



EURASIA

ERA

Volume I Issue 1



EURASIA
CENTER

EURASIA ERA

Volume I Issue 1

Members of the Editorial Board:

Editor-in-Chief:

Prof. Dr. István Szilágyi

Deputy Editors-in-Chief:

Dr. Csaba Moldicz

Dr. habil. Gergely Salát

Editor-in-Charge:

Dr. Levente Horváth

Columnists:

Dr. Ágnes Bernek

Prof. Dr. Zsolt Rostoványi

Dr. Béla Háda

Dr. Péter Szatmári

Dr. Levente Horváth

Dr. habil. Zoltán Wilhelm

Dr. Péter Klemensits

Alexandra Zoltai

Editorial Board:

Prof. Dr. László Csicsmann

Prof. Dr. Erzsébet N. Rózsa

Dr. Norbert Csizmadia

Dr. Borbála Obrusánszky

Dr. habil. Mózes Csoma

Dr. Sándor P. Szabó

Prof. Dr. Zoltán Dövényi

Prof. Dr. József Popp

Prof. Dr. Imre Hamar

Dr. Sándor Sipos

Prof. Dr. Judit Hidasi

Dr. István Szerdahelyi

Dr. habil. Máté Ittzés

Dr. István Tarrósy

Dr. Kristóf Lehmann

Prof. Dr. István Tózsa

Prof. Dr. László Vasa



EURASIA CENTER
JOHN VON NEUMANN UNIVERSITY

Budapest, July 2023

EURASIA ERA

© Eurasia Center, John von Neumann University

Editor-in-Chief:

Prof. Dr. István Szilágyi

Deputy Editors-in-Chief:

Dr. Csaba Moldicz

Dr. habil. Gergely Salát

Editor-in-Charge:

Dr. Levente Horváth

Columnists:

Dr. Ágnes Bernek Csc. – Head of the Europe column

Dr. Levente Horváth – Head of the China column

Dr. Péter Klemensits – Head of the Southeast Asia column

Prof. Dr. Zsolt Rostoványi – Head of the Islam column

Dr. Péter Szatmári – Head of the Russia column

Dr. habil. Zoltán Wilhelm and Dr. Béla Háda – Heads of the India and South Asia column

Alexandra Zoltai – Head of the Book Reviews column

Translated by:

Edimart Ltd. (<https://www.edimart.com/en/>)

This Issue of the Eurasia Era is a translated version of the Eurázsia Szemle I/1 published in 2021.

Cover and illustrations:

Alexandra Érsek-Csanádi

Publisher:

Eurasia Center, John von Neumann University

Dr. habil. Tamás Fülöp

Eurasia Center Dr. Levente Horváth Director

Printed in Hungary by Neumann Publishing and Communication Ltd.

CEO: Dr. Levente Horváth



ISSN: xxxx (print)

ISSN: xxxx (online)

TABLE OF CONTENTS

Introduction

ISTVÁN SZILÁGYI

Foreword 4

Studies

GERGELY SALÁT

China, the New Center 8

GYÖNGYVÉR HERVAINE SZABÓ – PÉTER SZATMÁRI

State-Civilisation or the Civil-State: Perspectives of the Russian Federation in the 21st Century..... 28

BÉLA HÁDA

Geopolitical Power Play and Global Power Ambitions in South Asia at the Beginning of the Third Decade of the 21st Century..... 48

CSABA MOLDICZ

Fault Lines in Europe – The Position of Central Europe in the New World Order 66

ZSOLT ROSTOVÁNYI

Islam and Geopolitics – The Place of the Middle East in the Emerging Eurasian Force-field 84

PÉTER KLEMENSITS

The Geopolitical Significance of Southeast Asia in the New Multipolar World Order..... 106

Conference Reports

MARCELL HORVÁTH

Sustainable Recovery and Prosperity in Eurasia – A Report on the 2021 Eurasia Forum..... 126

Book Reviews

ALEXANDRA ZOLTAI

Norbert Csizmadia: Geofusion – The Power of Geography in the Economic and Geopolitical World Order..... 140

ALEXANDRA ZOLTAI

Bruno Maçães: The Dawn of Eurasia – On the Trail of the New World Order..... 146

INTRODUCTION

International and Hungarian politicians and researchers have increasingly prognosticated in recent years a transition from a unipolar Transatlantic era to a multipolar Eurasian era. According to renowned geopolitical expert Parag Khanna, the world is being Asianised. In parallel, a new, multipolar world order is emerging with connectivity and complexity giving new meaning to the unity of Europe and Asia, and the 21st century may become the century of Eurasia. Analysing the Chinese Belt and Road Initiative (BRI), British historian Peter Frankopan even writes about the emergence of a Eurasian supercontinent. In Portuguese politician Bruno Maçães' view, we are witnessing the development of a new world map, and in this process – with the weakening of the global power of the USA – the rise of Asian countries will tip the scales in favour of the East, creating a new entity that extends from Lisbon to Jakarta, called Eurasia. According to Kent E. Calder, professor of Johns Hopkins University, the centre of economic growth shifted to East Asia after the Cold War, and the transformation of geopolitical conditions and the re-connection of Europe and Asia presages the birth of a new supercontinent based on a Europe-China partnership. But what is this about, exactly?

On 25 December 1991, the Soviet Union ceased to exist. The resignation of Mikhail Gorbachev from the presidency meant an end to organised East-West conflict, the end of the bipolar world and the beginning of significant changes to international relations. The break-up of the Soviet Union also brought about the cessation of the Central and East European alliance system belonging to the influential zone of Moscow, as well as its institutions – COMECON, the Warsaw Pact – and empire, and the transformation of 25.6 million Russians into ethnic minorities on the territory of the succession states.

For a short time – at least in a historical sense – a single superpower, the United States of America, remained on stage. A decade later, however, the outlines of a multipolar and interdependent international order began to take shape. At the same time, the increase in the military, economic, political and security policy weight and significance of the Eurasian center area and the broadly interpreted Eurasian supercontinent – comprising Europe and Asia – is an objective fact.

From the beginning of the third millennium, as a representative of neo-Eurasianism, Russia appeared on the scene with the aim of regaining its former imperial status. At the centre of the foreign policy strategy and geopolitical trend hallmarked by President Putin's name stands the establishment of a multipolar and multilateral international system based on the Eurasianist approach. Due to its accession to the Asia-Pacific Economic Cooperation (APEC) (1998), the foundation of the

Shanghai Cooperation Organisation (SCO) (2001) and the establishment of the Eurasian Economic Union (EAEU) (2014), Russia has become a structure-establishing great power in the system of international relations, and an “independent periphery” in terms of the world economy, whose ambitions are, however, restricted and influenced by several factors.

On the one hand, Russia is restricted by the superpower status and position of the United States. On the other hand, it is also limited by China's emergence as a global superpower, playing an increasingly significant role in the Eurasian region. Beijing has expanded and increased its influence in the Eurasian region not only via the Shanghai Cooperation Organisation and the Asia-Pacific Economic Cooperation forum. In 2013, the Chinese leadership announced the Belt and Road Initiative (BRI), which is being enforced with increasing consistency and determination. In this strategy – which also covers, from a geopolitical, geographical, and economic aspect, Central and Eastern Europe – an important role is given to the onshore and maritime New Silk Road, complemented by the already tested route through – and bypassing – the North Pole.

With the participation of the countries of Southeast Asia, Central Asia and the Middle East, the New Silk Road project establishes a direct connection between China and Europe with the involvement of 60 states. The historically vast and ambitious programme represents and aligns 75% of the world's known energy supply, 70% of the world's population and 55% of the global GDP. Recently in Beijing, the scheduled and ongoing establishment of the Asian Infrastructure Investment Bank's network for serving investments in the region has been counted among the key instruments and elements of the concept designated the Belt and Road Initiative.

The numbers and international economic statistics also confirm the rise of China and the region mentioned above. According to the statistics compiled by the World Bank in 2015 and updated and reviewed by the World Economic Forum in 2017, among the largest economies in the world, the United States (24.3%), China (14.8%) and Japan (5.9%) took the first three places in terms of absolute GDP produced. However, the difference in economic power and influence between the first two – the USA and China – and the third and fourth – Japan and Germany – (4.5%) is enormous. In this order, Russia ranks on par with Italy and Brazil in terms of contribution to global GDP: 2.4%.

Trends clearly point to the economic rise and strengthening of Asia – China and India, in particular – and the transformation and alteration of the order of powers and influential zones in the system of international relations.

Similarly, the forecasts of the European Commission envisage a significant economic realignment by 2030. Data indicated that in terms of both the growth rate and absolute value of the GDP, China will take first place by 2030, outpacing the United States. India will move up to third place. Russia will be outperformed by South Korea, Brazil, Canada, and Indonesia, respectively. All these factors, as well as predicted and assumed changes, will have a significant impact on the economic development of Central and Eastern Europe. They increase the region's relative room for manoeuvre – including Hungary – in the multipolar international order and support its transformation into a gateway region.

Parallel to the changes described above, civilisations, identities and the new type of geopolitical integrations wield increased influence in the system of international relations. All these processes establish new spatial structures and have a substantial impact on the development of geopolitical thinking that rejects the concept of unipolar globalisation.

The time has come to create a new, scientific academic journal dedicated to the analysis of the Eurasian era and the issues outlined above in cooperation with Hungarian universities and research institutions. The geopolitical, economic, technological, and social changes of the 21st century determine our future but at the same time pose significant challenges to nations and individuals alike. Without doubt, the epicentre of the ongoing geopolitical transformation is Eurasia, which represents a fusion of different cultures, ways of thinking and political approaches.

Readers who hold and leaf through the first issue of the Eurasia Era can see and ascertain that, as intended by the Editorial Board, the journal is aimed at providing appropriate and up-to-date information and insight into the unfolding development and evolution of the multipolar world order, thus supporting Hungarian decision-makers, researchers, university students and anyone interested in the topic and the region in preparing to adapt to the new world order.

The main purpose of the journal is to create and set up an internationally recognised scientific forum which is dedicated to addressing comprehensive issues affecting Eurasia as a whole instead of narrowly interpreted regions, relying on a multidisciplinary approach. It is our goal to provide an opportunity and framework for academic discourse between the representatives of various disciplines, the conflicts and meetings of diverging perspectives, and the analytical presentation of trends, challenges and possibilities faced by Eurasia and the international order in the 21st century.

In the journal we intend to publish academic studies fitting the profile of the journal, written by researchers with an academic degree or by PhD students. Our primary target audience comprises institutions, policymakers representing different disciplinary fields, researchers, university teachers, PhD students, university students and anyone else interested in the academic discussion of the subject (politicians, practitioners, economic actors, etc.).

At present, there is no similar academic, high-quality journal either in Hungary or in the European Union dedicated to the subject of Eurasia. The Eurasia Era is intended to fill this gap as well.

Editors of the journal release the first issue in the hope that it will be well received and get support from researchers representing multiple disciplinary fields, teachers, students and participants in

tertiary education and readers who wish to put theoretical knowledge into practice. The Editorial Board hopes that the Eurasia Era will not only mean a publication opportunity to them, but also offer an indispensable and enjoyable professional reading experience. This would ensure the sustained existence and successful lifecycle of the journal.

Editor-in-Chief of the Eurasia Era,

Prof. Dr. István Szilágyi

GERGELY SALÁT

China, the New Center



CHINA, THE NEW CENTER

GERGELY SALÁT¹

Abstract

Thanks to the rapid economic development in the past four decades, China has become one of the global political and economic poles, an important player in a multipolar world order. China's development is more than quantitative growth, as in the era of 'reform and opening-up' the country has moved up the value chain, or using the categories of Wallerstein's world systems analysis, moved from the periphery to the semi-periphery, and is well on its way to become a part of the center or form a new center. According to some researchers, at present it should already be seen as a 'quasi-center' that differs from both the semi-peripheral and traditional center areas. While it still carries out significant activities, characteristic to the periphery, such as providing cheap labor with low added value for traditional technology-defining center countries, in certain segments it already plays a role more characteristic of centers, uses cutting-edge technology, sets standards, invests capital, and supplies industrial products in exchange for natural resources. The Belt and Road Initiative can also be seen as an attempt to regain a central position. This role is not new to China, as in its own region the country has played a central role in much of history, and it was only in the last one and a half century when the country was pushed first to the periphery, then to a state of complete isolation, when it did not take part in the international division of labor. China's rise will reshape center-semi-periphery-periphery relations in Eurasia and around the world, significantly transforming the current world system, offering an alternative and more room for maneuver to current centers.

Keywords: China, world-systems theory, center, periphery

¹ Dr. Gergely Salát PhD, Head of Department Associate Professor, Department of Chinese Studies, Faculty of Humanities, Pázmány Péter Catholic University. Senior Researcher, Institute for Foreign Affairs and Trade.

1. Introduction

According to the world-systems theory developed in its entirety by Immanuel Wallerstein, the modern world is composed of three zones: the center or core countries, the semi-periphery and the periphery, with an international division of labour emerging between them where added value flows toward the center (Wallerstein, 1974a, b, c, 2010; Lubieniecka, 2014; Cheng & Zhai 2021, p. 4). The theory was widely criticised and fails to explain many questions; its conceptual frameworks, however, are suitable for describing the changes in China's position. Without accepting the simplifications of some representatives of the world-systems theory and interpreting the center strictly as "oppressor" and the periphery as strictly "oppressed", in this study we attempt to demonstrate the following: According to both Wallerstein's typology and the everyday meaning of the concepts, at one time China was understood as the center. Later, China was relegated to the periphery, and in the past few decades has returned to the semi-periphery, now having a chance of sooner or later taking its place at the center once again. In fact, it already plays a central role in certain segments. The step forwards taken by China will have an enormous impact on the future of the world, including Eurasia, as indeed, a center may emerge with the largest population of the world, which will attempt to reorganise the supercontinent along the lines of its own logic. Even if we do not accept either the world-systems analysis or any existing theoretical frameworks, China's fall and then its rise unfolding before our eyes – and hence, it is becoming an independent pole – are irrefutable. This itself explains the need for a separate column on China and the Chinese people in a journal dedicated to Eurasia.

2. A Chance for Change

Without doubt, in the uniform capitalist global economy materialising from the "long" 16th century, the West – i.e. Western Europe and North America – became the economic center, supplemented in the past century or half by a handful of other countries like Japan or Australia. The rest of the world joined their economies as (semi-)peripheral countries playing a subordinate role, serving as sources of raw materials or countries of low value-adding manufacturing, or playing any other role that made and kept them dependent. Geographically, the most important center was the North Atlantic region. The emergence of the new centers mentioned above did not change the situation radically as, on the one hand, they had close ties with the West and, on the other hand, given their small size they had neither the ability, nor the intention, to change the global *status quo*.

Obviously, the world is far more complex than to be solely described by the center-periphery distinction, as, on the one hand, power relations and positions are constantly changing and, on the other hand, local centers also emerge that count as center in their own region but are globally considered periphery or semi-periphery. Indeed, even asymmetries are not one-dimensional: the same actor may play a central role in certain sectors and a service role in others. It is still true, overall, that the current world order is based on the supremacy and central position of the West, and emerging countries typically try to join them rather than become independent centers.

This world order has been in transition in recent decades and for the first time in centuries, there is a possibility for a new center to emerge. This potential new center is none other than China. The Far Eastern giant is endowed with the historical experience of – and need to become – a central player on the one hand, and the required size on the other. Thirdly, it has the indispensable natural and human resource, and fourthly – in a few years or decades – the economic performance and advancement that may propel it to the central role. This is not to claim that China will become such an exclusive global center as the current US-led West, but it seems clear that the country will become one pole of a multipolar world and one center among several cores, while in most areas it will cease to serve as the (semi-)periphery of other centers.

3. Historical Center

For the most part in history, China has always played a central role (Salát, 2014). The first Chinese states emerging from the Neolithic cultures located within the territory of today's China were undeniably more developed and richer than the surrounding, less organised “barbarians”, and when Imperial China was formed in 221 B.C. from these states, it became the largest empire in the entire East Asian region – with short interruptions – for the next two millennia. The empire of the Han Dynasty, the first long-lasting dynasty ruling between the 3rd century B.C. and the 3rd century A.D., was on par with its contemporary, the Roman Empire in terms of territory, population, and regional role, except that the Roman Empire ceased to exist over time, whereas, *mutatis mutandis*, the Chinese still exists.

Until the 19–20th century, the East Asian region was at a low level of economic integration; consequently, center-periphery relations had not yet evolved in an economic sense. However, China was clearly the center in terms of politics and culture. From time to time, China conquered its immediate neighbours militarily as well, while its more distant neighbours became Chinese “taxpayers”. The latter status did not imply that the emperors of the Japanese, Korean, Vietnamese, Inner Asian or Indochinese regions were effectively the Chinese emperor's vassals; however, if they wished to maintain relations with the Son of Heaven, i.e. the Chinese emperor, in order to trade with China they had to nominally recognise his supremacy, sending him symbolic gifts (“tax”) every so often. They also needed the approval of the Chinese emperor for certain political acts, such as the enthronement of a new king.

The Son of Heaven was supposed to rule “all under heaven”, no other emperors in the world were on equal footing with him; all other kings, emperors or chieftains were considered his subordinates. Since Chinese trade was a very profitable activity and the Chinese did not intrude into internal matters, most rulers of the region generally undertook this nominal dependence, at least in the eras when China was strong. Accordingly, China structured the states of East Asia into an international organisation with the Chinese emperor on top, whom everyone else was trying to appease, and as such, China's central role was undeniable. As the international division of labour was fairly

rudimentary in the pre-modern age, whether China qualified as a center country by the standards of the world-systems theory is debatable but it is irrelevant to our topic in any event.

Its central role also applied to the area of culture: China was at the core in this regard, as well: Korea, Japan and Vietnam adopted Chinese writing and the classical Chinese language (to subsequently develop their own writing systems), and also embraced Chinese Confucian values and the Chinese schools of Mahayana Buddhism; indeed, a wide variety of Chinese elements had become part of their own culture, from musical instruments to chopsticks.

It is indicative of China's own – often declared – perception of its central role that to this day that the Chinese call everything that is Chinese “middle” (*zhong*), while everything else is “external” (*wai*). Thus, in common vernacular, the name of the country is ‘*Zhongguo*’, which means “Middle Kingdom”, while its official name is ‘*Zhonghua*’, meaning “the Middle Flowery Kingdom”. In expressions such as “Chinese cuisine”, “Chinese medicine” etc., they also use “middle” as a qualifier. Everything else is “external” (*wai*), “overseas” (*yang*) or “Western” (*xi*) – in other words, peripheral relative to the Middle.

As a result of Western intrusion, in the 19th century this Chinese-oriented world view collapsed. For a long time, the Chinese failed to realise that the supremacy of Western military technology was the result of social and economic advancement, and considered the intruders barbarians, the ilk of the horse-riding, nomadic conquerors of previous eras. Over time, however, they had to recognise that an entire civilisation was behind the Western weapons, which started to make China its own periphery by forcefully opening-up its ports. The country became connected to the international division of labour as a market for Western industrial goods and the source of cheap commodities and labour, and by the end of the 19th century it was clear that China had been relegated to the periphery from an economic and cultural perspective. This was followed by China's loss of relevance in the political sense, also. At the beginning of the 20th century, Imperial China collapsed and the dependence of its successor, the Republic of China, on foreign states was only exacerbated.

