetong and Zhao Tingyang into a thought-provoking subchapter on China’s worldview. However, given CASS’s position under the auspices of the PRC State Council, this book at times begs the question of which came first, the critical enquiry or the instruction to substantiate PRC foreign policy. That being said, one would be equally valid in speculating that this book stands as an indication of how much more confident Chinese scholars have become when documenting their country’s standing and capability on the world stage.

The latter half of the book takes the reader through how ILCC manifests itself within the G20, the BRICS network, and the SCO, as well as along the BRI. Peng uses speeches by senior Chinese officials within these forums to argue that China’s national role perception is one where it pulls up other developing countries, rather than acts as a hegemon. As a result, if the PRC exercises global governance at all, it does so as *primus inter pares*. Peng uses these four forums as case studies to prove the validity of ILCC in explaining China’s role in global governance. However, one of the book’s weaknesses is that he does not subject his theory to scrutiny, concluding that “*ILCC applies to the four selected cases*” to varying degrees.⁶

China and Global Governance serves as an example of how a new, younger generation of Chinese scholars view their country’s role in foreign affairs. It sheds a welcome light on the views of a number of Chinese scholars who are often overlooked by Western scholarship, yet its triumphalist tone often undermines, and occasionally even contradicts, the author’s central

thrust of ILCC. Indeed, more examples of China behaving contrary to the tenets of ILCC come to mind than those where Peng argues the PRC practices facilitative, constructive or exemplary leadership. There is a good book to be written about how Chinese scholarship considers its country's rise, but sadly, on this occasion, Peng has missed the mark.

Notes

¹ Bo Peng, *China and Global Governance: A New Leader?* (Cham: Palgrave MacMillan, 2021): 22.

² *Ibid.*, 24.

³ *Ibid.*, 14.

⁴ *Ibid.*, 43.

⁵ *Ibid.*, 11.

⁶ *Ibid.*, 312.

Rory Medcalf, *Contest for the Indo-Pacific: Why China Won't Map the Future*

Publisher: La Trobe University Press, 2020

Samuel Murison

Contest opens with an arresting scene of the Japanese prime minister Abe Shinzō conversing with Indian prime minister Narendra Modi aboard a bullet train between Tokyo and Kobe in November 2016. The ‘Indo-Pacific’ vision outlined in the resulting joint diplomatic statement is presented as symbolic of a new era of cooperation across Indian and Pacific oceans in response to China’s rise. The contest for the Indo-Pacific, now the “global centre of strategic and economic gravity,” was well underway.¹

The book provides a timely introduction to what is at stake in the emergence of the Indo-Pacific as a geopolitical imaginary. Intended for a broad audience of practitioners, scholars and interested observers, *Contest* offers an accessible overview of Indo-Pacific histories, present geopolitical dynamics and plausible futures. The author, an international relations scholar with a background in the Australian diplomatic and intelligence community, offers a realist perspective that frames a contest between a desirable Indo-Pacific order that privileges sovereignty and cooperation against a competing order in which China achieves regional dominance.

The central thesis of the book is that, despite its growing status as an economic and military superpower, China “won’t map the future” of the Indo-Pacific. Ambitiously, the book aims to provide a corrective to both ‘Thucydides Trap’ and ‘Melian Dialogue’ interpretations of China’s rise. This is achieved in three steps.

First, by exploring how the concept of the Indo-Pacific is deeply rooted in the long history of the region. We are reminded that Indian and Pacific oceans have in many ways been defined by their connectivity, from prehistoric marine ecosystems and ancient seafarers to flows of trade, commerce and religion, and European explorers and cartographers who “vividly reinforce the maritime character of the region”.² Through these histories, the author argues for a return to a ‘natural’ Indo-Pacific that is preferable to ‘Western’ imports such as “the late-20th-century mental boundary that separated the Pacific and Indian oceans, ossified into the once-useful but now outmoded idea of the Asia-Pacific”.³

Despite the occasionally sweeping treatment of a complex region with many histories, the book impressively synergises disparate renderings of the Indo-Pacific into a cohesive ‘boundary object’ that allows for ambiguous and uneven definitions, inflections and motivations. Consequently, it is argued that the Indo-Pacific can provide an enduring and “authentically regional approach to diplomacy, security and economics”.⁴ Hence, the Indo-Pacific functions as both a description of an imagined geographic “mental map” and as a prescriptive framework for policymakers.

Another objective in exploring the history of the Indo-Pacific is to highlight parallels between empires of the past and China’s rise today. Specifically, the book contends that China is following a colonial blueprint through its Belt and Road Initiative (BRI); “as with European empires of old, it is clear that the flag follows trade, and that security shadows economics,

along with risks of conflict”.⁵ Some examples provided include leveraging debt for “geopolitical indenture” in Hambantota and Djibouti⁶ and operationalizing the BRI for the projection of military power.⁷

For the author, China’s “expansionist” and “revisionist” actions are creating the conditions for its own deceleration; “China’s greatest challenge in the Indo-Pacific may not be its imagined enemies but rather itself, as it expands into a space that tempts imperial overreach but ends up punishing it too”.⁸ It is concluded that, just as the scale, diversity and complexity of the Indo-Pacific made it too difficult to dominate by historic empires, so too will this be the case for China today.