Meanwhile, there was Japan as a counterexample. In the 19th century, it faced the same challenges posed by the center as China, but its response was very different: it embarked on modernisation at lightning speed and by the end of the century it had clearly grown to become the strongest state in Asia. Not only did it escape being colonised, but it launched its own expansionary colonisation: initially it acquired Korea and Taiwan, and then moved to obtain interests in Northeast China; in other words, it started to reshape its environment with an eye to becoming the center. China was relegated to the sidelines in this regard, as well: in part, its commodities and markets were there to serve the development of the Japanese economy.

4. China's Recovery

Japan's surrender in World War II and, subsequently, the formation of the People's Republic of China in 1949 put an end to China's vulnerable situation. The sovereignty and territorial unity of the country were restored (only Hong Kong and Macau remained colonised and Taiwan *de facto* separated from the mainland), and the new government launched a fast-paced modernisation programme. Ties to the West and its allies were severed and, due to its involvement in the Korean war, the allies imposed a trade embargo on China and refused to recognise it in diplomatic relations. In this regard, the center-periphery arrangement ceased to exist, and China became isolated. While Beijing received substantial help from the Soviet Union – capital, technology and skills – it never became an organic part of the Socialist Bloc either; it did not enter the Council for Mutual Economic Assistance (COMECON), took little part in the international division of labour and up until the 1980s, its foreign trade was limited to the minimum. The country strived for autarky – self-sufficiency – and in that spirit, it managed to avoid having to undertake a subordinate role in asymmetric relationships. At the same time, this also isolated the country from the development of the external world; not only did it fail to get closer to the global centers, it did the contrary: it withdrew from them. In contrast to the neighbouring “tiger cubs”, which initially entered the global economic mainstream via manufacturing exports, China did not benefit from its ties with the centers even as a peripheral country. Chinese development and modernisation were also inhibited by its internal political campaigns (Great Leap Forward, cultural revolution, etc.), and the increase in its economic performance was absorbed by the population growth: between the 1953 and the 1982 censuses, China's population rose to 1 billion from 583 million, while the increase in per capita GDP remained negligible (Salát, 2012, p. 76).

The policy of “reform and opening-up” (*gaige kaifang*) announced at the end of 1978 was aimed at accelerating Chinese economic growth, raising the standard of living, modernising the country, increasing its national power and, overall, regaining China's status as a great power. At that point, the Chinese economy was in a dismal state. Per capita annual GDP was around USD 155, on par with East African Burundi and even surpassed by countries like Bangladesh, Haiti, Rwanda or Uganda (Countryeconomy.com, 2021). Industry relied on the Soviet technology imported in the 1950s; development projects were scarce, and extremely inefficient people's communes operated in agriculture, as a result of which local famines still cropped up in the 1970s. Although the political isolation of the country has moderated somewhat since the early 1970s, this had no effect on the economy and the influx of foreign investments failed to materialise.

Since China had neither the capital nor the technology required for its own modernisation and it had no hope of getting them from its own resources, great emphasis was placed on the concept of “opening-up” in the new programme hallmarked by Deng Xiaoping's name. This meant that, breaking with autarky, China opened up its borders – initially cautiously but later increasingly – to foreign investors and traders, and consciously caught the simultaneously launched new wave of globalisation (Ökten, 2019, p. 111–116, Salát, 2011). It was able to integrate into the global economic

mainstream primarily by offering an almost inexhaustible amount of cheap and disciplined Chinese labour, and by providing access to the significant amount of natural resources at its disposal. From the end of the 1970s, the influx of foreign capital commenced, and China finally became a peripheral country in the classical sense (it had been counted among the peripheral countries even earlier but – because of its isolation – without participating in the global division of labour). In the first phase of the “reform and opening-up” era (approximately up until the turn of the millennium), China shared the following characteristics of peripheral states:

- the population relies almost entirely on agriculture;
- a lack of modern technology;
- insufficient infrastructure;
- low added-value, labour-intensive production is over-represented in industry;
- the country is a commodity exporter;
- it is subject to brain drain by countries at the center;
- low gross domestic product rates;
- low wages.

These features were particularly typical at the beginning of the process when more than 80% of the population lived in rural areas and worked in agriculture. China's only chance of development at the time was to redirect rural surplus labour to manufacturing activities primarily aimed at exports, which were competitive because of the low labour costs in the first place. According to the world-systems theory, it is a form of exploitation to benefit from vast amounts of cheap labour and natural resources – in the 1980s, China even exported oil. Nevertheless, from another perspective, this was a specifically positive development for China: it acquired capital, technology and skills, and obtained market insight and experience whilst also collecting tax revenues and creating new jobs to be filled by its significant amount of surplus labour. Consequently, its peripheral position in center-periphery relations should be understood – instead of a mechanical juxtaposition of “exploiter-exploited” – as China's ability at its existing level of development to create an opportunity for itself – by breaking with the policy of autarky – to at least become part of the world-system which, over time, brought about the opportunity to stepping forward. This was far from a novelty; China followed the example of the “Asian tiger cubs” and benefited from their already available experiences. It should be noted that, despite the unparalleled growth of the past four decades, the above characteristics of the periphery can still be observed, albeit in a more moderate form, in China: the development of the country was uneven; the rate of the population working in agriculture is still high; a substantial part of the economic activity creates low added value; manufacturing exports are significant; and based on per capita GDP China is still counted among the emerging countries.

It should also be noted that even though China defines itself as a socialist country, this is not reflected in its relationship with the global economy; it integrated into the market-based, global capitalist world order described by Wallerstein and his followers (Ökten, 2019, p. 114). Therefore, China does not challenge the system itself, for the time being.

5. On the Way to the Center

It is a general problem for the periphery that participation in the international division of labour typically preserves its peripheral position; center-periphery relations themselves reproduce (Kocsis, 2020, p. 144, 147). Breaking out is difficult for less developed countries: they spend the revenues from low-profitability commodities exports and labour-intensive, low added-value activities on importing the higher added-value products and services of center countries, which leaves them with no capital to advance. China, however, was able to sidestep this trap because due to several factors, it holds a unique position among peripheral countries.

Firstly, while peripheral states often have weak and unstable governments and states – which are ruthlessly exploited by the center – the People’s Republic of China was highly organised, strong and efficient even at the beginning of the “reform and opening-up” process. It tried to use the advantages arising from its peripheral position (tax revenues, new access to knowledge and technology, growing household income) to climb up the technology ladder and hence, to move forward in the periphery-semi-periphery-center hierarchy over time. Rather than importing industrial products, it spent a substantial part of its growing revenues on the development of infrastructure, education, research and development; consequently, it did not become stuck in its peripheral position.

Secondly, the Chinese population’s level of education and health was particularly good relative to typical peripheral states. Despite the disastrous political campaigns, a general education and public health system was successfully set up in Mao’s China, which made the population suitable to participate in modernisation and globalisation. As we have seen, at the beginning of the era of “reform and opening-up”, China was on par with some countries of Sub-Saharan Africa in terms of per capita GDP, but this figure conceals the fact that the population of China was far more educated and healthier.

Thirdly, China is distinguished from its peers in the periphery by its cultural background and system of traditions, which values hard work, risk taking, thriftiness, knowledge and learning. China is backed by millennia of developed civilisation; for the country, being in a central position comes naturally given that it had held such a position, apart from the past century and a half, since the beginning of written history. Consequently, converging to the center is a self-explanatory process for both the population and the leaders of the country – indeed, to them, this means the restoration of the world order. The peripheral role was only meant to be a temporary state in the first place.

Fourthly, the immense size of China (its territory and population) allows for the evolution of an extended internal market, which mitigates China’s exposure to foreign states and prevents the emergence of the monocultures – and hence, one-sided dependencies – typical of certain peripheral

states. Considering its size, the country did not focus its attention on the production of a single product group; the Chinese economy is particularly diversified. The vast internal market also implies extremely fierce competition for the participants of the Chinese economy, which sufficiently prepares them to take part in the global competition.

Thanks to all these factors, China’s peripheral role proved to be temporary: it succeeded in stepping closer to the center and has become a semi-peripheral country. This mobility between the center-semi-periphery-periphery categories is not unique; it has previously been the case for countries to exhibit upward (e.g. Japan) or downward (e.g. Portugal) mobility.

The boundaries are not clear, which of course makes it impossible to pinpoint when China did exactly move to the semi-periphery. Wallerstein (1974c, p. 5) himself addressed the issue (“How [...] can we tell a semi-peripheral country when we see one?”), but failed to give an answer that could be applicable to China 40 years later. Various methods are available to determine the status of a country. For instance, Arrighi and Drangel (1986) categorised the countries based on per capita gross national product (GNP), while Grell-Brisk (2017) considered per capita gross national income (GNI) as the latter better reflects, somewhat, the complex relations that characterise the complex international order; in addition, it also includes remittances, which play an important part in peripheral-semi-peripheral states.

According to Grell-Brisk’s GNI/person calculations, it was the case in 2000 that China moved to the ranks of semi-peripheral countries from the periphery, and has been continuously inching closer to the center ever since. In 2015, it stood in the middle of the GNI/person zone that characterises semi-peripheral states, at a fairly long distance from center areas. Having said that, the trend clearly shows that it is moving towards the core. This toppled one of the main tenets of world-systems analysis; namely, the representation of the periphery-semi-periphery-center distribution as a pyramid where most countries, and hence the largest population, belong to the periphery, fewer countries and smaller populations are on the semi-periphery and there are only a few center countries at the top of the hierarchy. However, with the rise of China and several other countries, more countries have belonged to the semi-periphery since the 2000s than to the periphery, which may jeopardise the stability of the system thus far as it calls into question the traditional intermediary and stabilising role of the semi-periphery.

Obviously, the categorisation based solely on GNI/person lends itself to dispute, as this figure depends on a series of factors that are not linked to the international division of labour, and it does not reveal anything about the source of the income. Therefore, saying that China moved upward in the 2000s specifically is a rather arbitrary claim, but it can hardly be debated that it has moved up in the last few decades. A wide variety of analyses place China firmly among the peripheral countries today, and some analysts even claim that it has already left that level behind.

Cheng and Zhai (2021) are an example for the latter; indeed, they propose the introduction of a new category within the world-systems theory – that of a “quasi-center” – which is located somewhere between the center and the semi-periphery and should be applied to China. Even if we do not fully

agree with their conclusions or consider the creation of a new concept unnecessary, there are key insights among the arguments in which they try to confirm China's position as a "quasi-center". Accordingly, China should be treated as a separate category for the following reasons:

- First, China's soaring economic growth in itself separates it from its peers and makes China the largest economy in the world (calculated at purchasing power parity); its share within the global economy is constantly increasing. In 2017, it accounted for more than 15% of the world's GDP (of the center countries, the corresponding figures of the USA, the EU and Japan were 24%, 21% and 6%, respectively), of which it in itself represents a different standard than anyone else on the periphery and semi-periphery, which contribute to the world's GDP – even taken together with center areas other than the three countries above – with a mere 33%. As a result of its large share in the global economy and rapid development, China makes the greatest contribution to the expansion of the global economy. For instance, China accounted for 28% of global growth in the period between 2013–2018 and, accordingly, it was clearly the driver of global economy. A classical semi-peripheral country would be unable to achieve this. The most important factor behind development is the increase in productivity: while China represented 20.19% of the world's population in 1960, it produced only 4.4% of the global GDP. By contrast, in 2017, China's population accounted for 18.4% of the world's population, but it produced 15.2% of the global GDP (which of course has only increased since then). These figures indicate that China has a larger weight in the global economy than all center countries of the world, except the USA.
- Second, China has become a significant foreign investor and aid-provider since the 2000s. In terms of capital invested abroad, it ranked 25th among the countries in 2002. By 2018, it came up to 3rd place, right behind the United States and the Netherlands. In 2018, it was the second largest investor in terms of annually invested capital. In the preceding years, it had accounted for more than 10% of global FDI. As a Chinese specificity, the country invests in both center areas and in the periphery; Chinese FDI targets the most diverse destinations, from African mines to German companies with cutting-edge technology. It is a characteristic of the semi-periphery that it behaves as a center in its relations with the periphery: it invests in the extraction of mineral resources, agricultural plantations and low added-value manufacturing – China has many such investments. However, the fact that it is trying to cement itself in the most developed sectors of center areas is not a typical semi-peripheral ambition.
- Third, China's foreign trade also exhibits numerous specificities, partly because of its size, and partly because of its composition. China is the most significant trading partner to most countries of the world; its exports increase almost continuously, and the percentage of high added-value products within its exports is also on the rise. It is a world leader in digital economy and in many areas of the related technologies such as e-commerce or mobile phone payments. Therefore, from the perspective of trading, most countries of the world depend more on China than on the center of the center, the United States, which also gives China a unique position.

- Fourth, China also takes the initiative in the area of global finance; it is the founder of the BRICS New Development Bank, the Asian Infrastructure Investment Bank and other organisations which grew to become potential competitors of the financial institutions controlled by the center (IMF, the World Bank). It also attempts to globalise its national currency.
- Fifth, China's global competitiveness is no longer attributed to its cheap labour alone. It has achieved numerous results in cutting-edge technology; it is among the world leaders in numerous areas such as quantum communications, the 5G network, artificial intelligence, biotechnology or high-speed trains. Traditional industrial sectors are also becoming increasingly developed; since 2010, the added value created by China's manufacturing has surpassed that of the United States. In 2018, China's manufacturing added value accounted for more than 28% of the world's total. China has also shown significant progress as a defender of intellectual property rights; it is now the second largest source of international patent filings.
- Sixth, the Belt and Road Initiative (BRI) launched by China implements a new form of international cooperation and relationship building. It entails overarching foreign direct investments, and contributes to the development of infrastructure in countries that heretofore had been neglected in this regard. Even this activity distinguishes China from its semi-peripheral peers.

Based on the above, Cheng and Zhai pointed out that China no longer fits into the traditional center-semi-periphery-periphery categories, and a separate category should be created for China as a "quasi-center". This solution would resolve the existing contradictions between the traditional tenets of world-systems analysis and China's existing position.

Numerous points in the above argumentation can be debated. The size of an economy or its weight in the global economy are not a good indication of the relevant economy's place in the world system and of the way in which it participates in the international division of labour. A larger state can even operate a large economy through the extraction of mineral resources or low added-value activities; however, this does not necessarily mean that it is getting close to the center as, indeed, the main specificity of the center is its monopoly over the most advanced technologies. The same can be said of its contribution to global economic progress: if a country rapidly advances from a low base to a medium level by importing medium-developed technologies – which is far less difficult to do than for an already developed country to produce further growth – it will have a large impact on the total global economic output but will hardly mean a departure from the semi-periphery; in fact, it may even cement the peripheral position of the country concerned. Similarly, foreign direct investments do not signal that a country is no longer semi-peripheral; indeed, investing in the periphery is a typical semi-peripheral behaviour. The acquisition of holdings in the companies of center countries does not, in turn, automatically entail the investor country's advancement, as it has only purchased technologies developed by others. Moreover, the correlation between extended external trade and approaching the center is not straightforward either. It is not the quantitative factors that are decisive

– large, commodity producing countries also engage in substantial external trade – but the qualitative ones, namely, the composition of exports and imports. In China’s case it is particularly important to point out that a significant share of its exports – even in the area of cutting-edge technologies – is handled by companies controlled or partly controlled by foreign owners, relying on their own innovation while pursuing cheap assembly activity in China. In statistics, their exports are presented as Chinese high-tech exports; in reality, however, their activity is consistent with the classical center-semi-periphery pattern. The establishment of alternative financial institutions is only indirectly linked to the international division of labour; setting up the institutions, in itself, does not reveal much about the quality of the way in which the loans are used. The financial institutions established with China’s participation can also be interpreted as a coalition of semi-peripheral countries, which does not result in a qualitative change.

In conclusion, the arguments above – which are not only cited by Cheng and Zhai but by almost anyone who tries to determine, albeit with diverging accents, China’s place in the world system – clearly demonstrate that China is an important pole/key player/informal center of the global economy, but they are insufficient to prove that it is at the center or quasi-center under the world-systems theory. Consequently, China may also be viewed as a special case of the semi-periphery.

It is of course debatable whether attempts should be made at all to fit today’s China into a decades-old theory – for example, by proposing a new concept as Cheng and Zhai did. First of all, the classical Wallersteinian theory is presented in the context of countries, but this is not suitable enough to account for the complex reality of China where the triad of center-semi-periphery-periphery can be observed within the same country. Whether geographically or at sector level, Shanghai’s way to integrate into the international division of labour will be very different from that of a village in Ningxia, and the same is true for a high-tech firm in Shenzhen versus an assembly plant on the outskirts of the same city. Of course, these internal differences are not only characteristic of China but they are particularly significant in China – so much so that they call into question the rationale of talking about “Chinese economy” in general, let alone its status. In his influential book, Zhang (2012, pp. 29–35), for example, refers to China as a complex set of developed and emerging economies engaged in close interactions with one another, the real status of which is concealed, rather than revealed, by national average data.

6. At the Vanguard of the World

Among the phenomena mentioned by Cheng and Zhai – and widely discussed elsewhere – there are two which suggest, even despite the above reservations, that the application of the semi-periphery category is insufficient to describe the status of China. Based on those phenomena, even though today’s China is not yet a center, it already has or will soon have the capacities and ambitions that may propel it to that position.

One of those factors is the stunningly dynamic development of its science and technology. This relatively new process is suitable enough to fundamentally transform international relations and truly elevate China in the center, be this in the informal sense or under the concepts of the world-systems analysis. The main advantage of the core against the periphery and the semi-periphery is its cutting-edge technology that ensures that it rules the market of prevailing “key products”, which are associated with the greatest profitability. Since technology flows continuously from the center towards the periphery, the center must come up with more and more breakthrough technologies and products to preserve its leadership and profits and to recreate its monopoly (Wallerstein, 2010, p. 59, Kocsis, 2020, p. 147–148). This requires both an advanced innovation ecosystem and an extended corporate and state research and development activity. China did not have these up until the 2000s, and this is why it lagged behind.

Chinese policymakers, however, were well aware that without its own innovation, the country would only be able to reach a certain – semi-peripheral – level and would be permanently stuck there. If it is to avoid that scenario, a substantial share of the funds available must be spent on encouraging research and development activities. Deng Xiaoping had already recognised the importance of this area and, accordingly, at the start of the “reform and opening-up” era, one element of the “four modernisations” (*sige xiandaihua*) announced at the end of the 1970s was the modernisation of science and technology. Since the programme was practically launched “from scratch”, the first couple of decades had no spectacular results. The relevant education and science projects were only sufficient to enable China to adopt the imported technology. From the 1990s, more ambitious targets were set: the newly announced “Project 985” (*jiubarwu gongcheng*) was designed to develop about a dozen (the number has since risen to 39) world-class Chinese universities. According to various international rankings, China has partly achieved this goal: the majority of Project 985 universities are ranked among the best 500 higher education institutions in the world, of which the C9 League (a formal group of 9 elite universities) is even more distinguished, and is generally ranked among the best 100 universities of the world, with even more progress expected. Operating global elite universities is the monopoly of the center in practical terms (with top institutions still concentrated in the USA and England), but in educating the science/technology elite of future generations China has already started to close the gap with the center areas.

In 2006, China announced its 15-year *National Medium and Long-Term Plan for the Development of Science and Technology*. Centered around the key term “indigenous innovation” (*zizhu chuangxin*), the programme identified the key areas to develop, as well as “frontier technologies” in which China also aims to become a world leader (advanced energy, biotechnology, laser technology, new materials, etc.). Under the plan, China was to raise its R&D spending from 1.34% of the GDP (2005) to 2.5% of the GDP by 2020 (Cao et al., 2006, Serger & Bredine, 2007). It did in fact come close to realising this target: in 2020, China spent USD 375.7 billion on research and development, corresponding to 2.4% of the GDP, which is enormous growth considering that the Chinese GDP also sextupled in the meantime. This data accounts for 54% of the corresponding US figure and it is 2.1 times that of Japan, consequently China’s R&D spending ranks second globally (Global Times, 2021). While

China still lags behind the center areas in percentage of the GDP, it is expected to catch-up soon if trends continue. Pursuant to certain forecasts, China is on track to exceed the United States and to become world leader by 2025 in terms of absolute spending on R&D (Chik, 2021).

Obviously, research & development expenditure does not define a country's science & technology level in itself, as the efficiency of spending that amount is an important factor; it is clear, however, that China achieved spectacular results. It is especially true to technologies that are expected to become decisive in future, serving as a basis for further development. These include, for example, artificial intelligence, gene technology, robotics, 5G networks, space technology, electric vehicles and green energy. In all of these areas China is either at the forefront or close behind the center. Its position is being reinforced by the increasing number of new state programmes, e.g. the Made in China 2025 programme which garnered significant global attention, as the Government of China undeniably openly targets world leadership in the most critical areas. Similarly, the new 5-year plan announced in 2021 also expects domestic innovation to play a central role (Grünberg & Brussee, 2021).

Its achievements thus far and its future plans (which, on past experience, are expected to be realised) make it clear that China aims to grab the central role in research & development, science and technology as well as innovation. If it succeeds, its position under the world-systems theory will also change as center areas indeed preserve its position at the top of the hierarchy by specifically possessing cutting-edge technologies.

Another factor that signals China's real progress towards the center is the Belt and Road Initiative, more specifically, China's increasing prominence in the general international arena, for which the BRI serves as a brand of sorts (Baranyi et al., 2020; Horváth & Salát, 2021). The initiative affects more than 60 countries worldwide, covering 65% of the global population and 40% of the global GDP, and its announcement can be attributed to numerous internal and external policy as well as economic reasons. Of these reasons, the West generally underpins geopolitical considerations but the weight of such considerations is likely to be overrated, and it is more probable that economic aspects play the primary role. The BRI can be interpreted from numerous aspects, including the frameworks of the world-systems theory. The programme manifests China's – past and present – intention to become a center, even if some researchers claim that it does so differently than developed countries (Lubieniecka, 2014).

A key term in the BRI is connectivity – building connections across the Eurasian continent and the adjacent Africa via both “hard” and “soft” infrastructures. There are few interrelationships between the BRI projects as their nature, content and size tend to be extremely different; for the most part, however, they are aimed at putting in place connections in such a way that they are advantageous to China. The resulting roads, railways, sea routes, cables, etc. are all running in a direction that facilitates the inflow and outflow of commodities and goods to and from China. While this does not imply that the projects are detrimental to the countries concerned, they are definitely beneficial to China and, taken together, they hint at a pattern in which China takes center stage geographically and also in other respects. The network of BRI projects has at least one hub, which is China.

In addition to the central geographical role, the BRI may create a new type of center-periphery arrangement in the international division of labour, i.e. the most critical aspect of the world-systems analysis. BRI projects are undertakings typically implemented with Chinese capital (loans) using Chinese technology; therefore, the investee countries import Chinese technology. Their standards are obviously defined by China, and a large portion of the added value is created in China through the development of technologies and innovation. In addition, due to China's ownership of intellectual property rights and the technology monopoly, in the case of more complex systems the investee country will rely on China over the long term because of the necessity for maintenance and further developments. Of course, when China builds a high-speed train or 5G network in a country, it will facilitate the development of the country concerned and raise the standard of living of its population; at the same time, however, a classical center-periphery relationship will materialise with China at its center (Gonzalez-Vicente, 2011, p. 77). Many BRI projects establish such a relationship even more directly as, indeed, relying on enormous commodity and energy imports, China will invest in oil and gas fields and agricultural areas, and will pay for the commodities thus extracted with manufactured products. Similarly, the creditor-debtor relationships created in relation to BRI projects translate into a traditional center-periphery distinction.

Thus the BRI entails the emergence of a type of center-(semi-)periphery arrangement, where China is the center and BRI countries are the (semi-)periphery (Singh, 2020). While the BRI may contribute significantly to the development of the latter – i.e. the investees will also enjoy the benefits of the initiative – their status within the world-system will not change. Most BRI countries have already been part of the periphery or semi-periphery and the emergence of the new core will not change this. It may, however, provide them with more room for international manoeuvre as, with the rise of China, the investees will have an opportunity to balance between several center areas or they may even have the centers compete with or play against each other.

7. Outlook

China has come a long way: in the past few hundred years, it had been relegated to the periphery and then even outside of the periphery, and it was only able to start climbing back towards the periphery from the 1980s. Today, China is considered to be on the semi-periphery at the very least, but it is fairly clear that it will not stop there: it wishes to become a core once again, now globally. While the size of its economy, the extended scope of its foreign trade and its overarching foreign investments will not ensure a central role for the country in and of itself, the qualitative changes in progress in the country have a good chance of altering its position pursuant to the world-systems theory. All short-term, mid-term and long-term plans of the country's leadership (5-year plan, 15-year vision, bicentennial goals, Made in China 2025, etc.) can be interpreted in the context of China's conscious efforts to achieve a central role as these documents certainly place great emphasis on innovation, advancement on the technology ladder or the avoidance of the middle-income trap; in other words, on the creation of a situation where China possesses the cutting-edge technologies and leading

products which ensure the influx of added value to China. Another important part of the plans, the Belt and Road Initiative, entails the reorganisation of the Eurasian supercontinent into a structure where China becomes the geographical hub of the resulting networks while achieving a classical central position through its technology exports.

Obviously, other players in the world-system will also respond to China's ambitions, and these responses may influence the implementation of Beijing's plans. The rise of China is not looked upon favourably by the traditional center, the West (including Japan), as its interests would be best served if China remained in its peripheral-semi-peripheral position. Hence the technology blockade imposed by the United States and its allies, the purpose of which is to prevent China, specifically, from gaining access to the most advanced technologies or from exporting such technologies if it already has them (e.g. 5G network). The large-scale US research and development plan announced by the Biden administration is also intended to retain the technological advantage of the USA and, thus, the global monopoly. In response, China has placed even more emphasis on domestic innovation, technological development and cooperation with the (semi-)periphery.

Countries on the periphery and semi-periphery, however, view this process from a different angle, unless their direct political and security interests are affected by the rise of China (which is the case in China's own region). The emergence of a new center alongside the old one could be a positive development for these states, since it means a break with traditional monopolies, i.e. a competitive situation that can be exploited by the intermediate countries if they make the right choices. Instead of the one-way dependency and constraints of the past, the (semi-)periphery thus has options and room for manoeuvre and, can benefit from the competition between centers. This explains why the BRI countries have welcomed the initiative and why the (semi-)periphery does not have the same antipathy towards China as the center.

The question is whether a world-system can emerge with more than one core. This would imply a qualitative change as, indeed, ever since the long 16th century – when the current world-system started to materialise – there has always been only one centre and, accordingly, the whole theory reckons with a single core. It still cannot be ruled out that China's advancement will only be an expansion of the traditional center rather than the evolution of an alternative center, in which case China's rise will not result in a structural change. It is certain, however, that we are witnessing the emergence of a new pole going beyond the frameworks of the world-systems analysis, and that the resulting multipolar world order and the ensuing competition and uncertainty will create a new situation for intermediate countries: a situation where more opportunities coexist with more threats, which we have not seen in the decades since the end of the first Cold War. This is why it is indispensable for us to monitor the ongoing processes in the world and on our supercontinent.

References

- Arrighi, G. & Drangel, J. (1986). The Stratification of the World-Economy: An Exploration of the Semiperipheral Zone. *Review (Fernand Braudel Center)*, 10(1), 9-74.
- Baranyi, T. P., Goreczky, P. & Salát, G. (2020). A kínai Övezet és Út kezdeményezés – mítosz és valóság. [China Belt and Road Initiative – Myth and Reality], Külügyi és Külgazdasági Intézet. <https://doi.org/10.47683/KKIElemzesek.E-2020.98>
- Cao, C., Suttmeier, R. P. & Simon, D. F. (2006). China's 15-year science and technology plan. *Physics Today*, 59(12), 38-43. <https://doi.org/10.1063/1.2435680>
- Cheng, E., & Zhai, C. (2021). China as a “Quasi-Center” in the World Economic System: Developing a New “Center–Quasi-center–Semi-periphery–Periphery” Theory. *World Review of Political Economy*, 12(1), 4-26. <https://doi.org/10.13169/worldrevipoliecon.12.1.0004>
- Chik, H. (16 July 2021). China set to pass US on research and development spending by 2025. *South China Morning Post*. <https://www.scmp.com/news/china/science/article/3141263/china-set-pass-us-research-and-development-spending-2025>
- Countryeconomy.com. (2021). GDP - Gross Domestic Product. (1978). <https://countryeconomy.com/gdp?year=1978>
- Global Times. (23 September 2021). China's R&D spending narrows gap with US, ranking second in world: NBS. *Global Times*. <https://www.globaltimes.cn/page/202109/1234914.shtml?id=11>
- Gonzalez-Vicente, R. (2011). China's Engagement in South America and Africa's Extractive Sectors: New Perspectives for Resource Curse Theories. *Pacific Review*, 24(1), 65-87. <https://doi.org/10.1080/09512748.2010.546874>
- Grell-Brisk, M. (2017). China and global economic stratification in an interdependent world. *Palgrave Communications*, 3(1), 1-12. <https://doi.org/10.1057/palcomms.2017.87>
- Grünberg, N. – Brussee, V. (2021). China's 14th Five-Year Plan – strengthening the domestic base to become a superpower, Merics. <https://merics.org/en/short-analysis/chinas-14th-five-year-plan-strengthening-domestic-base-become-superpower>
- Horváth, L. – Salát, G. (2021.) *Övezet és Út. Múlt, jelen, jövő*. [Belt and Road. Past, Present, Future], Typotex.
- Kocsis, L. Zs. (2020). A vilárendszer-elmélet alapjai: Immanuel Wallerstein Bevezetés a vilárendszer-elméletbe című könyvének bemutatása. [Immanuel Wallerstein: World-Systems Analysis: An Introduction, book review], *Európai Tükör*, 23(1), 143-152. <https://doi.org/10.32559/et.2020.1.8>
- Lubieniecka, E. R. (2014). Chinese Engagement in Sub-Saharan Africa: Can the Beijing Consensus be Explained Under World-Systems Analysis? *Fudan Journal of the Humanities and Social Sciences*, 7(3), 433-450. <https://doi.org/10.1007/s40647-014-0023-1>

- Ökten, N. (2019). Incorporation to Modern World System Case Study: China. *International Journal of Economics, Politics, Humanities & Social Sciences* 2(2), 108-120.
- Salát, G. (2012). Kis császárok kora? Demográfiai folyamatok Kínában. [The Age of Little Emperors? Demographic Processes in China], *Kommentár*, 7(1), 75-85.
- Salát, G. (2014). Kína – civilizáció, nemzetállam, birodalom? [China – Civilisation, Nation State, Empire?] In: István Faragó-Szabó (ed.) *Világunk határai*, pp. 263-282, Eötvös József Collegium.
- Salát, G. (2011). Sikertörténet kényszerpályán – pillanatfelvétel Kínáról. [A Success Story on an Inescapable Path – A Snapshot of China], *Egyenlítő*, 9(7-8), 32-37.
- Serger, S. S., & Breidne, M. (2007). China's Fifteen-Year Plan for Science and Technology: An Assessment. *Asia Policy*, 4, 135-164.
- Singh, S. (2020). Analyzing China's Belt and Road Initiative from a World Systems Perspective. *The Observer*, 17(2) 18-19.
- Wallerstein, I. (1974a). *The Modern World-System I: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*. Academic Press.
- Wallerstein, I. (1974b). The Rise and Future Demise of the World Capitalist System: Concepts for Comparative Analysis. *Comparative Studies in Society and History*, 16(4), 387-415.
- Wallerstein, I. (1974c). Dependence in an Interdependent World: The Limited Possibilities of Transformation within the Capitalist World Economy. *African Studies Review*, 17(1), 1-26. <https://doi.org/10.2307/523574>
- Wallerstein, I. (2010). *Bevezetés a vilárendszer-elméletbe. [World-systems Theory: An Introduction]*, L'Harmattan Kiadó.
- Zhang, W. (2012). *The China Wave: Rise of a Civilizational State*. World Century Publishing.

GYÖNGYVÉR HERVAINÉ
SZABÓ - PÉTER SZATMÁRI

State-Civilisation or the Civil-State:
Perspectives of the Russian Federation
in the 21st Century



STATE-CIVILISATION OR THE CIVIL-STATE: PERSPECTIVES OF THE RUSSIAN FEDERATION IN THE 21ST CENTURY

GYÖNGYVÉR HERVAINÉ SZABÓ¹ – PÉTER SZATMÁRI²

Abstract

The Russian Federation is a relatively new state, but considers itself a successor state to the Russian Empire and the Soviet Union. The fundamental question is whether it operates as an empire or a nationstate. The term 'post-Soviet state' has no specific meaning, though the term of the 2000s 'sovereign democracy' is also difficult to interpret, finally the term state-civilization used since 2012 has become widely used. The study deals with the presentation of this term's interpretation as well as the reflections to these interpretations, also presenting the views that seek to dismantle the Russian statecivilization. The state of civilization is not simply a foreign policy discourse, but a perspective that results in foreign policy innovation, with the help of which Russian foreign policy elaborated the concept of geopolitical regions and defined its tasks of globalization in this context. The discourse of civilization was embedded in the new constitution, and in the summer of 2021, the notion of 'cultural sovereignty' also securitized and made the Russian culture and history a security issue. However, all of this is strongly reminiscent of the Soviet propaganda style and, compared to the cultural direction of EU foreign policy, reflects a strongly narrowed current political perspective, though at the same time it is essential for interpreting the foreign and domestic policy of the Russian Federation.

Keywords: Russia, statecivilization, civil state, geopolitical region, cultural sovereignty, westernization

¹ Dr. Gyöngyvér Hervainé Szabó PhD, College Professor, Advisor to the Rector, Head of Institution, Research and Development Institute for Service and Knowledge Economy, Kodolányi János University.

² Dr. Péter Szatmári PhD, Associate Professor, Vice-Rector for Science and Development, Head of Department, Institute for International Relations, Kodolányi János University.

1. Introduction

Is it an accident that Russian culture and civilisation have been embedded in geopolitical issues? The global inter-regional research of Kodolányi János University seeks to examine the ways in which the diversity of civilisations affect political processes and define political and business behaviour. The study "*Russia in the Global World Order*" published in 2021 on the subject presents Russia's Europeanness and dissimilarity in historical comparisons, pointing out that connecting the regional geopolitical position of civilisation and state reflects a systematic strategic activity that gave rise to innovative foreign policy thinking (Hervainé, 2021). The purpose of this study is to present how the politics of history led to a new interpretation of the state and the elaboration of a new foreign policy model, and to explain how the new tenets of cultural security policy can be interpreted in this context. Our principal research method is the overview of papers published by leading think-tanks on the subject, of which we primarily relied upon the relevant analyses of pro-government Russian organisations, renowned international organisations and other academic literature addressing the topic.

Understanding the political nature of Russia is an essential part of Russian political thinking and the political analyses relevant to Russia. In his interview for the journal *Russia in Global Affairs*, Kaliningrad philosopher Andrei A. Teslya referred to Russia as a post-imperial and post-Soviet structure, where the imperial framework is no longer Russian but post-Soviet, as federation is the legal principle on which Russian statehood rests. However, it cannot be considered an empire because it lacks the most important attributes of an empire: it has no ambition to achieve universality; it does not seek expansion beyond its borders; it has no imperial borders beyond its national borders; it lacks imperial content; and its history is a history of losses rather than construction. It cannot be called a nation-state – in reference to Sergei Sergeev's book, *The Russian Nation* – as it was only for a brief period that it was characterised by national logic and state-building (Teslya, 2021).

On the Valdai Discussion Club website, Alexei Miller begins his article on *The 300th Anniversary of the Russian Empire* with the following: "We live on the ruins of two empires — the Russian Empire and the USSR. We have inherited, as the pillars of our collective identity, an unyielding desire to preserve our sovereignty and great power status. From the Soviet imperial experiment, we inherited the institutionalisation and territorialisation of ethnicity in the form of autonomous republics, which predetermines the impossibility of building a nation-state in Russia. It presupposes the need for a creative transformation of the imperial legacy in the development of future forms of political life within our country" (Miller, 2021).

2. Transforming Russia into a State-civilisation

After the collapse of the Soviet Union, Western politics considered Russia as a “normal” state; the EU viewed it as one state within the group of post-Soviet states. At the beginning of the 2000s, Putin considered Russian statehood as a serious issue, and defined it as a sovereign democracy. The term “sovereign democracy” was also important for the states of the Central European region and, in fact, it became a meaningful concept for Western countries controlled by the USA as well.

State-civilisation became a matter of Russian internal policy during Putin’s 2012 presidential campaign. The goal was to reinsert the state into the concept of civilisation identity as opposed to the cultural anthropological definition of civilisation. The tenet of Russia’s characterisation as a state-civilisation is of course backed by Russian history. As Putin commented, Russia had always evolved as a state-civilisation, reinforced by the Russian people, Russian language, Russian culture, Russian Orthodox Church and the country’s other traditional religions (President of Russia, 2013). Accordingly, the Russian state is the upholder of culture, and the fact that the state is at the centre has special attributes. State and civilisation cannot be distinguished; the Russian culture is fundamentally state-centred, authentic and unique. From Putin’s perspective, statism is a central thought pattern, a political philosophy, which was the source of Russian foreign policy in which the values of power, stability and sovereignty are superior to those of democracy and freedom. Since 1999, statism (state-centrism), patriotism, the great power role and social solidarity have been Putin’s most important values in the context of Russian consciousness; a strong state guarantees order and drives all change. In this sense, the term “state-civilisation” is not a fault line but a strategic switch. State-civilisation is interpreted in three contexts: firstly, at global level it is a response to the USA’s democratisation ambitions and declaration of superiority; secondly, it is a response to the rise of radical Islam and, thirdly, it has an internal policy usefulness.

State-civilisation is, therefore, suitable to counteract liberalism – hence the liberal protests against Putin before the elections. Liberals can be perceived as “foreign agents” and rebelling against the state is tantamount to besieging a castle. With the lack of deep-rooted liberal traditions, the Russian culture would only be a second-class USA or Great Britain with liberal values. State-civilisation therefore defines the differences, justifies diverging ideologies, and can be interpreted as civilisational nationalism. State-civilisation is a concept of civilisational nationalism: its purpose is to consolidate the Russian society along the lines of common historical and cultural features, juxtaposing them with external communities (Mjor & Turoma, 2020).

State-civilisation creates an ideological platform capable of developing a resilience to pro-democracy programmes, protects the internal order against foreign criticism, facilitates normative resistance and does not coerce others to adopt certain norms. State-civilisation reshapes identity into a security concept and facilitates the reinforcement of internal political control (Tsygankov, 2016).