Second, by emphasising the ‘multipolar’ and ‘multi-layered’ character of the contemporary Indo-Pacific. This section provides the most persuasive evidence to support the thesis that “the fate of regional order, or disorder, will not be determined by one or even two powers – the United States and China – but by the interests and agency of many”.⁹ It also makes a substantial contribution to the literature by re-orientating the geopolitical lens towards the underappreciated agency of ‘small and middle powers’ that places the ‘US versus China great power competition’ narrative into an important regional context.

In particular, the book brings to the fore the pivotal role of “minilateralism” in amplifying the strength and agency of Indo-Pacific stakeholders. Unlike typically formal alliances in the traditional sense, these dynamic, flexible and complementary arrangements of three or more countries are coalescing under the framework of the Indo-Pacific to build regional resilience and promote shared interests of peace, stability and respect for the sovereignty of nations. This is a notable development given that Japan, India and Indonesia in aggregate are likely to be as or more powerful than China by 2040.¹⁰

Significantly, ‘minilaterals’ are presented as both strengthening the latticework of strategic cooperation based on shared interests and diversifying models of development. For the author, unlike the “China-centric vision of dominating both the land (the belt) and the sea (the road)”¹¹ through ‘One Belt One Road’ (*Yi Dai Yi Lu*), the Indo-Pacific frame opens space for “many belts, many roads, many centres”.¹² It is argued that this diversification will enhance the resilience of smaller nations and encourage greater caution towards engaging in opportunities for development.

One key example is the Quadrilateral Security Dialogue between the democracies of Australia, India, Japan and the US. The Quad promotes a ‘Free and Open Indo-Pacific’ by cooperating across strategic areas of shared interest, including infrastructure, supply chains, emerging technologies, cybersecurity, education, space and climate. Reinforced by the inclusive ‘Quad Plus’, and bilateral partnerships such as the ‘Comprehensive Strategic Partnership’ and ‘Joint Declaration on a Shared Vision for Maritime Cooperation in the Indo-Pacific’ between India and Australia in 2020 and the ‘Reciprocal Access Agreement’ between Japan and Australia in 2022, the Quad is an exemplar of cooperative Indo-Pacific geopolitics today.

Beyond the Quad, Australia is also a member of the trilateral security partnership with the UK and the US (AUKUS). Announced shortly after the revised edition of the book was published in 2021, AUKUS further highlights the multipolarity of the region by empowering Australia to take a more prominent role in regional affairs. AUKUS also demonstrates the solidarity from Australia’s closest allies and signals commitment to upholding the ‘international rules-based order’ in the Indo-Pacific.

European nations such as France, Germany and the Netherlands are increasingly interpreting Indo-Pacific tensions as a “risk to the liberal international system”,¹³ resulting in their own Indo-Pacific strategies. The region is a priority for France in particular, as a “genuine Indo-Pacific power, given its many island territories in the Pacific and Indian oceans”.¹⁴ The Indo-Pacific, then, is a “global region” in which “not all the...chief stakeholders are necessarily resident or fully resident powers”.¹⁵

Third, by outlining plausible futures for a stable, inclusive, rules-based order in the Indo-Pacific. Importantly, one of the book’s key conclusions is that if any future peaceful order is to be sustainable it must incorporate a powerful China, but only to the extent that “China can be prominent, not dominant.” This means “accepting a major role for China, but on the region’s terms rather than on China’s alone”.¹⁶ In this sense, then, China *will* map the future of the Indo-Pacific, it just won’t do it alone.

The prescription to achieve this desirable future is “five new principles for coexistence for the Indo-Pacific age,” including development, deterrence, diplomacy, solidarity and resilience.¹⁷ However, one consequence of the ambitious scope of the book is that some of the details that connect these principles with practical action are underexplored. For example, it might have been helpful to outline in more precise detail what a “major role” for China in regional order might look like, and how this might be achieved and comfortably sustained.

Finally, restricting the level of analysis to the nation-state limits potential to develop examples of a ‘multi-layered’ region. It also diminishes the significance of the ways in which Indo-Pacific or BRI frameworks are interpreted, negotiated and experienced at the level of everyday life. Therefore, some of the fascinating questions that the book provokes, such as what social and political implications might result from shifting Indo-Pacific geopolitics, and how local needs might feed back into the construction of geopolitics, remain unanswered.

Overall, *Contest* provides a comprehensive and compelling introduction to what is at stake in the “world’s pivotal region.” Whilst descriptive analysis might benefit from empirical depth, and prescriptive mechanisms might require further articulation, the book will serve as a seminal and authoritative assessment of the high-stakes and globally consequential strategic realignment in the Indo-Pacific.

Notes

¹ Medcalf Rory, *Contest for the Indo-Pacific: Why China Won’t Map the Future* (La Trobe University Press, 2020): 3.

² *Ibid.*, 51.

³ *Ibid.*, 9.

⁴ *Ibid.*, 10.

⁵ *Ibid.*, 15.

⁶ *Ibid.*, 195.

⁷ *Ibid.*, 200.

⁸ *Ibid.*, 263.

⁹ Ibid., 13.

¹⁰ Ibid., 259.

¹¹ Ibid., 103.