Putin embraces the concept formulated by the Izborsky Club, the cultural code whose mere modification is a hostile step and an attack on the state. Under this approach, Ukraine is a civilisational fault line, a cut-off territory that needs to side with someone. Accordingly, the Ukrainian crisis is not

simply an international conflict, but an internal instability stemming from its borderline existence; the fact is that it straddles the fault line of cultural, historical and economic civilisational continents.

Putin shares Lavrov’s foreign policy theory on the tectonic movement of the global political landscape. In their opinion, the diversity of civilisations will bring about new types of geopolitical discourse. Under the concept, not only are the Russian-speaking population and the ethnic Russians entitled to protection, but also those who grew up in a Russian culture and identify themselves as part of the Russian community – the reversal of the R2P (responsibility to protect) principle in the face of Western liberalism. At the time of the Ukrainian crisis, the term “state-civilisation” had already been applied, also embedding the protection of Russian compatriots living abroad, i.e. the protection of the Russian World.

Russia is entitled to defend not only itself but also global civilisational diversity, which is threatened by the global and universal civilisation concept of the Euro-Atlantic partnership. This provides the argument that Russia’s incursions into Ukraine were based on its legitimate intention to continue to exist as an independent civilisation (Linde, 2016).

2.1. Russia: Criticism of the State of Civilisation Narrative

British historian Christopher Coker cites Nietzsche’s claim, namely that the rise of Russia can only be withstood by a unified European super-aristocracy (the EU specifically fills this role). In Coker’s opinion, the Great Patriotic War (1941-1945) was an event that put in place the conditions for the establishment of Russian civilisation. A part of this was the new cult of history and historical heroes and Stalin’s endorsement of the Russian Orthodox Church; in other words, the birth of the new Russian nationalism. Communism resurrected Russia, and Russia assimilated communism but communism was never strong enough to take the reigns over Russian culture. The author suggests that the Balkans, the Baltic States and Ukrainians are just as scared of Russia as they were a century earlier, despite the disappearance of the threat of communism. The reason for this fear is the civilisational space, which Russia refers to as the “Near Abroad”. This civilisation has a special political class, the security policy elite, the interests of which lie not so much in the protection of Russia’s status as the protection of its different culture and identity. The break, which Putin calls political fracture between the political West and Russia, is between the nation-states and Russia, as a state of civilisation.

Coker dates the emergence of the Russian civilisational state to the Putin era. According to Christopher Coker, Russia has never been a nation-state or even an empire in the traditional sense; it has always been a civilisational state. The civilisational state, however, is nothing other than an autocracy in disguise, where Russian culture and Russian history are an unbreakable, millennium-old civilisation.

The tenet of Russian civilisation means that it can stand up against the West as long as Russian civilisation is a united whole, a self-sufficient entity isolated in thought, actively cooperating with its Eurasian neighbours; in short, as long as it is characterised by cultural uniqueness, independence and

distinctiveness. The civilisational approach legitimises the policy of standing firm for sovereignty, national interests and a nation's autonomy free from foreign influence and, since history is not over, the hegemony of the West can be rejected. This latter thinking is, in fact, a typical postcolonial approach. The discourse of civilisation renders the West provincial rather than universal, whose leading role need not be acknowledged. As a result, Russia can be traditionalist or collectivist, as it so pleases, since European modernisation ceased to be the measure. Based on cyclicity, at times Russia may belong to the Western era, but in some periods its development is not to be compared with the West (Coker, 2019).

2.2. Russia as a Northern Empire

Oleg Rozanov, Deputy Head of the Izborsky Club, proposed a brand new approach. In his opinion, the time has come to put an end to the schizophrenic dispute – that started as early as the reign of Peter the Great – seeking to define Russia's place between the West and the East, as Russia is a Northern civilisation, a Northern subcontinent that was shaped by the Eastern climate, with an Eastern population and communication. In the North, the border is the Arctic Circle; the country cannot be moved: it has Northern characteristics and culture, and it is characterised by a Northern safeguarding state and a closely entwined population. There is no life without “*obshchina*” (community), and the defender of *obshchina* is the state. Consequently, Russia is neither in the East nor the West, but at the centre (Rozanov, 2021).

St Petersburgian researchers Sukhorukov, V. D., Gladkij, Yu N. and Kulik, S. V. identify the Arctic zone as the basis of Russian sovereignty, national characteristics and identity, the region that shaped the spiritual and mental signs of “Russianness”. The Russian Arctic world is a spiritual circle that leads to a new cycle in Russian civilisation development (Sukhorukov et al., 2020).

According to foreign policy analysts Tsygankov, A.P. and Tsygankov P.A., following the imposition of Western sanctions, the three big schools of Russian international policy – the Westernisers, the state-centred Statists and the conceptual group of Civilisationists – all warmed up to the nationalistic, i.e. civilisation, approach and rallied behind the official policy.

2.3. The Russian Concept of the Civil City-state

Mikhail Khodorkovsky, well-known opposition politician and exiled oligarch with assets seized, published his political proclamation in February 2020, entitled *New Russia – Gardariki, the Land of Cities*. The author claims that Russia is at a crossroads: the regime does not have much time left – 5, maybe 10 more years. The Russia of Khodorkovsky's dreams is a country with national interests that lie in a speedy integration into the global economy; a democratic state that observes the rule of law, one that is firm in its civilisational unity and is based on freedom. It is Gardariki, as was once called, “the land of cities” – a nation of many cities that take power into their own hands. What matters most to the author is 1,000 years of history, a common European and Euro-Atlantic civilisation, in which he does not want to find himself among strangers, but among its creators and defenders. “We are

Europeans. We built and we have defended this civilisation [...]. This is history's predetermination”, Khodorkovsky asserts at the beginning of his study (Khodorkovsky, p. 2).

1. The national interest is a break from the “superpowerdom’ myth, and the achievement of greatness through sustainable means: the development of the economy, education and science.
2. The creation of a civic state. Russia positioned itself as an empire for the past five centuries, but empires are now a thing of the past. A civic state is needed in which society develops and prospers. Russia is at a civilisational crossroads. It needs to reject the nostalgia for the empire and the pseudo-democracy. A true Russian nation – a civic state – should be created in the spirit of freedom and self-determination. All people of Russia are creators of the state; cultural integration, ethnicities and religions should be embraced in the common space of Russian culture. This requires the formulation of a new constitution, a new justice system, new political and legal infrastructures.
3. And democracy. Russia has created its own permanent despotism, with two states at its core: the imperial court, the Communist Party or the Ozero cooperative³; in short, the privileged and the external state. This duality has never disappeared. For Russia, there is no alternative to democracy; democratic foundations, however, are missing. Russia needs to build a developed democracy, deploying innovative and modern political methods.
4. Decentralisation. Since the 15th century, Russia has been a hyper-centralised state; centralism has always been intended to maintain control and preserve the economic *status quo*. Centralisation required the constant redistribution of financial resources, which necessitated an enormous bureaucratic apparatus, over which society had no control or influence and which suppressed civil society. The most important political task is therefore decentralisation and a different state ideal. Gardariki, the Viking “country of cities” was just such an arrangement with independent, self-governing cities. Cities have always been the cornerstones of development of European and global civilisation; mega-cities have become the engines of worldwide technological, economic and cultural progress. The new model for Russia should be a political union of mega-cities. There are around 20 such mega-cities in Russia, which may function as territorial centres, capitals of political and administrative units. The programme of Russia's reconfiguration from a territorial state to the alliance of city-states may take a decade or more. Strong local governments, mega-cities functioning as regional centres, and a strong central government make up the new three-dimensional administrative system. If any one of these elements is not present, the system will invariably collapse or give rise to an autocracy.
5. The rule of law would restore the powers of Parliament, and embed Greco-Roman and Christian traditions, which would enable Russia to become a European country.

³ The Ozero cooperative is an informal power network connecting the dachas of the political elite of Putin's circles in a neighbourhood close to St Petersburg.

6. Parliamentary republic: Russian leaders have always come to power via elections that were declared democratic; however, autocracy has been and remained the only viable political variant, with personalised leadership. Parliamentary democracy, the separation of powers and the division of the roles of the president and the prime minister may generate a political shock, but without this transformation, each regime will inevitably turn into an autocracy.
7. Necessity of a left turn. Under Putin's regime, a new class emerged: the class of "oprichniks" (oppressors), which created a dangerous combination of socialist, nationalistic and militaristic ideas. Putin is a radical right-wing politician who operates with a left-wing agenda but fascist methods.
8. Freedom of speech. Russia's political regime is capable of controlling information – this is the most monopolised sphere in the country. This resulted in a permanent information war with the Kremlin at its centre; the Kremlin's army is an extensive network of pro-regime think-tanks. There is a need to find the sources of truly independent media.
9. Restoration of competition. Russia needs to transition from an economy of monopolies to an economy of competition. The state is deeply involved in the operation of all industries and Russia was never able to establish normal market competition. The economic predicament of Russia arises from the concurrent existence of a political monopoly and economic monopolies.
10. Mercy. In Russia, justice alone would be insufficient; morality should be governed by the principle of mercy. Mercy is the ability to empathise and forgive and hence prevent justice from becoming cruelty. Tens of millions unwittingly participated in the regime's crimes. But those who played an active role in transforming the state into its present mafia form will not be forgiven (Khodorkovsky, 2021).

Khodorkovsky's vision of Gardariki calls to mind the vision of numerous political groups, as well as that of the artistic and cultural elite.

3. The Problematics of US–Russia Relations

As opposed to the Euro-Atlantic identity, the United States focuses on Anglo-Saxon strategic skills and continues to view Russia as a decaying empire, which will be forced by the asymmetric Chinese imperial pressure to return to the civilisational community of Europe – not as a great power but as a state subordinated to the West. From the 2010s, the new US administration gave up its aspirations to transform the world into a democracy, and returned to the Cold War mode of its foreign policy, with democracy juxtaposed with autocracy. Of the latter, Russia and China are the principal enemies.

The Carnegie Endowment for International Peace regards the US policy formulated against Russia a vicious circle, which should be broken. All US administrations sought to improve these relations and all of them ended up with even worse relations. Rumer and Sokolsky highlight the following reasons behind Russia's rogue actions that deteriorate the US–Russia relationship (Rumer & Sokolsky, 2019):

- The USA refuses to accept Russia for what it is; it does not recognise that Russia's repeated rejection of initiatives to promote reforms and democracy is stemming from their perception as a threat to Russia's domestic stability.
- Throughout Europe and Eurasia, the US is only willing to recognise the legitimacy of NATO; indeed, it wishes to extend the Euro-Atlantic security architecture to the space surrounding Russia, which in Russia's eyes represents a threat to its security.
- The US has regularly overrated its own abilities; driven by ambitious goals, it intervened excessively in Russian internal affairs and overrated its own influence over the development of Russia and the affairs of the Kremlin. It is a fundamental mistake that the US policy defined American interests on the most expansive terms, failing to distinguish between core and peripheral concerns. When Moscow pushed back, Washington reasserted its right to teach Russia.

In the study, the authors suggest that Russian leaders still see their country as a great power; they reject the approach of a unipolar world order, they are against the US-sponsored regime changes and insist on having their own sphere of influence. The new Biden administration of the US had a different start: by calling Putin a murderer, repeatedly accusing Russia of interfering in the US presidential elections and imposing new sanctions, it destroyed whatever was left to be destroyed.

The Atlantic Council is preparing for the post-Putin era. Aslund, A. and Gozman, L. classified the tasks under three main points. According to the authors, Putin's system has entered its final stage, and the time has come for the USA to consider how a new state should be built on the ruins of the old system. They refer to the regime as an authoritarian kleptocracy, in which the president delegated much of its power to the secret service. The president's clients control state finances and big corporations. Law enforcement and the judicial system are subordinated to the president. The fact that the regime is falling apart is evidenced by the 208 amendments to the constitution in 2020. In the wake of the amendments, the regime has become even more repressive, similar to a foreign occupation. The Russian leadership consists of criminals and Russia cannot develop normally as long as this group stays in power.

- The first action of a new government should be to restore freedom of speech, freedom of the media and freedom of assembly, and to release all political prisoners.
- The second task is to dissolve the Federal Security Service (FSB) with the dismissal of all of its employees, prohibiting their future employment in any state position. A "Truth Commission" should be set up to investigate the crimes of the Putin regime. A new judicial system, courts as well as the general prosecutor's office need to be formed.
- Thirdly, Russia should abandon the presidential system that is coupled with excessive executive powers, and it should call for immediate elections after the democratic breakthrough at all levels of the political system. The authors envisage a proportional election system, a mixed system of individual representation and parties. The new government should be prepared for separatist tendencies and address the mechanism for secession in the legal system. This

may result in changes to Russia's borders but the new government should not apply violence. Russia should overcome its imperial nostalgia. The country needs a new constitution applying the division of powers. Party financing must be transformed; parliamentary parties should rely on public financing only.

Russia has around 100 billionaires; these oligarchs are likely to leave the country. Russia has a fairly stable economy with low inflation, a minimal budget deficit and public debt and holds large international currency reserves. It has a strong central bank and a well-functioning financial system. Russia also has a well-functioning market economy, despite the excessive state interference. Small and medium-sized enterprises operate smoothly. The structure of the economy has completely transformed. The reason for economic stagnation is the concession economy, the oligarch economy and state companies; monopolies account for half of the country's GDP. This needs to be tackled by a new type of privatisation similar to the Chubais period. All of the above changes can be implemented through the return of the Russian emigrant diaspora (Aslund & Gozman 2021, p. 12).

Russia's current foreign policy appears to be a major failure. It has left Russia isolated, a rogue state subject to international sanctions. As a consequence, it has been forced to remain financially and militarily independent. The Russian empire should be eliminated seeing as all other European empires have collapsed. Finally, there is a need for a complete reform of national symbols. The president's office should be moved from the Kremlin, which is associated with Russian despotism, the Bolshevik dictatorship and barbarian luxury; the Kremlin should instead be open to the public as a museum. The current national anthem should be discarded, Lenin's necropolis closed and all Soviet monuments and sculptures should be dismantled (Aslund & Goznan, 2021 p. 9).

The above statements presage the scenario of a full, post-Afghanistan restructuring, and justify the fear in Russian policy of an American intervention. At the same time, the authors of the report vindicate themselves because Khodorkovsky identified similar goals.

By contrast, famed political analyst Thomas Graham argues that the problem that the USA faces is not with Putin but it has been with Russia, for at least 150 years. This animosity intensified in the 20th century and was less perceivable for around 25 years until 2014. The author does not agree with the theory of Russia's decline; he points out that Russia's strength is in its nuclear weapons. It is the only country that can destroy the United States in 30 minutes. It is a country that has the largest natural resources in the world; it is prepared for self-sufficiency and it is better placed than most to deal with a breakdown in globalisation. It is member of the UN Security Council, which puts it on equal terms with the USA. Moreover, it has an extremely talented population and scientific community, including military and cyberspace applications, which is a major challenge for the USA. In the course of history, the Russian state has always demonstrated an ability to mobilise its resources for the purposes of the state and society. It may be weaker in terms of its economy than the USA or China, but its political will and ability to mobilise imply far more power than the size of its economy or population. This necessitates the responsible management of the competition between the two countries in which defence, deterrence and dialogue appear as simultaneous tasks (Graham, 2021).

4. Russian Cultural Sovereignty as a National Security Issue

Replacing the versions of 2015 and 2010, the National Security Strategy adopted on 2 July 2021 is the most important document that determines the development of Russia in the 21st century. The security strategy lays the foundation for a series of other strategies, i.e. the new economic and social development, foreign policy, science and technology development strategies and others, probably including the cultural and civilisation strategies as well. Cooper's analysis asserts that while there was some discussion in the 2015 document about the retention and multiplication of traditional Russian spiritual and moral values as the foundation of Russian society and, according to the document, Russia had to cope with external cultural and information interventions – including low-quality mass culture and attempts to falsify history – the new document elaborates on the threats of the Westernisation of culture and the loss of cultural sovereignty on four pages. Pursuant to this document, Russian values and culture became security policy issues. In Julian Cooper's analysis, the 2021 document refers to the USA and its allies, transnational corporations, NGOs, religious, terrorist and extremist organisations as the most important sources of the cultural threat. The author claims that the Russian elite does not share these values and has no moral grounds to lead society; by now it has become more of a foreign financial elite. In addition, the document is poorly edited with entire sections carried over from the materials of various ministries and, in general, it reflects the "Kremlin's senile fears" (at this point, the author refers to the age of Russian leaders: Putin is 68, Aveyanov is 70 and Patrushev is 69). In any event, the document is not suitable to be a meaningful source for any actual action plans, concludes the author (Cooper, 2021).

Elements of the security strategy document relevant to culture:

- The changes taking place in the modern world entail the loss of traditional and stable moral principles. Basic moral and cultural norms, religious foundations, the institution of marriage and family values are being increasingly undermined. Freedom of the individual is being absolutised; permissiveness, immorality and selfishness are being actively promoted; the cult of violence, consumption and pleasure is being inculcated; drug use is being legalised; and communities that deny the natural continuation of life are being formed. Problems of inter-ethnic and inter-confessional relations become the subject of geopolitical games and speculation, generating hostility and hatred.
- The imposition of alien ideals and values, the implementation of reforms in education, science, culture, religion, language and information activities without taking into account the historical traditions destroy the foundation of cultural sovereignty, and undermine the foundations of political stability and statehood.
- Russia's traditional spiritual, moral, cultural and historic values are under active attack by the United States and its allies, multinational corporations, foreign NPOs and NGOs, religious organisations, extremist organisations and terrorist organisations. They have an informational and psychological impact on individual, group and public consciousness

by disseminating social and moral attitudes that contradict the traditions, beliefs and convictions of the people of the Russian Federation. The information and psychological sabotage aimed at the Westernisation of culture increases the risk of the Russian Federation losing its cultural sovereignty. Attempts at falsifying Russian history and world history have become rampant, seeking to destroy historical memory and fuel inter-ethnic and inter-confessional conflicts to weaken the state-forming nation.

- Traditional Russian spiritual and moral values include, first of all, life, dignity, human rights and freedoms, patriotism, citizenship, service to the Fatherland and responsibility for its fate, high moral ideals, a strong family, creative work, priority of the spiritual over the material, humanism, mercy, justice, collectivism, mutual assistance and mutual respect, historical memory and continuity of generations and the unity of the people of Russia. Traditional Russian spiritual and moral values unite the multi-ethnic and multi-confessional country.
- The protection of traditional Russian spiritual and moral values, culture and historical memory is carried out in order to strengthen the unity of the people of the Russian Federation based on the all-Russian civil identity, the primordial universal principles and social development.
- The protection of the values of Russian culture is ensured by solving the following tasks:
 - Strengthening of civil unity, all-Russian civil identity, inter-ethnic and inter-confessional harmony and the preservation of the identity of the multinational people of the Russian Federation.
 - Protection of historical truth, preservation of historical memory, continuity in the development of the Russian state and its historically established unity and opposition to the falsification of history.
 - Strengthening the institution of the family, preserving traditional family values and the continuity of generations of Russians.
 - State information policy aimed at strengthening the role of traditional Russian spiritual, moral and cultural-historical values in mass consciousness, the rejection of destructive ideas, stereotypes and behaviour models imposed from the outside.
 - Development of education, training and upbringing for spiritual, moral, intellectual and physical perfection.
 - Support for public projects aimed at the patriotic education of citizens, the preservation of the historical memory and culture of the people of the Russian Federation.
 - Strengthening the cultural sovereignty of the Russian Federation and preserving its unified cultural space.
 - Preservation of the tangible and intangible cultural heritage of the Russian people, popularisation of the achievements of Russian science and technology, literature, artistic culture, music and sports.

- Spiritual, moral and patriotic education of citizens based on historical and contemporary examples, support of useful projects.
- Support for religious organisations aimed at preserving moral values, harmonisation of Russian society spreading the culture of inter-confessional dialogue and countering extremism.
- Promotion of the creation of works of literature and art, cinematographic, theatrical, television, video and internet production relevant to scientific research and popular science materials, which serve the above goals as opposed to violence or the policy of racial and religious extremism.
- Protection of the Russian society from external ideological expansion, destructive information and the propaganda of violence.
- Increasing Russia's role in the global humanitarian, cultural, scientific and educational space (Putin, 2021).

An analysis of the above points may yield various results: one of them is the conclusion that this document reinstates ideological foundations into international relations, and facilitates international propaganda activity and the enhancement of the propaganda's internal system.

Russia has to develop its foreign policy not simply against a liberal Europe but against a European policy developed along the lines of cosmopolitan perspectives. The main source of the conflicts is Russia's civilisational realist foreign policy, which does not recognise the EU as an international actor with state authorisations as it behaves as an economic integration, and its main instrument is the policy of sanctions. In addition, Russia does not consider the EU authoritative because its political direction is determined by the "hysterical policy" of the EU's "new masters", the "Polish-Lithuanian East Baltic imperial elite". This is clear from the new EU documents analysing the responsibilities of World War II. Thirdly, the EU is not an independent political power because its states are subject to the USA and the NATO; thus, they are not sovereign but rather civil states, with a foreign policy subordinated to Atlantism.

If this programme is compared with the programme of the EU EEAS (European External Action Service), we find that culture, for the European Union, is a part of the EU's global role, including cultural diplomacy and the UNESCO World Heritage programme, under which cultural exchange is an organic element of foreign policy. The Communication on "*European Agenda for Culture in a globalising world*" is the uniform system of the coordinated international cultural relations of the EU External Action Service, the Member States, the Parliament and civil society. The scope of the document covers the region of the European Neighbourhood: 16 Eastern and Southern European countries. It is a political dialogue and an intervention instrument. It covers the Mediterranean and the countries of the Cotonou Partnership Agreement (European Commission, 2016). The comparison reveals that its scope extends to the support of human rights and cultural diversity, the promotion of intercultural dialogue and the whole spectrum of culture: tourism, education, creative industries, the promotion of heritage and new technologies, all with a view to facilitating fundamental freedoms,

reconciliation and growth. Its thematic programmes include public diplomacy, cooperation on educational and academic matters, assistance in the development of democracy, human rights and global public goods and international assistance.

Therefore, in the EU's foreign policy, also, the elements of culture are international, strategic development elements rather than simply being a part of public diplomacy, which reflects the recognition that culture is part of the role of an international political power. The EU text avoids using the wording "European civilisation", instead referring to the pluralistic approach to cultural relations. The EU document is an expansionary document, from which the issues related to Russia are formulated separately – they are mainly identified as part of security issues and the new European Strategic Compass. While in the case of Europe, European civilisation translates into the moral and cultural burdens of breaking with the Western colonial past, for Russia the exploration and preservation of the imperial sources of Russian civilisation are the criteria of its status as a global player.

5. Results of the State-civilisational Foreign Policy

Approaching foreign policy in a state-civilisational context embedded new elements in policy. Going beyond traditional geopolitical thinking, a new concept was introduced: that of the "geopolitical region".

David Svarin analysed the geopolitical spaces constructed in Russian foreign policy discourse before and after the Ukraine crisis. Svarin proposes that Putin's fundamental goal when coming to power in 2000 was to restore Russia's status as a great power, as a strong and enormous country with a global influence over the shaping of the affairs of international policy. This implies Russia's ambition to belong to the small number of great powers which define their foreign policy independently and dominate the international system. By 2013, Russian foreign policy sees Russia as a nation which secured its high standing in the international community as one of the influential and competitive poles of the modern world. On the whole, Russian foreign policy focuses less on rational interests and material conditions than the great power status and power in general, regardless of whether Russia has the military or economic wherewithal. In this regard, Svarin highlights the same factors as Morozova. Russia's quest for great power status is based on the vast size of the country, its history and its resources. Since Russia suffered a significant loss of territory and lost control over vast territories, it needs a new geopolitical identity to pursue efficient foreign policy. Three geopolitical spaces have taken shape in Russian foreign policy discourse: the Euro-Atlantic Region (EAR), the Eurasian Geopolitical Region (EGR) and the Asia-Pacific Region (APR). Of the three regions, the Euro-Atlantic region has taken central position.

Euro-Atlantic Geopolitical Region: after the end of the cold war, in the 2000s – 2007, specifically – Lavrov still considered Russia to be a part of the Atlantic region even though the country was excluded from the political and institutional Euro-Atlantic community. In Putin's evaluation Russia

remains a major European power, and its foreign policy is an extension of its European identity. In 2008, the main objective of Russian foreign policy was to create a Euro-Atlantic region from Vancouver to Vladivostok. This should be understood in a USA-EU-Russia context, in which Russia is not a central player but strives to achieve deeper integration both with the USA and Europe. In this approach, Russia is one country of the three poles in the Euro-Atlantic power structure. This could be stabilised by a new pan-European security treaty. Moscow attempted to persuade Euro-Atlantic powers to modify the former Euro-Atlantic space in order to include Russia.

Eurasian Geopolitical Region: Russia is the greatest power in Asia; more than two thirds of its territory are situated in Eurasia and its role is to be a natural bridge between Europe and Asia. Russia is the centre of Eurasia, and in his presidential address in 2005 Putin insisted that Russia should pursue a civilising mission in Asia. Accordingly, the mission was to strengthen democratic values and the historic community based on a common historical experience. This region includes the former Soviet republics (CIS), the responsibility of which is to implement security, economic and humanitarian cooperation in Eurasia. By 2011, the Eurasian Union had become a supranational, integrating organisation which, based on its sustainable development model, is a region-shaping power alongside the EU and the APEC. Russia's future depends on its ability to become a leader and a centre of gravity for the whole of Eurasia, from the Baltic to the Pacific. Svarin's analysis, in short, highlights the evolution of the concept of Eurasia in the Russian leadership's way of thinking: from a vast, undefined space it became a region to be dominated by Russia, and then was transformed into an international subsystem in which Russia institutionalises its dominance through a new regional setting. This elevates the Eurasian region to the level of an international macroregion.

Asia-Pacific Geopolitical Region: in contrast to Europe, this is an inclusive region capable of integrating the USA, the Eastern powers and Russia. In initial discourse the region had been viewed as the direction of Russia's multi-vector policy; it was later declared to be a dynamically developing region, and it was finally referred to as a space in which it was important to strengthen Moscow's membership. Russia's Asia pivot is in line with the shift of power to Asia where Russia is present as a great power. At the same time, it is a crucial region even in terms of Russia's own development as the development of Siberia and the Russian Far East can only be interpreted in the context of the economic potential of Asia. From 2012, the vector of Russia's development involves Siberia and the Far East as the most dynamic region in the world. In this region, Russian integration is not only aimed at pragmatic interests but Russia itself intends to actively contribute to the region's growth. An important geopolitical direction of the region is the development of the Arctic geopolitical subregion in collaboration with China (Svarin, 2016).

The concept of geopolitical regions has undergone a significant evolution: the Arctic region was included in the context of joint development plans with China, and cyberspace and cybersecurity have emerged as an independent region.

An important conclusion of the study is that constitution crafting is of crucial importance to Russia. Priority issues include the Asian city-development model, developments in city-regions and tackling ethnic autonomy ambitions. Alongside the economic challenges of Russia, the overview of the

components of the Russian education system, culture, mass culture and elite culture appears as a new element. It is still undecided whether or not Russia's system is state-controlled capitalism. Infrastructure, communication and science policy are priority research areas. The history of Russian societal movements is unknown, and it would be important to review policy-shaping Russian science workshops.

References

- Aslund, A. & Gozman, L. (2021). *Russia after Putin. How to Rebuild the State*. Atlantic Council, Eurasia Centre.
- Coker, C. (2019). *The Rise of the Civilisational State*. Wiley.
- Cooper, J. (2021). *Russia's updated National Security Strategy*. NATO Defense College. <https://www.ndc.nato.int/research/research.php?icode=704#>
- Graham, E. T. (29 September 2021). Academic Webinar: Constraining Putin's Russia, *Council of Foreign Relations*. <https://www.cfr.org/event/academic-webinar-constraining-putins-russia>
- European Commission. (8 June 2016). *Joint Communication to the European Parliament and the Council. Towards an EU Strategy for International Cultural Relations*. <https://eur-lex.europa.eu/legal-content/HU/TXT/HTML/?uri=CELEX:52016JC0029&from=EN>
- Hervainé Szabó, Gy. (2021). *Russia in the Global World Order*. KJE.
- Khodorkovsky, M. (25 March 2021). *Gardariki, the Land of Cities. 10 Principles of Reform for a Post-Putin Russia*. <https://khodorkovsky.com/gardariki/2021>.
- Linde, F. (2016). The Statist Core of Vladimir Putin's Civilizational Discourse and its implications for Russian Foreign Policy. *Politics in Central Europe*, 12(1), 21-35.
- Miller, A. (11 August 2021). The 300th Anniversary of the Russian Empire. *Expert Opinions. Morality and Law Programme, Valdai Discussion Club*. <https://valdaiclub.com/a/highlights/the-300th-anniversary-of-the-russian-empire/>
- Mjor, K. & Turoma, S. (2020). *Russia as Civilization. Ideological Discourses in Politics, Media, and Academia*. Routledge.
- President of Russia. (19 September 2013). Meeting of the Valdai International Discussion Club. <http://en.kremlin.ru/events/president/news/19243/videos>
- Putin, (2021). Указ Президента Российской Федерации от 02.07.2021 № 400 „О Стратегии национальной безопасности Российской Федерации” <http://publication.pravo.gov.ru/Document/View/0001202107030001>.
- RozaNov, O. (2021). Олег Розанов: Россия — цивилизация Севера. 31 октября 2021, 18:28. <https://izborsk-club.ru/21857>
- Rumer, E. & Sokolsky, R. (20 June 2019). Thirty Years of U.S. Policy Toward Russia: Can the Vicious Circle Be Broken? *CEIP* <https://carnegieendowment.org/2019/06/20/thirty-years-of-u.s.-policy-toward-russia-can-vicious-circle-be-broken-pub-79323>
- Sukhorukov, V. D., Gladkiy, Y.N. & Kulik S.V. (2010). The Russian Arctic World, as cultural circle and object of development. 2021 IOP Conf. Ser.: Earth and Environmental Science 1-8. 10.1088/1755-1315/816/1/012010
- Svarin, D. (2016). The Construction of 'Geopolitical Spaces' in Russian Foreign Policy Discourse Before and After the Ukraine Crisis. *Journal of Eurasia Studies*, 7(2), 129-140.

- Teslya, A. (18 June 2021). A Post-Soviet Empire? Post-Imperial Reading of Nationalities Policy. *Russia in Global Affairs*. <https://eng.globalaffairs.ru/articles/a-post-soviet-empire/>
- Tsygankov, A. (2016). Crafting the State-Civilisation Vladimir Putin's Turn to Distinct Values. *Problems of Post-Communism*, 63(3), 146-158. <https://doi.org/10.1080/10758216.2015.1113884>
- Tsygankov, A.P. & Tsygankov P.A. (2021). Constructing National Values: The Nationally Distinctive Turn in Russian IR Theory and Foreign Policy. *Foreign Policy Analysis*, 17(4), 1-20.
- Zevelev, I. A. (20 December 2009). Russia's Future: Nation or Civilisation? *Russia in Global Affairs*. <https://eng.globalaffairs.ru/articles/russias-future-nation-or-civilization/>

BÉLA HÁDA

Geopolitical Power Play and Global
Power Ambitions in South Asia at the Beginning
of the Third Decade of the 21st Century



GEOPOLITICAL POWER PLAY AND GLOBAL POWER AMBITIONS IN SOUTH ASIA AT THE BEGINNING OF THE THIRD DECADE OF THE 21ST CENTURY¹

BÉLA HÁDA²

Abstract

South Asia plays a special role in the contemporary world order. While the dominant state of the region, India has global power ambitions for the 21st century, the Indian Ocean bordering South Asia has also gained strategic importance in the eyes of the great powers of the wider Asia-Pacific. This paper, supported by data, describes the current economic, demographic and military situation of South Asia compared to the neighbouring regions. Linked to this, it also presents in detail the key aspirations and achievements that underpin India's great power policy, from conventional and nuclear armaments through the development of relations with other great powers to maritime power status. This is followed by an analysis of the regional policies of the external powers interested in South Asia, the United States of America and the People's Republic of China, which pays particular attention to the impact of competition between the world's two leading powers on local relations. The picture is varied. For some South Asian countries, Chinese support is essential, while others prefer to counterbalance India's regional dominance. Finally, the paper makes some findings about the future prospects of South Asia.

Keywords: South Asia, India, geopolitics, great power competition, strategies

¹ The present study was funded by the TKP2021-NVA-16 grant of the University of Public Service (NKE HHK) "Applied military engineering, military and social science research in the field of national defence and national security at the Faculty of Military Science and Officer Training".

² Dr. Béla Háda PhD, Research Fellow, University of Public Service, Eötvös József Research Centre, Institute for Strategic and Defense Studies.

1. Introduction

Since the earliest eras of recorded history, South Asia has formed a unique development centre on Earth, one that to this day can be distinguished markedly from the other two macroregions of Asia in its narrow sense: Southeast Asia and Northeast Asia. Although the term itself is rather strained and appears to be coined from geography, the regions are truly determined by the countless instances of natural intertwining in the historical, cultural and political development of the people living in the area. In the past, the terms "Indian subcontinent" and "East India" were also in use, which aptly reflects the fact that Westerners traditionally identified this part of the world with Indian civilisation.

While, depending on the criteria applied, the delimitation of the macroregions of the world may be debatable in several regards, according to the most popular view, eight states are usually considered to be part of South Asia today. They are Afghanistan, Pakistan, India, Nepal, Bhutan, Bangladesh, the Maldives and Sri Lanka. They thus constitute the subject of this study. Although the modern Republic of India is indeed the leading state in the region (and accordingly, it is paid special attention in this paper), it should be noted at the start that the claim that South Asia, in essence, is limited to the great power of India and its immediate sphere of interests is a strongly over-exaggerated interpretation, calling to mind the world view of hard-core Indian nationalists. Today, the countries of the region are characterised by markedly different social policy and foreign policy trends, which are not independent of their ambitions to strengthen their respective national identities and counterbalance India's regional dominance. This is precisely what enables foreign powers (meaning: states outside of the region) to increase their influence and ultimately create a special strategic environment which is concurrently characterised by the development of India's ability to become a great (before long, global) power and the local manifestations of the intensifying US-Chinese and Indian-Chinese rivalry. As opposed to the Cold War period when the internal power dynamics of South Asia depended far more on the policy of superpowers, by the 21st century India (and, to a lesser degree, Pakistan) accelerated the internal dynamics of the South Asian regional security complex³ by enhancing its own abilities, and stepped forward as one of the key actors in the power play of a multipolar world.

In the rest of this study we describe in detail the factors that influence the positions unfolding in the region as compared to the rest of the continent, and present the great power aspirations that are shaping the lives of countries located in South Asia.

³ The theory of regional security complexes identified by the Copenhagen School of Security Studies, and in particular the work of Barry Buzan and Ole Waever, essentially refers to the group of countries discussed in the introduction as the South Asian regional security complex.

2. Unique development trends by the early 2020s

Focusing on phenomena that can be described by statistical time series, we find that the promising and less fortunate specificities of South Asia can be equally observed in two other macroregions in Asia. First of all, this region exhibits the greatest demographic growth across Asia in its narrow sense. Its population of around 1,133.5 million in 1990 rose by 723 million to 1,857 million by 2020 (World Bank, 2021a). Consequently, by the end of 2020 it grew to become the most populous macroregion in Eurasia and accounted for around 24% of the world's total population. This is 3% higher than the corresponding figure for Northeast Asia, which had long been understood as the most populous area in the world. This is an impressive number, overall, but it conceals uneven demographic processes at regional level. While, to this day, it is frequently assumed that India is “responsible” for the overwhelming majority of this population increase, in reality a shrinking percentage of South Asia's population is governed from New Delhi. While India accounted for 77% of the region's population in 1990, by 2020 this level dropped to 74% despite the continuous population growth in the country. In parallel, the northwest part of South Asia shows a continuous increase in weight. In the period of 1990–2020, Afghanistan's population rose 2.5 times even by conservative estimates, while Pakistan doubled its population in the same period. The share of the latter in the population of the region grew from 9 to 12% (World Bank, 2021a).

That notwithstanding, by 2025 the population of the Republic of India is estimated to exceed that of the People's Republic of China. This will put an end to a period during which the Chinese were thought to be the most populous nation in the world. In fact, the population of India is expected to peak in the second half of the century, at around 1.5–1.7 billion by various accounts (United Nations, 2017). The demographic dynamics of Pakistan, in turn, prognosticate an even higher rate of growth; accordingly, Pakistan is likely to move up on the list of the largest countries of the world from fifth place, registered in 2019, and it is not inconceivable that its population will be on par with that of the United States.

From the economy's point of view, the picture is two-sided. While in consideration of average GDP per capita and the limits of human development, the most under-developed parts of the region are located to the east of Iran, from the second half of the 2010s the same area exhibited the most dynamic rate of development (Reland, 2018). At purchasing power parity, GDP per capita amounts to only USD 6,131 in South Asia (Trading Economics, 2021). While, to a large degree, this figure also reflects the economic impacts of the management of the COVID-19 pandemic surge in the spring of 2020, it suggests that only Sub-Saharan Africa was a poorer region during the review period. However, when these numbers are presented, two things should be borne in mind: firstly, that the statistics depicting the large picture conceal a very extreme social reality (even realities), and secondly, the divergence between the respective performances of individual countries in the region is also extremely significant. India makes up 80% of the economic output of South Asia. Apart from India, Pakistan and Bangladesh contributed 8% each in 2020, while the share for the rest of the countries remained negligible (World Bank, 2021b). As regards their roles in global trade, six out of the eight countries of the region have a foreign trade structure typical of undeveloped countries,

exporting, for the most part, commodities, agricultural products and perhaps clothing and textile products (in the case of Bhutan, electricity), and importing advanced manufacturing goods. The Maldives represent a special category in this regard, with tourism and fishing making up a decisive portion of the GDP. At the same time, India's exports hint at a far more diverse and developed economy compared to its neighbours. The country exports substantial amounts of machinery and equipment, as well as pharmaceutical products. Although India does not yet jeopardise Chinese, Japanese or South Korean global trading positions, by the beginning of the third decade of the 21st century, South Asian products had the largest and most diverse supply on the market.

Thanks to the intensive development process starting in the first half of the 1990s, the past few decades also show a substantive change in the general standard of living in India. Despite Sri Lanka and the Maldives boasting the highest GDP per capita in the region in 2020, followed by the small state of Bhutan, India edged up to fourth place in the ranking and has undoubtedly become the most developed of all large economies in South Asia. At the same time, even this per capita GDP (amounting to USD 6,501 at purchasing power parity) was barely more than a third of the corresponding Chinese data (USD 17,204) in 2020 (World Bank, 2021c).