¹² Ibid., 36.

¹³ Ibid., 170.

¹⁴ Ibid., 170.

¹⁵ Ibid., 26.

¹⁶ Ibid., 254.

¹⁷ Ibid., 247.

Shelley Rigger, *The Tiger Leading the Dragon: How Taiwan Propelled China's Economic Rise*

Publisher: Rowman and Littlefield, 2021

Ben Hales

The question of how the People's Republic of China accomplished its transformation from a proclaimed revolutionary alternative to global capitalism into one of its integral players remains a source of vibrant interdisciplinary scholarship and debate. Wading into this field, distinguished Taiwan scholar Professor Shelley Rigger's recent work, *The Tiger Leading the Dragon* offers a bold answer: that "without Taishang, the PRC's economy as we know it would not exist today."¹

Taishang firms, loosely defined by the PRC as firms founded in Taiwan and run by Taiwanese bosses, consist of an ever-evolving clade of businesses which, beginning in the late 1980s, uprooted their distinctive clustered production networks to the PRC.² Although they have been a topic of interdisciplinary research before, with some even considering "Taishang studies" a nascent field,³ Rigger's work constitutes one of the first attempts to comprehensively trace the history and the cultural and economic impacts of the Taishang phenomenon for the general reader.

Professor Rigger's bold claims require compelling data, and yet she acknowledges in Chapter 1 that accurate statistics on Taishang numbers and investment practices are difficult to find, due to the incompatibility of official data produced by the PRC and ROC governments, and the longstanding preference of the Taishang to route financing through shell companies.⁴ Fragmentary quantitative data is therefore supplemented by a diverse array of qualitative material, including interviews with government officials in key centres of Taishang production such as Kunshan and Jiangsu, and various Taishang self-help texts such as *Ten Required Courses for Going into China*.⁵ This combination does a remarkable job of filling gaps in data, and although certain questions remain unanswerable (not least the extent of Taishang interaction with PRC before 1987), they provide a strong basis for the book's argument.

Following a preliminary analysis of Taiwan's own "economic miracle" in Chapter 2, the book proceeds roughly chronologically through Chapters 3-7, tracing the evolution of the Taishang from their origins as contract manufacturers of low-end consumer goods seeking a "Second Spring" in the mainland amid the pressures of rising labour and production costs in 1980s Taiwan.⁶ Taishang entrenchment in the PRC peaked during these heady days of neo-institutionalised economic engagement under the Ma Ying-jeou presidency, and precipitated a Taiwanese popular backlash.⁷ Chapters 7-9 chronicle the impacts of Taishang on managerial culture, consumer brands, and general Taiwanese reform-era cultural influences on the PRC. The Xi era of rising economic nationalism is reviewed in Chapter 10.⁸

Taishang firms crossed the Strait in the 1980s, just as domestic production costs were becoming untenable, and just as China was firmly committing to low-cost export-oriented industrialization. Taishang and the PRC benefitted from a shared language and shared traditional Chinese culture which made acclimation to one another's presence easier, if not always perfect. Provincial governments began incentivising Taishang relocation as early as 1984, while Chiang Ching-Kuo's abrogation of the "Three Nos" policy in 1987 precipitated the relocation of most of Taiwan's low-cost manufacturing to the mainland within the span of a decade.⁹

Rigger's core economic argument is relatively simple. The PRC gained its status as a manufacturing superpower through light industry export industrialization, particularly through contract manufacturing for Western firms. However, Rigger asserts that the PRC's experience in this sector was effectively nil in 1980s following the Mao era's elimination of private business and turn to autarky.¹⁰ Taishang firms, by contrast, had existing experience which foreign MNCs could be trusted to fulfil orders on time and handle foreign IP without leaks.¹¹ The relocation and then expansion of Taiwanese SMEs such as Pou Chen and Foxconn created new production networks and contacts which linked PRC to global supply chains. A high percentage of PRC exports then flowed through Taishang conglomerates; Foxconn alone accounted for 4% of China's total exports in 2010.¹² Meanwhile, engagement with Taishang and their continuous cycles of reinvestment and upgrading provided junior PRC middle managers the modern enterprise experience they needed to start their own firms. These firms would go on to compete with, and from the late 2000s onwards increasingly overtake, their erstwhile mentors.¹³

Outside of China's economic transformation, the introduction of Taiwanese culture, cuisine and media also greatly impacted PRC. Just as most great Taishang firms such as Pou Chen, Yue Yuen, Foxconn, and TSMC tended to keep a low profile and fulfil the mid-level task of manufacturing for existing brands, those Taishang firms which chose to market directly to PRC consumers also chose to position themselves in the middle. In her chapter, "Affordable Luxury", Rigger highlights the case of 85 Degrees Café, Wu Cheng-Hsueh's "affordable luxury" mid-level coffee experience which sat between an expensive Starbucks and low-quality mainland coffee offerings.¹⁴ One exception to this trend of low-profile success has been music. The "Mandopop" phenomenon and its stars such as Teresa Deng exploded in popularity in the 1980s, 1990s and 2000s. Between 2002-2010, Taiwanese Mandopop titles had an 80% share of the PRC's Mandarin music market.¹⁵