In respect of the economy, we should therefore draw the brief conclusion that even though the region of South Asia in general and India, in particular, gradually increase their weight within Eurasia, they are still far from closing the gap with Northeast Asia or Southeast Asia in the accessible general standard of living. However, if we consider the consolidated capacities of the economy (which are far more relevant to the power potential and influence of a country than per capita values), we will find that India boasted the third largest GDP if the world in 2020 at purchasing power parity, and even at nominal value expressed in USD it had the sixth largest GDP. By all calculations available at present, India's future may be even more impressive. In 2021, India's share of the global GDP (adjusted for purchasing power parity) represented around 7% (O'Neill, 2021) but according to the forecast of the OECD, for example, its share may well be 11% by 2060. By comparison: according to the same calculation, the USA will have a share of 14% of the global GDP in the same year (Organisation for Economic Co-operation and Development, 2013). In addition, India even had the largest working-age population in the world in 2022, and the figure for this section of the population is expected to keep growing for a long time. At the same time, this enormous potential workforce poses some challenges. New entrants to India's labour market are usually estimated at 1 million people per month, and providing jobs for them poses severe challenges to the governments in power (Tandom, 2018) and, simultaneously, the process also provides a permanent succession for labour migration flows. Finally, looking at armament rates, we should once again note two regularities: on the one hand, as opposed to the Western world, military expenditure never decreased in South Asia. Not even after the end of the Cold War. Local conditions simply did not make it possible. Subsequently, by the millennium, the modest growth recorded in the 1990s shifted into a higher gear (Sandler & George, 2016, pp. 179–180). On the other hand, the two determinant actors of armament in South Asia were India and Pakistan, while the military spending of other states in the region lags far behind both in terms of quality and quantity. Even at the end of the 2010s, more than 90% of the

military expenditure of South Asia could be attributed to the two leading powers (SIPRI Military Expenditure Database, 2021). It is not unreasonable, then, to take into account these two states primarily for the purpose of discussing the military powers of South Asia. However, even these two states exhibit significant asymmetry. In fact, India's military budget was almost seven times the budget of Pakistan, even in 2019 (SIPRI Military Expenditure Database, 2021). We will discuss the achievements of India's great power programme in more detail later; at this point it should only be noted that despite India's undeniable conventional dominance, in terms of strategic strike capabilities Pakistan appears to be a relevant counterbalance to its rival. By 2021, expert estimates assumed the existence of 165 non-deployed nuclear warheads in Pakistan compared to around 160 similar warheads in India (Federation of American Scientists, 2021). We should add, however, that the purported quantity of weapons is based on expert estimates, which are surrounded by some uncertainty by nature, even though these estimates tend to be fairly reliable in general. It is also important to stress that India appears to have an advantage in terms of the deployment capabilities of nuclear weapons, primarily as a result of the operational nuclear triad and the longer-range ballistic missiles (Háda, 2019). Pakistan's targets, however, are not as far-reaching as India's. The objective of Islamabad is simply to have an ability to deploy as many weapons of mass destruction in the territory of its Eastern neighbour as are sufficient to deter it from becoming engaged in any serious armed conflict. By contrast, New Delhi strives to flaunt its power not only before Pakistan but also China, and intends to have its nuclear weapons play a role in cementing its prestige abroad as a limited global power. All of this means that strategic deterrence regarding South Asia is carried out at two levels. On the one hand, capabilities are showcased within the region (albeit with some asymmetry); this intention is clearly reflected in the actions of the top two countries in South Asia. On the other hand, strategic deterrence also exists outside of the region: indeed, India can already reach the farthest places in China with its ballistic missiles, and strives to become capable of a nuclear strike in the most expansive geographical space possible and, hence, emerge as a global power. In the latter, however, Beijing's superiority is already unquestionable.

In addition, one of the centres of the multipolar world order is being organised within the region of South Asia, which warrants a separate chapter for the power ambitions and real opportunities for India.

3. India, the Regional Power

As shown above, it is hard to find any relevant indicator in the context of power politics that would not point to the decisive superiority of the Republic of India over any other states in South Asia. The quantity of nuclear weapons is the only exception where Pakistan's minor superiority can be suspected. In all other respects, however, New Delhi rules the arena of powers. In fact, India is the only state in the South Asian regional security complex which can be considered, albeit to a limited degree, a global player. This also means that its principal challenger may make an appearance from outside of the region, in the "person" of the People's Republic of China. New Delhi's emergence

as a limited global player is a phenomenon of paramount importance in the development of the international order, but it is backed by a long period of development within the country.

Ever since the country became independent in 1947, the governing elite of India has had a peculiar idea about the great power status of the country. Initially, however, it was meant to be more of a moral compass, an intellectual centre providing an alternative world view to Cold War resistance (Cohen, 2001), as indeed, the India at the time was heavily dependent on external economic assistance, and had no military wherewithal (with a military also kept weak by its own elite). Against the backdrop of India's defeat by China in the autumn of 1962, this started to change with the launch of nuclear research for military applications and the upswing in traditional armament. By the early 1970s, India had unquestionably become the regional power of South Asia (Háda, 2019); in addition, it had formulated a broader security policy concept for the entire Indian Ocean region. The latter has become known as the Indian Ocean zone of peace proposal (Indian National Congress, 1970), which, under the dominance of New Delhi, was intended to practically exclude this zone from Cold War power plays. Obviously, since the great powers had no interest in their own geographical retrenchment and in the delimitation of a separate power zone for India, nothing came of it. This is worth recalling because, thanks to the consistent development of Indian strategic thinking, the ambitions mentioned above are still present in the country at the beginning of the third decade of the 21st century. This, however, also implies some contradictions. Depicting the country as a "soft power" which is benevolent to friendly states sets a moral example to the world and seeks dialogue and peaceful solutions to the arising problems is still a popular preoccupation of the political and military elite of India. By contrast, India had essentially become a military power by 2021; its military force of 1.45 million in peacetime is the third largest in the world and second largest in Asia (Hackett, 2021, p. 259). Between 2011 and 2020, its defence expenditures rose by 34% (da Silva et al., 2021), and by 2019 India's defence budget was the third largest in the world, even at nominal value, far exceeding that of the traditional great powers of Europe, including its former coloniser, the United Kingdom (Association for Defending Victims of Terrorism, 2020).

The most authentic pillars of its power position are still associated with the military dimension, including its nuclear strike capabilities sufficient for being a credible minimum deterrent, a rapidly developing navy and the upgrade of the other two military branches often with tool systems developed internally or in conjunction with Russia. In the course of the 2000s and 2010s, the defence concepts of New Delhi showed an evolutionary development, resulting in the country's increasingly ambitious expectations for its armed forces. Of these, the greatest publicity was given to its ability to tackle two independent armed conflicts simultaneously and the expansion of zones of maritime interest. The former – two-front war – was given publicity in 2009 for the first time, and it was clearly underpinned by an intention to counterbalance the Pakistani-Chinese alliance (Lodhi, 2010). The latter, in turn, reached another milestone in the Indian Maritime Security Strategy of 2015, which declared India's secondary areas of maritime interests across half of the world and primary areas of maritime interests for the Indian Ocean as a whole (Integrated Headquarters, 2015, pp. 32-35). On the technical side, this arrangement is supported by the accelerated development of the fleet's clout. By the end of 2021, India had lined up two fleet aircraft carriers. It had no rival in South Asia

in the application of the naval air force, and even in broader Asia only China and Japan had larger capacities. Although the Indian fleet is not considered outstandingly large in terms of the number of surface units, its equipment has shown spectacular progress in the past two decades. By 2021, the Indian Navy had around 280 operational vessels, which comprised – in addition to the two aircraft carriers mentioned above – 16 submarines, 10 destroyers and 17 frigates (Hackett, 2021, 261). Their technical quality, however, varies. Without going into detail, it should be noted that most of the submarines are fairly outdated, not really befitting the profile of a great maritime power. There is, therefore, ample room for improvement; however, the resulting drawbacks are offset somewhat by the advantages stemming from the country's geopolitical specificities.

As regards foreign policy, the open support of the United States gathered much steam for the ambition that aims at calling India the greatest power controlling the Indian Ocean. The US National Security Strategy issued in December 2017 (White House, 2017) openly declares that the USA supports India's "net security provider" role in the region. The latter idea was first expressed publicly in the above-mentioned 2015 Indian Maritime Security Strategy (Integrated Headquarters, 2015, p. 8). In essence, India is to unilaterally guarantee the security of the maritime transportation of passengers and freight across the Indian Ocean to countries which have an interest in – but no means to guarantee – such security. With that said, India also maintains its position that the military presence of foreign powers is undesirable on the Indian Ocean. This is very similar to the peace zone proposal of the seventies, but instead of the then-prevailing superpowers, the goal is to keep the People's Republic of China away.

At the same time, in the spring and summer of 2020, the financing of the Indian security sector was significantly affected by the extensive restrictions ("national closure") associated with the coronavirus pandemic. In the first quarter, the Ministry of Finance announced that it would cap defence spending at 20% of the total annual budget, which obviously impeded the modernisation programmes in progress (Hackett, 2021, p. 227); in the long run, however, this is unlikely to have a substantive impact on developments in the country's power position.

4. External Power Aspirations and Geopolitical Power Play

The end of the Cold War and the ensuing collapse of the Soviet Union spawned momentous changes in South Asia also. From the end of 1991, Moscow controlled a country that no longer had direct borders with the region, and its local influence rapidly dissipated. At the same time, Russia continued to be a very important partner for India, primarily because the military technique developed by the Soviets proved to be irreplaceable in several branches of the Indian armed forces. Collaboration between the two countries in military technique resulted in achievements of joint development such as the development of fifth-generation jet fighters or the production of BrahMos supersonic cruise missiles. With that said, the influence of Russia on the strategic processes of South Asia was unable

to recover to this day. In fact, India's strategic independence and pro-USA stance do not permit anything beyond mutually beneficial military technology cooperation and security policy dialogue in the first place.

While in the 1990s there was a relative disinterest among Western powers with regard to South Asia, after the turn of the millennium the region rapidly returned to the forefront of international relations. The US action against the Taliban in Afghanistan in retaliation to the terrorist attacks on September 11, 2001 was only one, albeit not insignificant, reason for the renewed interest, and it opened up important diplomatic and financial opportunities in Pakistan – a country which was in the midst of yet another dictatorial period at the time. For almost two decades, Islamabad regained the keen interest of its former Cold War ally, which had a positive impact both on the upgrading of its armed forces (Epstein & Kronstadt, 2012) and on its ability to raise external funds in order to jump-start its economic growth (Fedon, 2008). In parallel, Pakistan attempted to reap the benefits arising from the relations between the USA and China. It was a very special situation for Pakistan in that it found itself being a friend of both leading global powers, although there was no doubt about the order of priority. In Islamabad, the United States had always been considered an unreliable ally who only paid attention to Pakistan when its interests so required. By contrast, Pakistan views China as a stable ally, with long-term, convergent strategic interests in Islamabad in respect of the immediate South Asian region. Accordingly, it has prioritised its relations with Beijing, which was expedited further by the developments taking place in the early 2020s. Below we will discuss Chinese considerations in more detail.

Washington was aware of the concealed assistance provided by the Pakistani government to the Taliban and other South Asian terrorist organisations. Therefore, there was no trust on either side of this political alliance, and from the beginning of the 2000s the United States began to attach more significance to developing its relations with India. The latter, however, can be attributed much less to the USA's reservations about the Pakistani policy than to longer-term strategic considerations. The consecutive governments of George W. Bush and Barack H. Obama were well aware that the increasing challenges posed by the People's Republic of China to the global leadership of the USA and to its dominance in Asia should be counterbalanced on the continent. This would not only be somewhat less expensive but, in terms of direct US security interests, it appeared to be a less reckless strategy. At the same time, it was clear that even though Japan, South Korea or, for that matter, Australia remained key allies, there was only one state to the east of Iran whose size and reserves available for military purposes were on par with those of China: India. In addition, located in the axis of the Indian Ocean and having its own nuclear power, the country has a number of opportunities, the exploiting of which could easily collide with Beijing's strategic interests. Thus the US party only had to recognise the previous achievements of the largest state in South Asia, and assist it in further developing the capabilities that ensure its status as leading local power in the Indian Ocean region. In this spirit, the US-Indian cooperation unfolding from the 2000s included the recognition of New Delhi as a *de facto* nuclear power, peaceful nuclear cooperation, a possible Indian market for cutting-edge US military technology equipment and professional cooperation between the branches

of military forces. Of the latter, particular attention is paid to the annual “Malabar” naval exercises under which US and Indian naval units practise efficient cooperation in various situations. From 2015, the Japanese Navy, and from 2020, the Australian Navy also joined the originally bilateral exercises; thus in essence, the exercises have become a QUAD cooperation war game.

Initiated by Japan, the Quadrilateral Security Dialogue (QUAD) was formally established in 2007, and after a decade of stagnation, in 2017 the cooperation of the members began to gain momentum (Fukushima, 2018). While the anti-China content was clear from the start, the four members officially based their cooperation on four foundations: the enforcement of compliance with international law, a focus on democratic values and maintenance of a free and open Indo-Pacific. From 2020, however, cooperation in defence policy was also paid special attention. In September 2020, Japan and India signed a pact on deepening military cooperation between the two countries (Gill, 2020), and although New Delhi emphasises the non-military nature of the QUAD (Chaudhury, 2021), Beijing is increasingly trying to discourage South Asian nations from closer cooperation with the alliance.

The Agreement of the United States with the Taliban on 29 February 2020 on the withdrawal of US forces from Afghanistan (U.S. Department of State, 2020) marked a new era in the strategic processes of the northwest region of South Asia. At that time, the Pakistani-US relationship had been at a low point for years, and the withdrawal made it clear that there was no substantive competition between the two leading powers of the region for US support: India remained the best friend of the United States in this part of the world. At the same time, the abandonment of Afghanistan’s Gháni government did not benefit India’s security position. In fact, the meltdown of the Kabul system in summer 2021 and the Taliban’s return to power implied that a scenario that had been long considered probable by Pakistan had indeed materialised. As a result, Islamabad could now be reassured that a political elite is in power in Afghanistan which owes a debt to Pakistan but is hostile to India. It is generally expected that the change in Afghanistan may intensify the threat of terror in the Indian Kashmir, where, in August 2019, the New Delhi government eliminated the constitutional guarantees that had provided the local Muslim population with a special status (Mahurkar, 2019), and reclassified the states of Jammu and Kashmir as federal territories (The Jammu and Kashmir Reorganisation Bill, 2019). However, tackling the challenges of Islam-based terrorism is India’s problem. For Washington, the strategic significance of Afghanistan had all but dissipated by 2021. This is closely related to the fact that the USA was clearer than ever in its intention to place the challenges associated with the rise of the People’s Republic of China at the centre of its foreign and security policies. At the same time, it was trying to put in place the capabilities which enable the USA to provide flexible responses to China’s actions without risking a severe armed conflict (Campbell & Sullivan, 2019). In respect of South Asia, this rendered the commitments to Afghanistan useless, while the increasingly close cooperation with India remained very much desirable. Therefore, even though New Delhi booked some losses as a result of the USA’s withdrawal at regional level, thanks to the underlying strategic concept, it also profited from it in the broader Indo-Pacific region.

For China, the South Asian region was initially important from the perspective of Beijing’s Himalayan positions. Two interconnected problems arose in this regard. Firstly, the common border

with India was delimited in the colonial period when, from the point of view of Chinese state ideology, the main negotiating partner, the British Empire, was an imperialist, aggressor power which had no right to declare claims against the Middle Kingdom; moreover, it had no right to include Tibet as a negotiating partner as the Chinese considered Tibet a part of the empire and not an independent state. Consequently, the People’s Republic of China essentially called into question the status of the entire, 3,500 km long border, while India considered it legitimate. Secondly, Beijing had always suspected that the Indian elite sympathised with – and was willing to actively support – the idea of Tibetan independence as they perceive a strong bond between Indian and Tibetan spiritual civilisation. Keeping the border issue on the agenda constituted a part of the Tibetan policy: China demanded Himalayan territories from India which were assumed by China to belong to Tibet, while it kept New Delhi under pressure with the uncertainty surrounding the border in order to prevent it from jeopardising Beijing’s interests. The two countries signed an agreement on Tibet in 1954, in which India recognised the land of the Tibetan Lamas as part of the People’s Republic. In the same year, the two countries signed an agreement, including a joint declaration that became known as the five principles of their peaceful coexistence. To this day, this is cited by China in all of its international treaties. However, the atmosphere of the much-promoted Sino-Indian friendship deteriorated soon, and when the South Asian power granted political asylum to the 14th Dalai Lama fleeing the Chinese army in 1959, Beijing considered it a violation of the five principles. The relationship reached a trough in October 1962 with the outbreak of the 33-day war (Abitbol, 2009).

The Border War of 1962 resolved almost nothing of the border dispute between the two countries (except the still ongoing Chinese annexation of the Aksai Chin Plain) but, as previously suggested, it brought about a significant change to India’s security and defence policy. Through the occupation of Aksai Chin and the border agreement with Pakistan a year later (under which China also brought the Shaksgam Valley under its control), Beijing also became directly involved in the Kashmir conflict. Islamabad, however, found a new ally in the People’s Republic of China after 1962. Their common goal was to contain India and prevent it from enforcing its territorial demands for good. Although the Sino-Indian diplomatic relations were rekindled in 1976 and the parties also declared the improvement of their economic relations from the end of the 1980s, confidence was never restored between the two largest states in Asia. The 21st century arrived to this atmosphere in the region, and India’s emergence as a potential competitor posed an increasingly serious challenge to Beijing. The stability of the Himalayan region remained an important consideration but Chinese interests became increasingly preoccupied with the ocean. From 1992, China became a net oil importer. It was precisely during the period in which India launched its comprehensive reforms and formulated the Look East Policy, which was aimed at the revival of the country’s South Asian influence. After that, China became increasingly concerned about the “Malacca dilemma”, i.e. the key role played by the South Asian Malacca Strait in China’s energy imports and its exports of finished goods to the West. The naval and air force bases of the Indian Andaman and Nicobar Islands are located across the opening of the Strait, practically serving as the fourth state of the Malacca region, controlled by India. Energy security is a critical consideration in this regard as, indeed, in 2020 the People’s Republic of China covered 73% of its oil consumption and 41% of its natural gas consumption

from imports (BP, 2020). The vast majority of these imports was shipped by sea. Although 57% of China's energy production was still coal-based at the time (BP, 2020), this item was significant enough to generate significant problems in the operation of the Chinese economy if only part of the imports was blocked. The reinforcement of Beijing's Indian-Ocean positions is based on its ambition to ensure that the supply routes are not unilaterally exposed to the US-Indian alliance. The smaller states of South Asia play a critical role in this endeavour. With construction starting in the early 2000s, Gwadar Port in Pakistan was practically implemented using Chinese capital. The port complex became operational from 2016, and constitutes a part of the China-Pakistan Economic Corridor (CPEC), the development package of which contains infrastructure projects being implemented in Pakistan from 2015 to this day (Günsberger, 2019, pp. 231-234). The CPEC is also part of the broadly promoted Belt and Road Initiative, which is expected to affect mainly Pakistan and Bangladesh of the states of mainland South Asia.