Of course, with one foot on either side of the Strait, even the most apolitical Taishang have found it hard to avoid the politics of Cross-Strait relations. Taishang have at various times been pressured by the PRC, such as when DPP-aligned Taishang were threatened by Xinhua in 2000 for supporting Chen Shui-bian's presidential bid.¹⁶ Meanwhile, the perception among Taiwanese nationalists that the Taishang's business is too close to the mainland has only grown over time. This sparked mass protests in 2012 against Want Want Group's Tsai Eng-Meng's perceived attempts to secure a controlling stake in Taiwan's media, and contributed to the 2014 Sunflower Movement against the CSSTA and engagement with PRC generally. As the PRC's increasingly complex economy has taken a politically ethnonationalist turn over the last decade, the politico-economic balancing act Taishang have had to play is coming under pressure. Rigger concludes that the honeymoon of Taishang engagement is now over.

The argument of this book is strong, but not above critique. In order to demonstrate the importance of Taishang to China's economic take-off, the Mao era receives short shrift in Rigger's pages, damned as an "anti-business bastion [transformed today into] a leading player in global markets."¹⁷ This stereotyping of the Maoist economy is not unusual, but it is nonetheless disappointing. Recent scholarship, particularly Jason Kelly's *Market Maoism*, would suggest otherwise: that the PRC during its high socialist period had substantial economic engagement with capitalist markets, promoting export processing and re-exporting after the Great Leap Forward and even running its annual Canton Trade fair at the height of the Cultural Revolution in 1967.¹⁸ Similarly, barring a single sentence mentioning "shock therapy", references to China's complex economic transition in the 1980s, including debates over the turn to consumer goods production which Taishang were supposedly key to, is limited.¹⁹ None

of this is necessarily damning; this book is after all an analysis of *Taishang*, and the argument they contributed to developing *private* business in China is convincing. However, conflating ‘business’ with ‘markets’ and describing the PRC before 1987 and the Mao era in particular as a state inexperienced in engaging with either would seem to distort historical reality in favour of her argument.

Similarly, Rigger persistently elides the impact of the Taishang with another key influence on China’s development, Hong Kong. Despite acknowledging that much Taishang money had to flow through Hong Kong to make it to the mainland, Rigger brushes past this fact and its profound impacts- such as the clustering of Taishang in the Pearl River Delta.²⁰ Rigger’s minimisation of Hong Kong within this story effectively elides the SAR with Taiwan, both economically and culturally: she also highlights the linguistic transformation of *tongzhi*, or “comrade”, which was re-appropriated as LGBTQ+ slang in 1980s Hong Kong, adopted by the Hong Kong Lesbian and Gay Film Festival in 1989, and then re-exported to Taiwan and China.²¹ Rigger describes this vocabulary change as “travelling from the PRC to Taiwan and back again, changing its meaning in the middle.”²² However this seems to obfuscate the chronology; in reality that “middle”- Hong Kong- proved to be the key generator and entry point of the term to both Taiwan *and* China. One may question whether a Tiger used a Tiger to lead the Dragon, and further exploration of the Taiwan-Hong Kong-China triangulation and the Taishang’s place within that framework would improve an already impressive work.

Notes

¹ Shelley Rigger, *The Tiger Leading the Dragon: How Taiwan Propelled China’s Economic Rise* (Rowman & Littlefield Publishers, 2021), 4.

² *Ibid.*, 7, 112-115

³ GUNTER SCHUBERT, LIN RUI-HUA, and TSENG YU-CHEN, ‘Taishang Studies: A Rising or Declining Research Field?’, *China Perspectives* 2016, no. 1 (2016): 29–36.

⁴ Rigger, *The Tiger Leading the Dragon*, 2-7.

⁵ *Ibid.*, 118, 116.

⁶ *Ibid.*, 9-46

⁷ *Ibid.*, 47-99

⁸ *Ibid.*, 188-195.

⁹ *Ibid.*, 31-33.

¹⁰ *Ibid.*, 2-3.

¹¹ *Ibid.*, 41-44, 114-16.

¹² *Ibid.*, 70.

¹³ *Ibid.*, 127.

¹⁴ *Ibid.*, 129, 131-135.

¹⁵ *Ibid.*, 165.

¹⁶ *Ibid.*, 125.

¹⁷ Ibid., 2.

¹⁸ Jason M. Kelly, *Market Maoists: The Communist Origins of China's Capitalist Ascent* (Cambridge, MA, 2021), 175-176, 190-191.

¹⁹ Rigger, *The Tiger Leading the Dragon*, 2. For more on shock therapy see Isabella Weber, *How China Escaped Shock Therapy: The Market Reform Debate*, Routledge Studies on the Chinese Economy (Abingdon, Oxon ; New York, NY, 2021).

²⁰ Rigger, *The Tiger Leading the Dragon*, 168.

²¹ Ibid., 34, 75.

²² Ibid., 168

Ina Zharkevich, *Maoist People's War and the Revolution of Everyday Life in Nepal*

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In Nepal, the ten years of the People's War remain in the living memory of the country's citizens. The narratives of urban residents in Kathmandu valley generally reveal the stereotype of 'Maoist' to be often mingled with connotations of terrorism and mysticism. However, Ina Zharkevich's in-depth ethnographic experience of the region, spanning a ten-year period, means that her book, *Maoist People's War and the Revolution of Everyday Life in Nepal*, is able to offer a detailed portrayal of the Revolution by empirically examining the everyday life of common people who identify as both Maoist and Kham Magar.