A fairly dynamic aspect of the India-China strategic game today is the programme for the circumvention – or, from another angle, containment – of India. A concept that has been very popular in Indian geostrategic thinking is the “String of Pearls” theory. Originally conceived in the United States, the theory essentially pointed out that through its port, airport and other infrastructure projects and acquisitions implemented in the South Asian and Indo-Pacific regions, China has acquired positions which surround India's territorial waters as a chain of sorts, securing Beijing's influence and even military presence, as required. Each pearl on the string represents port development projects, namely, to the west of the Malacca Strait, Kyaukpyu in Myanmar, Chittagong in Bangladesh, Hambantota in Sri Lanka, Male in the Maldives and Gwadar in Pakistan. New Delhi's response is the “Necklace of Diamonds” concept (Singh, 2021), which contains bilateral or security policy cooperation between India and a number of states neighbouring China (e.g. Mongolia) or other countries concerned about China's power ambitions (e.g. Indonesia) (Bubna & Mishra, 2020). The concept, which was first made public in 2011, relies on various methods to organise the federal network of India depending on which solution is supported by the partner. The agreements, for example, cover the use of military bases or comprehensive economic or security cooperation. Until 2022, the diamonds of the necklace were represented by Mauritius, the Seychelles, Oman, Indonesia and Iran.

Most South Asian states that are open to China's propositions are motivated by their fear of India's dominance or their desire to attract the investments required for their development or acquire trading opportunities. Their situation, however, varies. For Pakistan, for example, alliance with China is supported by serious ideological and security policy arguments as it has no other viable regional alternatives. At the same time, smaller states of the region concentrate much more on trying to balance between Chinese and Indian geostrategic interests. Although Nepal, Bangladesh, Sri Lanka and the Maldives are important targets in Chinese networking, they need to consider India's sensitivity continuously, as India could potentially have a much bigger impact on their economic and political stability. The case of Nepal is particularly spectacular: being stuck between the two Asian giants, in recent years it has attempted to find a way out of its severe economic exposure to India – which did not even refrain from political blackmail – with the support of Beijing. Although

Kathmandu signed a deal with China on joining the Belt and Road Initiative (Giri, 2017), the implementation of the plan was delayed, and on Chinese President Xi Jinping's visit to Kathmandu in 2019, problems came to the surface (Jha, 2019). Indeed, the agreements signed on this occasion mainly benefited China's positions; therefore, in the case of Nepal, teetering between the influence of the two neighbours did not imply a balance between two good offers but a further infringement of its own interests. Similar to Nepal, China's appearance on the Indian Ocean also forced the Maldives to engage in a balancing strategy. Beijing had promised nothing less than miracles to the smallest state in Asia. The China-Maldives Friendship Bridge, for example, which connects the island of Malé and the capital of the Maldives with the international airport on Hulhule island, was completed by 2018 using Chinese loans (Seychelles News Agency, 2020). In the same year, however, the archipelago nation took a step back, and announced its intention to review the investment agreements. As an indication of the magnitude of the transaction: the loans granted under the investment programme amounted to USD 1.5 billion in total, which corresponds to more than 41% of the annual GDP of the Maldives (Macan-Markar, 2018). This would result in the extraordinary indebtedness of the Maldives to China which, given the steep fall in the Maldives' GDP against the backdrop of the coronavirus pandemic, would give rise to an even bigger predicament than had expected. The case of Sri Lanka is an apt warning: chasing grandiose fantasies, Sri Lanka relied on Chinese loans to develop Hambantota port and airport but, as the expected revenues failed to materialise, the island nation was unable to service the loans, and in 2017 was forced to lease the port to Beijing for a period of 99 years (Wong, 2021). Although the port is officially an important element of the Maritime Silk Road, it is also often cited as a textbook example of the Chinese tactic to boost its influence in the South Asian region and take control of important facilities by pushing the country concerned into a Chinese debt trap. Obviously, this is denied in Beijing but this and similar incidents testify to the cut-throat strategic competition for South Asian and Indian Ocean positions. Parallel to this, in recent years Beijing has escalated the situation in the northern part of the region as well. In the summer of 2017, Chinese road construction troops showed up on the Doklam Plateau – an area subject to a border dispute between Bhutan and China, and it was only India's resolute action that forced them to withdraw from the area. This, however, is likely to be a temporary result only as, in fact, China's presence was evidenced by satellite images in January 2022 on another debated area close to Doklam (Ghoshal et al., 2022). In turn, in 2020, border patrol units engaged in skirmishes along the Himalayan Sino-Indian border. As a result of the development of India's nuclear and conventional military capabilities, there is increasing risk of additional border conflicts between India and China. The development of an Indian military infrastructure in the Ladakh region was a good excuse to trigger a limited, low-intensity series of clashes which, on the one hand, demonstrated the resolution of the governments of both rising states to save face and protect their interests and, on the other hand, diverted the attention of the general public away from their own internal tensions: on India's side, the mistakes made during the management of the coronavirus pandemic and the abuses of power arising from the Hindu nationalism reflected in its social policy, and, on China's side, the elimination of Hong Kong's autonomy and the repressive policy against the Uyghur minority.

5. Enchanted by a New Golden Age

The fact that South Asia will play an increasingly important role in the global economy and geopolitical power plays of the 21st century is generally not disputed in current literature on the perspectives of Asian development. However, deciding on whether all countries in the region will benefit from the process is not nearly as straightforward. There is consensus on prognosticating India's growing power, but at the same time it should be borne in mind that the intensifying social tensions observed in Afghanistan, Pakistan and Bangladesh may also cast a shadow over the future. Similarly, it should not be disregarded that, for the most part, the increasing strategic importance of South Asia opens up new opportunities for countries located alongside the transport routes of the Indian Ocean, whereas the Himalayan states of the region (Nepal and Bhutan) and the northwest buffer state of Afghanistan are less likely to benefit from the process. With the Taliban's return to power in the summer of 2021, Afghanistan has essentially slid into international isolation, and its development outlook is not only constrained by the Taliban's unrepresentability but also by its internal conflict with the Islamic State's Khorasan branch. Pakistan's situation is no less concerning: by 2019, it was surpassed by Bangladesh in terms of GDP per capita at purchasing power parity (World Bank, 2021b), and the country was also severely hit by the impacts of the COVID-19 pandemic. Islamabad has demonstrated fairly poor development potential in Asian (and regional) comparison over the last three decades, and even in 2022 there was no sign of improvement in this regard. The country is increasingly dependent on Chinese capital, while the USA's interest in the country has steeply declined. In addition, Afghanistan is set to pose problems primarily to Pakistan, as well as to India, China and Iran in the near future.

At present, India fills the role of the USA's top strategic partner in South Asia, and this is expected to continue in the coming years. The central element of India's strategic culture, however, is an ambition to rely as much on self-sufficiency as possible. Accordingly, India at this point is reluctant to show a clear willingness to enter military alliances based on a mutual commitment to defence; it is more open to general – albeit occasionally deepening – security collaborations instead. Its future envisioned as an independent power centre is put in a peculiar context by the social and world views of the Hindu Nationalist elite in power in India since 2014. At the same time, the restatement of India's national development, history and future implies a gradual departure from the former fundamental values enshrined in the constitution after the country became independent. The creation of a Hindu nation in India and the pressure on the Muslim segment of society as part of this threatens to exacerbate internal conflicts, while also further increasing the distance between South Asia's leading power and the main Muslim-majority states in the region. Yet the South Asian Association for Regional Cooperation (SAARC), which was established in 1985, provides the necessary framework for closer integration. Nonetheless, a lack of trust in key areas is impeding more effective cooperation between the states in our region, suggesting that their divisions will continue to provide ample opportunity for external influence in their midst and that they will continue to have vastly different perspectives on economic development.

References

- Abitbol, A. d. (2009). Causes of the 1962 Sino-Indian War. *Josef Korbel Journal of Advanced International Studies*, 2009(1), 74–88.
- Association for Defending Victims of Terrorism (2020). *Global military expenditure sees largest annual increase in a decade*. <http://en.advtngo.org/report/1723/global-military-expenditure-sees-largest-annual-increase-in-a-decade>
- BP (2021). *Statistical Review of World Energy – 2021. China's energy market in 2020*. <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2021-china-insights.pdf>
- Bubna, V. & Mishra, S. (14 July 2020). String of Pearls vs Necklace of Diamonds. *Asia Times*, <https://asiatimes.com/2020/07/string-of-pearls-vs-necklace-of-diamonds/>
- Campbell, K. M. & Sullivan, J. (2019). *Competition Without Catastrophe – How America Can Both Challenge and Coexist With China*. *Foreign Affairs*. September/October <https://www.foreignaffairs.com/articles/china/competition-with-china-without-catastrophe>
- Chaudhury, D. R. (22 September 2021). To smoothen ruffled feathers in Asia, India terms QUAD a non-military alliance. *The Economic Times*, <https://economictimes.indiatimes.com/news/india/to-smoothen-ruffled-feathers-in-asia-india-terms-quad-a-non-military-alliance/article-show/86415597.cms?from=mdr>
- Cohen, S. P. (2001). *India: Emerging Power*. Brookings Institution Press.
- da Silva, D. L., Tian, N. & Marksteiner, A. (2021). *Trends in World Military Expenditure, 2020*. SIPRI. https://sipri.org/sites/default/files/2021-04/fs_2104_milex_0.pdf
- Epstein, S. B. & Kronstadt, K. A. (2012). *Pakistan: U.S. Foreign Assistance*. CRS Report for Congress.
- Federation of American Scientists (2021). *Status of World Nuclear Forces*. <https://fas.org/issues/nuclear-weapons/status-world-nuclear-forces/>
- Fedon, P. L. (2008). Role of the Asian development Bank in Pakistan's Development. *Pakistan Horizon*, 61(3), 37–42.
- Fukushima, A. (30 November 2018). *The Quad as a caucus for cooperation*. *The Strategist*, Australian Strategic Policy Institute. <https://www.aspi.org.au/the-quad-as-a-caucus-for-cooperation/>
- Ghoshal, D., Katakam, A. & Bhandari, A. (13 January 2022). China steps up construction along disputed Bhutan border. *Reuters*. <https://graphics.reuters.com/CHINA-BHUTAN/BORDER/zjvqknaryvx/>
- Gill, P. (11 September 2020). India and Japan sign 10-year military pact to counter China in the Indo-Pacific — strengthening the QUAD, *Business Insider*. <https://www.businessinsider.in/policy/foreign-policy/news/india-and-japan-sign-10-year-military-pact-to-counter-china-in-the-indo-pacific-strengthening-the-quad/articleshow/78055166.cms>

- Giri, S. (12 May 2017). Nepal, China sign deal on OBOR. *The Kathmandu Post*. <https://kathmandupost.com/national/2017/05/12/nepal-china-sign-framework-deal-on-obor>
- Günsberger D. (2019). A kínai-pakisztáni gazdasági folyosó biztonsági aspektusai: külső és belső kihívások. [Security Aspects of the China-Pakistan Economic Corridor: External and Internal Challenges.] In Salát Gergely – Szakáli Máté – Szilágyi Zsolt (szerk.), *Veszélyes vizeken*. (pp. 231-252). Typotex.
- Hackett, J. (2021). *The Military Balance 2021*. Routledge.
- Háda B. (2019). *India biztonságpolitikájának evolúciója 1947-2017*. [The Evolution of India's Security Policy 1947-2017], NKE.
- Indian National Congress (1970). *Address at the Third Conference of the Heads of State or Government of Nonaligned Countries [Lusaka, September 1970]*. Speeches., <http://inc.in/resources/speeches/337-India-And-The-Third-World>
- Integrated Headquarters (2015). *Ensuring Secure Seas: Indian Maritime Security Strategy*. Ministry of Defence. https://indiannavy.nic.in/sites/default/files/Indian_Maritime_Security_Strategy_Document_25Jan16.pdf
- Jha, H. B. (23 October 2019). *Xi Jinping's visit to Nepal: A diplomatic victory for China?*, Observer Research Foundation. <https://www.orfonline.org/expert-speak/xi-ping-visit-nepal-diplomatic-victory-for-china-56932/>
- Joël, R. (2018). *Comparing economic growth across the world*. Full Fact. <https://fullfact.org/economy/global-economic-growth/>
- Lodhi, M. (2010). India's Military Doctrine. *Khaleej Times Online*., http://www.khaleejtimes.com/DisplayArticleNew.asp?col=§ion=opinion&xfile=data/opinion/2010/January/opinion_January39.xml
- Macan-Markar, M. (30 September 2018). *China's infrastructure diplomacy takes a beating in Asian elections*. *NIKKEI Asia*. <https://asia.nikkei.com/Spotlight/Belt-and-Road/China-s-infrastructure-diplomacy-takes-a-beating-in-Asian-elections>
- Mahurkar, U. (9 August 2019). Downsizing Kashmir. *India Today*. <https://www.indiatoday.in/magazine/the-big-story/story/20190819-downsizing-kashmir-1578639-2019-08-09>
- O'Neill, A. (2021). India: *Share of global gross domestic product (GDP) adjusted for Purchasing Power Parity (PPP) from 2016 to 2026*. Statista. <https://www.statista.com/statistics/271328/indias-share-of-global-gross-domestic-product-gdp/>
- Organization for Economic Cooperation and Development. (2013). *Looking to 2060: Long Term Growth Prospects for the World*. <http://www.oecd.org/eco/outlook/lookingto2060.htm>.
- Sandler, T. & George, J. (2016). Military Expenditure Trends for 1960–2014 and What They Reveal. *Global Policy*, 7(2), 174-184.
- Seychelles News Agency. (18 August 2020). *India seeks to counter China sway in Maldives with bridge project*. <http://www.seychellesnewsagency.com/articles/13399/India+seeks+to+counter+China+sway+in+Maldives+with+bridge+project>
- Singh, A. K. (2021). *Why has India's 'necklace of diamonds' strategy in the Indian Ocean Region not been as successful compared to China's 'string of pearls' strategy?* Manohar Parrikar Institute for Defense Studies and Analyses. <https://idsa.in/askanexpert/why-has-india-necklace-diamonds-strategy-indian-ocean-region>
- Stockholm International Peace Research Institute. (2021). *SIPRI Military Expenditure Database*. <https://www.sipri.org/databases/milex>
- Tandom, R. (26 February 2018). India Needs 10 Million Jobs Per Annum Till 2030 To Counter Unemployment, *Business World*. <http://www.businessworld.in/article/India-Needs-10-Million-Jobs-Per-Annum-Till-2030-To-Counter-Unemployment-/26-02-2018-141808/>
- The Hindu. (2019). *The Jammu and Kashmir Reorganisation Bill*. <https://www.thehindu.com/news/resources/article28823852.ece/Binary/FullTextofJ&KReorganisationBill.pdf>
- Trading Economics. (2021). *South Asia - GDP Per Capita, PPP (current International USD)*. <https://tradingeconomics.com/south-asia/gdp-per-capita-ppp-us-dollar-wb-data.html>
- U.S. Department of State. (2020). *Agreement for Bringing Peace to Afghanistan between the Islamic Emirate of Afghanistan which is not recognized by the United States as a state and is known as the Taliban and the United States of America*. <https://www.state.gov/wp-content/uploads/2020/02/Agreement-For-Bringing-Peace-to-Afghanistan-02.29.20.pdf>
- United Nations. (2017). *UN World Population Prospects 2017*. <https://population.un.org/wpp/>
- White House. (2017). *National Security Strategy of the United States of America*. <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>
- Wong, C. (25 February 2021). China can extend Hambantota port lease to 198 years, Sri Lankan minister says. *South China Morning Post*. <https://www.scmp.com/news/china/diplomacy/article/3122975/mistake-china-can-extend-hambantota-port-lease-198-years-sri>
- World Bank. (2021a). *Population, total - Bhutan, Maldives, Afghanistan, Bangladesh, India, Nepal, Sri Lanka, Pakistan*. <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=BT-MV-AF-BD-IN-NP-LK-PK>
- World Bank. (2021b). *GDP (current USUSD) - India, Bangladesh, Bhutan, Afghanistan, Maldives, Nepal, Sri Lanka, Pakistan*. <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=IN-BD-BT-AF-MV-NP-LK-PK>
- World Bank. (2021c). *GDP per capita, PPP (current international USD) - India, China*. <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD?locations=IN-CN>

Fault Lines in Europe – The Position of Central
Europe in the New World Order



FAULT LINES IN EUROPE – THE POSITION OF CENTRAL EUROPE IN THE NEW WORLD ORDER

Csaba Moldicz¹

Abstract

The Central European region has undergone a radical transformation between 1990 and 2021, but it did not stop in the 1990s, which we usually refer to as the transition period. The countries' foreign policy goals also changed radically later on. At first, membership in the EU and NATO seemed to be the foreign policy goal, but later it became obvious that institutional integration is only the tool to achieve the real goals: economic prosperity and security. The more than three decades can be divided into two periods, and the dividing line is the Global Financial Crisis which, on the one hand, had an enormous impact on the economic development of the region, but, above all, significantly changed the foreign policies of the Central European countries. This change in goals can be explained by two main factors. First, the model of economic development seems to have reached its upper limits and the reserves for the catching-up process are exhausted, making a recalibration of this model necessary. Second, the rise of the Eurasian continent, especially China, made cooperation with this region attractive for Central Europe. However, the initial enthusiasm for cooperation seems to have waned in the region as tensions between the United States and China have increased during the global pandemic, forcing countries to choose sides. Although the initial conditions and motivations were similar, we can identify rising fault lines in the foreign policy response of Central European countries to this new environment.

Keywords: Central Europe, EU, US, Russia, China, geopolitical and geoeconomic competition, fault lines, asymmetric dependence

¹ Dr. Csaba Moldicz PhD, Head of Research, Eurasia Center, John von Neumann University.

1. Introduction

The geopolitical and geoeconomic map of Central Europe has been radically transformed over the past two decades. While the pre-financial crisis era of 2008–2009 focused on restoring and institutionalising the region's links with Western Europe – see the EU and NATO membership – in the post-financial crisis era, these countries focused on rethinking their foreign policy and economic development objectives. Due to the fact that the region has always been a part of the European power structure and economic division of labour, the realisation that European reintegration entails, in addition to economic benefits, a strengthening of asymmetric dependence on the West has also prompted a shift towards other regions. Diversification of economic relations may take place in effect towards Asia, as the economic emergence of the East Asian region may provide a significant growth surplus for the Central European countries. At the same time, the countries of the region had to rapidly realise that strengthening cooperation with China and Russia comes at a cost in terms of foreign policy, and that the Western European powers and the United States view China's rise, especially in Central Europe, with suspicion.

This paper attempts to address the fundamental question of why there has been a radical shift in the foreign policy and external economic thinking of the countries in the region and what this may mean for the European Union and the broader European region. The study is divided into the following chapters: the first chapter after the introduction analyses the period between 1990 and 2021, with the crisis of 2008–2009 serving as the breaking point, and a separate chapter deals with the level of economic development in the Central European region and the dilemmas of catching-up. The paper concludes with an analysis of the role of the Eastern Opening and the major fault lines in the region. This paper makes no attempt to clarify the concept of Central Europe, as this would make it too lengthy. For the purposes of this study, the term is used to refer to the Central European countries that are members of the European Union, namely the Baltic States, the Visegrád Group, Slovenia, Croatia, Bulgaria and Romania.