A key point to consider here is the social change that occurred in Thabang in relation to the war, a special temporality. Zharkevich employs the Hindu concept of *apaddharma*¹ to illustrate this era in a village setting, a marginal - while still Sanskritised - area. The particular moment depicted breaks from the past and, due to the unsuccessful revolution in the central political arena, it equally ruptures with the present and future. Further on, another point is made with regard to Bourdieu's notion of 'habitus', or the inertness of the social schema embedded in the local society. In post-war Thabang, the commune was gradually losing its popularity and the Maoist school was closing, with people beginning to forget the disciplines of Maoist ideology.

In the introduction, Zharkevich explains the background, methodology, theoretical impetus of the research, and the historical and ideological factors of the field site. She clarifies that she chose to do her research in Thabang due its distinct role as a 'capital' in the Maoist movement. As the Maoists' social activities were isolated from the reach of central power, sufficient social and culture space existed for Maoist activity in Thabang to develop a more 'progressive' way of living. Hence, as Zharkevich observes, the resulting social transformation in Thabang has been more extreme than in other localities in Nepal.

In Chapters One to Four, Zharkevich addresses several questions regarding the origin of communism in the village. These questions, which also frame the subtitles in Chapters Two and Three, were sometimes directed at the residents of Thabang. For instance, the 'reluctant rebels' were asked whether they were 'hiding from the State or siding with the Maoists?'— a question reflective of the anxieties of local villagers and their coerced way of life during this strained period. Outsiders said, '*In Thabang, even the dogs are Maoists, the stones and clay are also Maoist*',² which indicates that if villagers chose to stay in Thabang, they could be regarded as Maoists. In other subtitles, these queries are seemingly directed at the author and the readers. For example, regarding the conflict, the author uses the following subtitles: 'Peasant rebellions or elite power struggles?'; regarding violence and the start of the war: 'Repressive state in the hands of the locals?'; and on the experience of being underground: 'Maoist whole-timers as "revolutionary ascetics"?'. As the relevant narratives then show, the boundaries between these concepts are obscure in the lives of ordinary people, resulting in the difficulty of clearly defining Maoist issues.

Next, in Chapters Five to Eight, Zharkevich presents the revolution of everyday life—the major theme of this book. Daily life in wartime is clearly split from its previous eras, since Utopia of

the Maoists was generally heterogeneous from the Hindu monarchy, given that the former was a society of collectivism rather than individualism, egalitarianism rather than hierarchism, and populism rather than elitism. If merely compared with the marginalized tradition of Thabang, the temporal communist society may be seen as a reversed world.

Specifically, the author suggests that the revolution of everyday life, which included alcohol brewing, transhumant herding and pig-raising, goes against the tribal lifestyle. These policies were seemingly based on Social Darwinism, which also formed an important part of Karl Marx's argument. Nonetheless, related activities in Thabang were constructed based on the evolution of an indigenous version, such as the *sojho* (simple) and *chalach* (clever) binary between ethnic groups and caste³ and the social hierarchy of *Muluki Ain* (National Code).⁴ In other words, while these practices related to communist concerns, putting them into practice was a problem. For the isolated Thabang, the way toward modern and scientific life lay in the possession of capital and education, as well as the wisdom of "cunning"⁵ high castes and the revolt of the past. As for the caste rules, they are illustrated as the basic regulations of Hindu governance - hence the taboos on eating beef - and caste boundaries were targeted as embodiments of Hindu states. There were also practical reasons for discarding these traditions, particularly relating to the scarcity of food and the collective lifestyle during wartime.

Has anything changed in Thabang since the onset of the Maoist movement? For the author, the answer is yes. After the Revolution, people did not take things for granted as they once did. Moreover, a road was built in this once isolated space - the most important infrastructure to emerge from the revolutionary period. For my part, a question remains as to the democratic and federal framework of the local politics; namely, will Maoism become another aspect of the local governance, as it has, indeed, opened up a time during which power is given to the proletariat?⁶

Overall, *Maoist People's War and the Revolution of Everyday Life in Nepal* is an excellent ethnography. Zharkevich sensitively illustrates people's everyday concerns, offering a more detailed approach to understanding the Maoist movement in Nepal. The book will be helpful to scholars who take interest in modern South Asia and the Himalayas, as well as the politics of daily culture.

Notes

¹ Zharkevich Ina, *Maoist People's War and the Revolution of Everyday Life in Nepal* (Cambridge University Press, 2019), 21.

² *Ibid.*, 85.

³ *Ibid.*, 156.

⁴ *Ibid.*, 178.

⁵ *Ibid.*, 156.

⁶ *Ibid.*, 93, 113.

INTERVIEW SECTION

Ambassador Vsevolod Chentsov is the Head of Ukraine's Mission to the European Union and the European Atomic Energy Community. Previously, he served as the Director of the EU Department of the Ukrainian Ministry of Foreign Affairs, Ukraine's Ambassador to the Netherlands, and Representative to the Organisation on Prohibition of Chemical Weapons.

Q (Hajipavli): Mr Ambassador, what, in your opinion, led to the war in Ukraine?

A (Chentsov): This is quite a complex question, which requires hours if not days to answer fully. But, in a nutshell, it comes down to a combination of factors. It comes down to the degradation of the Russian state and political system. This is a process that has been taking place during, at least, the last twenty years. It relates to the incomplete and interrupted process of the dissolution of the Soviet empire. It is a process that initiated in the late 1980s with the collapse of the Soviet bloc. Then, Russia tried, in the mid-1990s, to re-establish its grip over the 'near abroad'ⁱ, as they call it. It entails, on the one hand, tolerating the independence of these states, but, at the same time, trying to keep them in the orbit [of Russia]. Definitely, this situation deteriorated when Putin came to power, especially after the mid-2000s, which pertains to an effort to reconstruct, what he considers, the Soviet empire.

As a result [of Putin's efforts], Russia ended up with an overpowerful President, along with a very weak parliament and government, both of which are controlled by the presidency. In addition, we observe constituent members of the [Russian] federation with weak competencies, the scrapping of civil liberties, and so on. This deteriorating situation within Russia, which has accentuated in the past 2-3 years, culminating with the full-fledged repression of the opposition and civil society, became inevitably complemented with aggressive movements outside of Russia. We saw the Russian invasion of Georgia in 2008 and that of Ukraine 2014, along with the current escalation in our country. We have to understand that is not something that happened sporadically out of the blue, on 24 February of this year.

On the other hand, the Russian regime had the experience of [the wars of] 2008 and 2014 and was probably planning this invasion having their own internal political developments and political cycle in mind. The current domestic cycle is coming to its end now, with the next one starting in 2024, with the presidential elections. So, they have probably been building up this campaign, using hindsight from the war in Georgia, the annexation of Crimea and the war in Donbas, which they used, more or less, to test and try to understand the limits of Western reaction. They were probably convinced that they were going to cushion the [international] response's effects. At the same time, they probably took certain measures to reinforce their presence and influence inside Ukraine. [Given the preparations against the Western response and their infiltration of Ukraine], they thought the invasion would work well, and, I think, they were confident they could manage the situation. They were aware that inevitably there would be sanctions imposed, though these could be used by the regime to create an image of a 'sieged fortress'; on the one hand, they would convince their own population – by creating a Stockholm syndrome effect – that the regime is defending the entire of Russia – and not just the regime – against an attack by the collective West. On the other hand, they would use the opportunity to

ⁱ A Russian term (in Russian: *blizhnii zarubezh'e*) used to denote the countries that formed the former Soviet Union. It is often accompanied by the implicit perceived assumption of these states' limited sovereignty.

tighten their grip over the country and get rid of any risk of the regime being overthrown. This is by fielding the argument that when the country is at war and in trouble – even when it is self-inflicted trouble – it is not the time for democratic change.

Q: How would you respond to one of the most provocative arguments fielded by the Kremlin to justify the war, which is that Ukraine is an artificial nation?

A (VC): I am not sure you need to respond to those messages, but probably you should ask yourself why they are trying to develop this narrative.

My answer is that it is a consequence of the crisis of Russian identity. The Russian state is a multi-ethnic state that traces its origin to the Mongolian state – Genghis Khan's mid-15th century state. It has maintained the same logic of development throughout the centuries: a military state with a dominant and even sacred leader, accompanied by powerful security services. They try to twist history to prove that they are the continuation of the Kyiv Rus state. By the way [Kyiv Rus'] actual name was Muscovia – it was never called Rus before the Russian Empire was created by Peter the Great.

And that is why the existence of Ukraine is a challenge for the Russian regime today. Under normal circumstances it would not be a challenge. But because of this crisis of identity and their intention to be the sole successor to the Kyiv Rus state, Ukraine's existence becomes an issue for them.

[I must add that], in reality, the person who founded Moscow was one of the relatives of the big family of the Kyivan knights, who moved a few hundred kilometres from Kyiv to the territory of what is currently Moscow and established the city.

Thus, this is a combination of inferiority and superiority complexes, which unfortunately is not solely shared by the Russian regime, but a lot of Russian people.

So, hopefully, one day, after their strenuous attempt to understand who they are themselves and what kind of nation and state they should build, they will probably resolve this problem. But, for the time being, the consequences of this situation will only intensify.

Q: Turning to the EU's response, what, do you believe, is the best feature of the Union's response, and what would you say needs to be improved both on a collective and an individual Member State basis?

A: I think the strongest feature of [the European] response is unity, and the resolute stance and boldness of EU's reaction to this crisis.

They probably also managed to learn from the crisis and work on their mistakes. One of these mistakes was the [erroneous] conviction that engaging Russia in deliberations – especially those concerning energy issues – would guarantee that Russia would not freak out and violate all possible rules.

This [approach] did not work out and it has now created a massive challenge, because they have created this energy dependency on Russia. Yet, now, they are moving in the right direction, and this entails not only substituting Russian gas, but also undergoing a bigger overhaul of how [European] economies function, with the introduction of the green transition.

This is a double challenge for the EU, but also for Ukraine, to undergo this very difficult transition under the current circumstances. But the current situation means that governments are disadvantaged and face a huge challenge. This is because governments are trying to stimulate their economies, but they are dependent on a country, which is limiting its gas supply and is cognisant of their vulnerabilities. But we need to face this challenge together, and, yes, Member States and citizens should be prepared to make sacrifices, not only to help Ukraine, but to prove that Europe is strong, capable, and able to adopt a common vision – and, if necessary, also fight.

Q: Moving to the present, Ukraine is now formally a candidate for EU accession. How do you see this process unfolding? What would you perceive the biggest obstacles being to realise Ukraine’s membership to the European Union?

A: The biggest obstacle [to accession] is war. The accession process is about reforms. Some of these reforms can be completed relatively quickly, such as certain appointments to anti-corruption bodies and the judicial system.

But when we are talking about systemic reforms, such as implementing anti-oligarch legislation and completing the reform of Ukraine’s security sector, these cannot be done during the war. It is even dangerous to undertake these reforms during war, since these are the bodies contributing to the effort or directly fighting against Russian aggression. You need these actors intact – and you even need to offer them institutional support – to ensure that they function during the war. Thus, only after the war ends can these reforms be completed. As you know, even in normal circumstances, reform is inevitably a difficult and even painful exercise, let alone at present.

Q: Can the EU do more to help end the invasion of Ukraine?

A: The EU should continue doing what it has been doing in the past four years. It must support Ukraine militarily, financially, and politically, and continue to pressure Russia through sanctions. This is especially because this is the language Russia understands: the language of power.

What is also important – to come back to your question about Ukraine’s prospective EU membership – the candidate status awarded signals that Ukraine is not alone. This further refutes Russia’s argument that Ukraine is a failed state. This is since a failed state cannot be an EU candidate. To award Ukraine with candidate status, the EU has scrutinised the current state of affairs and deemed Ukraine rightfully qualifies to be a candidate. We are talking about the Copenhagen criteria, the stability of Ukraine’s political system and democratic institutions, and so on and so forth. We have passed the test – and the requirements are quite demanding and probably more demanding than those set within the Russian system of values

Q: Moving to the future, how do you see Ukraine’s reconstruction proceeding and how do you envision the EU’s role in this?

A: Taking into account the experience of the previous wars, such as World War II, it is necessary to plan reconstruction even during the war. It is important, in that regard, to have plan, and start its implementation as soon as it is possible. Otherwise, you create a gap.

Secondly, there are short-, medium-, and long-term priorities. Short-term priorities are about repairing the damage possible to be accomplished now, such as buildings' windows to render the buildings operational. This relates to residential and social buildings, hospitals, and schools, necessary for everyday life. We need to do what is possible to do now before winter comes. Subsequently, there will definitely be another stage of reconstruction.

Also, it is about creating basic conditions for people to survive, considering people are already returning from EU Member States. They need water, heating, and electricity. They need to send their kids to school and have a job. Just today there was a meeting between the Ukrainian Council of Cities and Regions to discuss those immediate needs. So, this is the current situation.

In Lugano, the Prime Minister of Ukraine presented the broader vision of Ukraine's reconstruction and the relevant sectors. The rough calculation of damages amounts to 750 billion.

On the other hand, our European partners presented their view of how this reconstruction could be financed and how this platform will be managed and coordinated. This remains to be finalised, but the political will is there on both sides, and it is important to conduct this exercise as a joint effort, in collaboration with the European Union, the United States, Switzerland, and other partners.

Q: To conclude, can we briefly address the issue of a potential nuclear catastrophe, considering the case of the Zaporizhzhia Nuclear Power Plant, for example?

A: It is a phenomenon of this war that Russians have attempted to attack and capture nuclear stations, such as the notorious Chernobyl power station, even exposing themselves to radiation. They managed to occupy the biggest nuclear power station in Europe, which is Zaporzhzhia, and consists of six units. There, there were fights using tanks and artillery around the plant, which is outrageous and unthinkable. This is especially problematic, given Russia, which considers itself a nuclear power and participates in the development of civil nuclear engineering projects, and thus knows how their conduct results in a severe risk of a nuclear accident and has been through the experience of the Chernobyl disaster. It is truly unbelievable that they can act like this.

The danger is still present, and we still need to mobilise the international community to cease any business with Russia in that field, because it is a rogue state that violates international law, by creating this serious danger of a nuclear accident. Nobody can trust in Russia in developing nuclear projects. And we know that quite a few EU Member States have been considering building nuclear plants with Russia, and these need to be terminated.

COMMENTARY SECTION

International Law as a universally binding legal order: Ukraine, Cyprus, and the double standards harming global respect for the international rule of law

Dr Michalis Stavrinou, Professor of International Law at European University Cyprus and former Ambassador

International law is the set of rules, norms, principles and standards generally recognized as binding between states. It establishes normative guidelines and a common conceptual legal and ethical framework for states across a broad range of domains, including war, peaceful co-existence, diplomacy, trade, and human rights. International Law aims to promote the practice of stable, consistent, and organized international relations.

Following the visionary conceptualization of inter-state obligatory regulation of Hugo Grotius, the father of International Law, the contemporary international community appears to accept the mandatory nature of the rules, prescribing states' interaction in an orderly manner.

In the absence of respect for International Law, anarchy would prevail, resembling an international order governed by law of the Jungle – where the right follows the will of the strongest.

The dramatic events in Ukraine, with their incalculable human and material losses, indicate the unacceptable weaknesses of the current international system and demand the right diagnosis, as well as immediate corrective proposals to avoid new catastrophes of global dimensions in the near future.

One crucial question that comes to the mind of an analyst is, what went wrong?

It is the stance of the International Community itself that bears the burden of responsibility for the prevalence of such unacceptable inter-state behaviour, leading to aggression, violation of internationally recognized borders, foreign occupation, and so on.

The strongest states have the power to impose their will on the weakest states. However, International Law sets the limits of inter-state behaviour, prohibiting the use of force, invasions, and occupations of a third country's territory.

International Organizations, mainly the United Nations, bear the paramount responsibility to preserve peace and avert any eventuality of war and military solutions. Unfortunately, its decision-making composition, being political in nature, grants veto rights to the Permanent Members of its Security Council, neutralizing any possibility to act irrespective of political considerations.

Only a uniform and objective condemnation of every single violation of such fundamental rules of International Law could have prevented today's dramatic events in Ukraine, as well as all similar inhuman conflicts preceding it.

The international community's past behaviour is fully responsible for today's disastrous international disorder.

The inaction and indifference displayed by the international community to a preceding but proportional invasion and occupation led to the indirect, yet clear, message to any prospective wrong doer, that his crime of blatant aggression could escape unpunished.

The Turkish invasion of Cyprus of 1974 and the subsequent occupation of one third of Cyprus' territory that continues today, resemble the circumstances and facts of the dramatic events in Ukraine better than any other case.

The analogy of the armies between the two sides is even more out of comparison in the case of Cyprus. Population-wise, even more catalytic. On top of these, Turkey had, through an internationally binding Treaty, the obligation to guarantee and defend the independence, sovereignty, and territorial integrity of the Republic of Cyprus. Even, if for the argument's sake, one could show some understanding to the Turkish pretext of "intervening" to reconstitute the pre-existing legal order, (as officially stated by Turkey in front of the General Assembly in 1974), the catalytic question that Turkey and the international community have failed to respond to is: Why, after 48 years, is Turkey still occupying a third of Cyprus with 40.000 soldiers and using NATO's weapons? This question is even more pressing considering that only seven days after the military coup against the elected President of the Republic, the pre-existing legal order was re-established according to the Cypriot Constitution's provisions, substituting the fled President with the President of the Parliament.

Due to political considerations, the United States (through its Kissingerian 'with us or against us' doctrine, condemning neutrality and third pole's balancing role during the Cold War era), the UK and NATO encouraged Turkey to commit the invasion, and later overlooked the perpetration of this international crime. The Soviet Union, for its own political calculations – internal divisive friction among NATO member states – remained indifferent. The United Nations, instead of clearly condemning the invasion and occupation of one of its member states by another, opted for a mild language, due again to the relevant stance of the Permanent Members of its Security Council. It is worth underlining at this point, that the UK too was a guarantor of Cyprus' independence and has failed dramatically to respond to its international obligations in this respect. The International Court of Justice could confirm such a failed undertaking, by a country firmly invoking International Law. Germany also bears substantial responsibility, as German-made tanks played a substantive role in executing the invasion and maintaining the occupation of Cypriot territory. How can the newly elected German Chancellor explain his adamant position against invasions and occupations, leading to today's decision for the military rearmament of Germany, when in his first official visit abroad he opts to pay his appreciation to the preacher of military imposition, Turkey? It is also worth mentioning that poor Cyprus, although a victim of invasion and occupation like Ukraine, has not seen an embargo or sanctions against Turkey (except for a temporary arms embargo imposed by the American Congress), but has experienced an arms-embargo itself, on the pretext of being in a war situation!

It is not irrelevant that Turkey continues to threaten to use force (*casus belli*) against Greece, in violation of the mandatory provisions of the United Nations Charter, without the international community and the United Nations itself condemning strictly such illegal behaviour.

If an analyst considers the behaviour of the international players in the case of the Turkish invasion of Cyprus, it is natural for them to wonder why the very same actors cry over today's analogous events.

The biggest paradox, though, is Turkey's condemnation of the Russian invasion, while pretending that it can play an intermediary and reconciliatory role in solving the Ukrainian issue. Oh, tempora oh, mores!

What is the solution then?

The International Community urgently needs new and strict rules of behaviour.

The United Nations must change its rules of operation, abolishing veto rights in the cases where a Permanent Member of its Security Council is directly or indirectly involved in a crime of aggression.

Every single case of foreign invasion and occupation ought to be condemned and overturned, retrospectively.

The United Nations' relevant Resolutions must be followed by strict sanctions and, subsequently, by the implementation of Chapter 7 of the Charter if the aggressor continues disregarding the International Community's verdict within a specific timeframe.

In concluding, today's dramatic events exhibit the international order's limited ability to cope with the crime of aggression in an effective manner. If the necessary adaptations are not implemented, we may see the onset of the Third World War before too long. The International Community bears critical responsibility in taking the right measures to avoid global disaster. We must act now.