2. From Hopes to Loss of Illusions

Following the collapse of the Soviet bloc, the region was characterised by enthusiasm and the hope that the Cold War and the division of Europe would never return and that, with the fall of the Berlin Wall, the eastern half of the continent would soon catch-up with the so-called West. Analysts currently view the re-division of the world into large trading blocs as a real threat, but the emergence of separate technological ecosystems cannot be ruled out either. The emergence of a new cold war has been the subject of recent analyses, and experts have even explored its possible tactics. Brands and Gaddis sum up the situation as follows: *“It's no longer debatable that the United States and China, tacit allies during the last half of the last Cold War, are entering their own new cold war: Chinese President*

*Xi Jinping has declared it, and a rare bipartisan consensus in the United States has accepted the challenge*² (Brands & Gaddis, 2021, 10). While the part of the assessment on how the tension between the two countries began to develop is debatable, the quote captures the zeitgeist.

The fundamental question is how we arrived at the current situation from Fukuyama's "*end of history*" approach, which predicted the end of ideological conflict and competition between political and economic systems. This naïve but optimistic approach was rooted in the belief that there was no alternative to capitalism based on the neoliberal free market and the Westminster model of democracy, which offered the only means for catching-up, prosperity and a peaceful international order. This conclusion may have seemed obvious and logical to contemporary analysts who had witnessed the debacle of the Soviet bloc, but the rise of China three decades later, which has not only brought prosperity but has also resulted in the emergence of a viable economic model, calls into question the zeitgeist and its main conclusions of the nineties.

We cannot be certain whether China's economic and technological rise is an unstoppable process or whether additional economic and/or political reforms³ are required to continue it; however, what is more important for Central Europe is that the Chinese successes and the survival of other political systems challenge the notion that the Western model is the only viable alternative. In addition, it is important to note from the outset that the path forward for Central European nations is not to adopt other economic models, but instead capitalise on the opportunities presented by a multipolar global economy and adapt their current economic model to the new environment. The countries of the former Soviet bloc, particularly those that joined NATO⁴ and the European Union⁵, may have believed that membership in these organisations was enough to attain greater sovereignty and economic prosperity. However, only institutional integration was substantively articulated in terms of foreign policy and external economic objectives, and foreign policy was thus exhausted. It soon became apparent, however, that these were not actual objectives, but rather, at best, merely means to achieve the aims of increasing prosperity, establishing security and bolstering sovereignty. The region was soon confronted with a Catch-22-style dilemma. The elements of this situation are:

1. The countries in the region could not catch-up using their own resources, such as equity capital and technological advancement, because domestic saving rates in the region are typically low and it takes time for this to change.

Thus, the relatively low domestic savings rate in the region necessitated/necessitates the attraction of foreign capital, and due to the scale and historical backwardness of the markets, the development of the technological level could not be accomplished by relying on domestic resources.

2. Western capital imports and technology transfer were efficient up to a certain point in development, but increasing asymmetric dependence precludes the completion - by definition - of catching-up.

The only answer to this Catch-22 situation is to improve economic relations, namely diversification. Unlocking this dependency does not and cannot mean abandoning the institutional integration of the past, since geographical proximity not only facilitates cooperation but also makes it meaningful. Notably, it is precisely the diversification of economic relations that is characteristic of successful Western European countries (and contrary to what the media portrays, it is precisely those countries – Germany and France – that oppose cooperation with China that are China's biggest economic partners in Europe). The difference is that the German economic presence in Central Europe can be interpreted as a kind of extension of the German economy, and in the current context, the presence of Chinese, Japanese, South Korean and Russian companies in Central Europe could lead to a deterioration in the relative market position of German companies.

Diversification of trade and capital investment alone is insufficient to complete the catching-up process, but it can expand the external economic latitude and, in combination with other policies (higher education reform, R&D institutional reform, digitalisation of the economy, etc.), may contribute to its success.

3. The State of Economic Development in Central Europe

In this region, only the Czech Republic is close to the EU average in terms of GDP per capita at purchasing power parity. Slovenia is the second-best performing country, but its development has slowed significantly and its relative position has weakened in the post-global financial crisis era. At the same time, GDP per capita in the Baltic countries has really taken off, with their relative position rising by more than ten percentage points, and in the case of Lithuania, this means a 26 percentage point change.

² The original quote: „It's no longer debatable that the United States and China, tacit allies during the last half of the last Cold War, are entering their own new cold war: Chinese President Xi Jinping has declared it, and a rare bipartisan consensus in the United States has accepted the challenge.”

³ Rosen focuses on the lack of economic reforms in the case of China, arguing that although China attempted to continue economic reforms after 2008-2009, it was unsuccessful (Rosen, 2021, p. 2). Others emphasise that China's ascent has come to an end, and that there are factors predicting a relapse. These factors include resource scarcity, negative demographic patterns, a shortage of capital in private firms as a result of the state's hunger for capital and a slowing rate of productivity growth (Beckley & Brands, 2021).

⁴ Poland, Hungary and the Czech Republic joined NATO in 1999, while the Baltic countries and Slovakia, Slovenia, Bulgaria and Romania joined in 2004.

⁵ The Baltic states, the Visegrád Group and Slovenia joined the EU in 2004, followed by Romania and Bulgaria in 2007, and, lastly, Croatia in 2013.

Table 1: GDP per capita (EU=100%, PPP data)

	2009	2020	Change between 2009 and 2020.
Czech Republic	87%	92%	+5%
Croatia	63%	65%	-2%
Estonia	65%	84%	+19%
Hungary	65%	73%	+8%
Latvia	53%	69%	+16%
Lithuania	57%	83%	+26%
Poland	60%	73%	+13%
Slovenia	86%	89%	+3%
Slovakia	72%	70%	-2%

Source: Eurostat database

Table 2: GDP per capita (EU=100%, current price data)

	2009	2020
High-income countries	152	129
EU	100	100
Slovenia	60	75
Estonia	24	67
Czech Republic	36	67
Lithuania	19	59
Slovakia	32	56
Latvia	20	52
Hungary	27	47
Poland	27	46
Croatia	29	41
Romania	10	38
Bulgaria	10	29

Source: own compilation based on World Bank database

Despite the rapid progress made by some countries, the catching-up process is incomplete; this is evident when examining the GDP per capita at current prices and productivity changes. The data in Table 2 reveal two facts: the same series of data that were evident in the previous series – the good performance of the Baltic countries and Poland – and the incompleteness of the catching-up process. The disparity appears to be even greater when we consider that the average for high-income countries, as defined by the World Bank, is approximately one-third higher than the EU average. If we take the average for high-income countries, then the figures of the most developed Slovenia and the least developed Bulgaria are only 52% and 23%, respectively, of the average GDP per capita of high-income countries.

Productivity can be measured in many ways; one of the simplest is GDP per hour worked, which filters out the negative effects of an ageing population and low economic activity (see Table 3). The apparent positive trend in the data is overridden by the fact that the economic modernisation of Central European countries has been driven by multinational companies. These companies have made substantial investments in the region for a variety of reasons, including the availability of inexpensive, relatively skilled labour, their geographical proximity to Western European markets and their familiarity with the region.

Table 3: GDP per hour worked (EU-28=100%)

	2000	2020	Progress between 2010 and 2020
Czech Republic	59	78	+29
Estonia	..	78	..
Hungary	55	72	+17
Latvia	40	71	+31
Lithuania	45	82	+37
Poland	50	75	+25
Slovenia	71	84	+13
Slovakia	54	84	+30
EU-27	100	100	..
G7	115	119	+4

Source: own compilation based on OECD database

The rapid and comprehensive opening in these countries was not preceded by a lengthy social debate; the so-called “big bang” transformation followed the logic of the Washington Consensus. This “one-size-fits-all” approach is attributed⁶ to John Williamson, the IMF’s chief economist at the time. The recommendations for economic policy issued in 1989 were originally intended for Latin American nations, but the economic transformation in throughout almost all of Eastern Europe followed this pattern. The economic policy prescription, which has been taken off the pedestal in the wake of the 2008-2009 financial crisis, essentially reflects a strongly neoliberal approach founded on the logic of increased competition and smaller state. Growth based on this economic policy relied on foreign capital inflows in good times and foreign borrowing in turbulent times, and as we later saw, led to a severe recession after 2008, when the financial crisis halted capital and credit flows to these countries. The Washington Consensus included privatisation, open trade policies and deregulation. In some countries, both foreign financing and development policies motivated by foreign companies have been transformed, and in Hungary, for example, have been replaced by a monetary policy that has focused on increasing forint-based financing and the rate of domestic funding. Poland has also followed suit. Along with the notion of re-Polonising the banking system (Naczyk, 2014, 17), Poland is not enthusiastic about adopting the euro. Both nations would retain their national currencies for some time to strengthen and preserve economic sovereignty, or more precisely, until convergence in terms of GDP per capita is achieved. The leader of Poland’s Law and Justice party stated the following in relation to this: “*We say no to the euro, we say no to European prices ... The EU membership agreement does not specify the date of introduction of the euro. We will join one day, but only if our standard of living is comparable to that of Germany*”⁷ (Kaczyński, quoted in Shah, 2019).

After opening-up, the successful economic development of Central European nations was based on the modernisation of the economy through multinational corporations. After the initial shock, many macroeconomic indicators, such as inflation and unemployment rates, swiftly improved. The influx of capital has essentially reconstructed the economy, replacing the previously prevalent heavy industry with more modern manufacturing sectors, particularly the automotive industry. The surge in exports caused by the influx of capital also rapidly improved the economic balance, with higher wages in the newly created sectors having a longer-term effect on wages in domestic firms, thereby increasing demand for domestic products and services. Then again, this type of growth has led to asymmetric dependency across the region, with the most extreme instance being Hungary, where a change in economic policy after 2010 has resulted in positive changes, even in numerical terms, but this process is far from being considered complete (see Table 4).

⁶ Although Williamson himself has repeatedly objected to the concept being associated with his name and his own interpretation of it (Williamson, 2004).

⁷ The original quote: „We say no to the euro, we say no to European prices ... The EU membership treaty doesn’t specify the date of euro adoption. Someday we will join, but only when our level of wealth comes close to that of Germany.”

Table 4: Foreign companies in Hungary (%)

	2010	2018
Number of companies	3,3	2,5
Sales revenue	51,6	48,6
Added value	49,3	47,8
Gross investment	49,0	40,1
Employees	24,7	26,3

Source: Hungarian Central Statistical Office: *Foreign-controlled enterprises in Hungary, 2018*, p. 5

Table 4 reveals the following:

- The role of foreign companies in Hungary is not only significant, but they are simply unavoidable; therefore, in order to strengthen economic sovereignty, a radical reduction of this role is necessary. At this point, it is worth noting that this is true across the region. According to Eurostat data for 2016, the share of foreign companies in value added in Hungary was 51.4%, while the EU average is practically half of that, namely 25%. The same indicator is 48.1% in Slovakia, 39.3% in the Czech Republic, 39.3% in Estonia, 36.8% in Poland, 32.9% in Latvia, 27.8% in Lithuania and 27.3% in Slovenia. Only Croatia’s indicator is below the EU average.
- It is also evident in the case of Hungary that foreign influence is diminishing as a direct consequence of the economic policy launched in 2010. This economic policy diverged from the neoliberal Washington Consensus, which intensified the financial crisis of 2008-2009 in the region. However, not everyone shares this viewpoint. Aslund, for instance, characterises what transpired in Central Europe as a classic boom-and-bust cycle: “*The East European financial crisis was a standard credit boom-and-bust cycle following a growth in average borrowing leading to a current account crisis. Little can be said in defence of the overheating of the economy and the policies that had caused it. Nonetheless, loose monetary policy was a global phenomenon, and it was challenging for these small and highly open economies to defend themselves against abundant capital inflows*”⁸ (Aslund, 2011, p. 1).

This interpretation is a complete misrepresentation of the situation, as these countries have never sought to defend themselves against capital inflows, since their economic model and development were based on massive and continuous capital inflows. Long before the crisis, these nations had had persistent current account deficits for the same reason. The crisis has worsened the situation, necessitating financial rescue packages in a number of countries in the region.

⁸ The original quote: „The East European financial crisis was a standard credit boom-and-bust cycle leading to a current account crisis. There is little to say in defense of the overheating and the policies that bred it. Yet loose monetary policy was a global phenomenon, and it was difficult for these small and very open economies to defend themselves against abundant capital inflows.”

Table 5 clearly shows that these countries had large current account deficits well before 2008, and that the financial crisis has, at most, aggravated this situation. It is also evident that these deficits have been substantially reduced and that in certain countries (such as the Czech Republic and Slovenia) they have turned into a significant surplus, while in others (such as Hungary, Croatia and Estonia) a stable balance is observed when several years are considered.

Table 5: Current account balance as a percentage of GDP (%)

	2000	2007	2008	2019	2020
Croatia	-1,4	-7,8	-10,5	3,0	-0,4
Czech Republic	-4,4	-4,6	-1,9	0,3	3,6
Estonia	-5,4	-14,9	-8,7	2,0	-0,6
Hungary	-8,5	-7,4	-7,3	-0,5	-0,1
Poland	-6,0	-6,7	-7,0	0,5	3,4
Slovakia	-3,1	-4,8	-6,4	-2,7	-0,4
Slovenia	-2,8	-4,1	-5,3	6,0	7,4

Source: own compilation based on IMF database

In the post-2008 era, most countries responded by changing economic policies. These countries had to address the following issues:

- *The gap between productivity and wage growth.* In a well-functioning economy, productivity growth is usually followed by an increase in wages. However, average wages in the Central European region lag significantly behind productivity growth. Novokmet and Bukowski view this gap as evidence of the previously mentioned asymmetric dependence. The two authors explain this phenomenon as follows: “The common characteristics of these nations suggest that the increased market power of foreign firms is a mutual source of the declining Central European employee rate. The significantly higher productivity of foreign firms in Central Europe has provided these firms with a substantial competitive advantage, as well as considerable market power. This power is reflected in the wage negotiation process, which has enabled these businesses to maintain low wages and high profit margins. With low domestic wages or the weakest wage-negotiation power, these companies face relatively low wage pressure”⁹ (Novokmet & Bukowski, cited in Léotard, 2018).

⁹ The original quote: “Common patterns across countries might suggest that the greater market power of foreign companies is one common source of the declining labour share in CE Europe. Much higher productivity of foreign firms in CE Europe (see Figure 1, the bottom row) has given them a wide competitive edge, empowering them with substantial market power. This is also reflected in the wage-setting process, which has allowed foreign firms to keep wages low and earn higher profit margins. With low domestic wages or the weakest labour bargaining power in the EU, foreign companies are facing relatively weak upward pressure on wages.”

- *The issue of foreign ownership.* Due to the effects described above, the benefits of productivity growth have increasingly accrued to the capital owner and much less to the worker, resulting in a significant capital outflow. In a blog post, Piketty describes the region as a land of foreign-owned economies. He rejects the idea that these countries are only beneficiaries of the EU accession because of EU resources, which he also backs up with figures: “Between 2010 and 2016, annual capital outflow (net amount) from profit and ownership accounted for 4.7% of the annual gross domestic product in Poland, 7.2% in Hungary, 7.6% in the Czech Republic and 4.2% in Slovakia, thereby reducing the national income of these countries by this amount. In comparison, the difference between net EU resources, i.e. payments and contributions to the EU budget, was considerably lower during the same period: 2.7% of GDP in Poland, 4.0% in Hungary, 1.9% in the Czech Republic and 2.2% in Slovakia...”¹⁰ (Piketty, 2018).
- *The dilemma of the economic model.* Given the aforementioned, it is easy to understand why the economic model through which the Central European countries have developed has been challenged. The model, also known as the *convergence theory*, has contributed to the development of the region, but at the same time its reserves have been depleted (Grela et al., 2017, pp. 88-91).

4. The Economic Policy Relevance of the Eastern Opening

The Eastern opening strategy, or some form of it, was not only embraced by Hungary in 2008-2009, but also by all countries in Central and Eastern Europe. If nothing else, it is worth mentioning the China-CEEC 16+1 formation, which will be 10 years old in 2022. This opening, characterised by trade and investment, as well as technology transfer diversification efforts described earlier, has coincided with the growth of China’s global and regional economic importance. Let’s begin with the dominant trends:

- *GDP.* In terms of purchasing power parity, China’s share within the global GDP was 2.3% in 1980, 17.0% in 2020, and is expected to exceed 20% by 2026.
- *Trade.* In 2002, more than 80% of the world’s countries traded more with the US than with China; today, 70% of the world trades more with China than with the US. If we consider the 16+1 cooperating countries, only the Baltic states trade more with the US (National Bank of Canada, 2021).

¹⁰ The original quote: „Between 2010 and 2016, the annual outflow of profits and incomes from property (net of the corresponding inflows) thus represented on average 4.7% of the gross domestic product in Poland, 7.2% in Hungary, 7.6% in the Czech Republic and 4.2% in Slovakia, reducing commensurately the national income of these countries. By comparison, over the same period, the annual net transfers from the European Union, that is, the difference between the totality of expenditure received and the contributions paid to the EU budget, were appreciably lower: 2.7% of the GDP in Poland, 4.0% in Hungary, 1.9% in the Czech Republic and 2.2% in Slovakia ...”

- *Foreign working capital investments.* China was the world's largest investor in working capital for the first time in 2020. The amount of capital invested by China reached USD 154 billion in that year, bringing its total overseas capital investment to USD 2.5 billion (Global Times, 2021).
- *Technology.*
- *Patents.* According to report by the World Intellectual Property Organization, China was the world leader in patent applications in 2020. China's 2.5 million patent applications are more than two and a half times that of US applications, which rank second. The situation was similar for trademarks, with 9.3 million trademark applications registered in China in 2020, compared to 900,000 in the US. China is also the world leader in industrial design (World Intellectual Property Organization, 2021).
- *5G technology.* It is worth adding that the trends outlined in *point a)* are partly attributable to the scale of the Chinese economy, but there are also areas in which Chinese companies are dominant in terms of market share and patents. One such area is developments related to 5G technology. According to Statista data from October 2021, China holds 41.3% of the so-called patent families¹¹, followed by South Korea with 19.8%, with the United States ranking only third on this list (see Table 6).

Table 6: Breakdown of 5G patent families in November 2021 (%)

China	41,3
South Korea	19,8
USA	15,3
Japan	8,9
Finland	8,3
Sweden	4,7

Source: Statista

The fact that 72% of patents originate in the East Asian region is also an intriguing aspect of the table above. This also demonstrates that the epicentre of global economic growth and technological development is increasingly shifting to the Eurasian region – despite the assertions of some that the 21st century will also be the century of the US. Long-term data analysts are currently predicting

¹¹ As defined by the Hungarian Intellectual Property Office: “The 1883 Paris Convention for the Protection of Industrial Property allows an individual to file an application for an invention in several or all member countries within one year from the date of filing of the first patent application, invoking the right of priority. Patents based on a single common application constitute the ‘natural family’ of patents.”

the rise of Eurasia, and this is the professional consensus today. It is worth noting here that the rise of the Asian region is not evident, since if it has an impact on global growth, it could slow down the escalation of tensions between the two great powers. As Loong put it in August 2020: “Asia has prospered as a result of Pax Americana, which has provided a favourable strategic context since World War II. Now, however, strained US-China relations raise fundamental concerns about Asia's future and the shape of the emerging international order”¹² (Loong, 2020, p. 52).

Despite this uncertainty, the pertinent question for Central Europe is which regions and countries will facilitate the rise of the Eurasian region, i.e. what will be the internal structure of the region's expansion? According to the IMF database, in 1980, the G7, consisting of the world's most developed and dominant countries, accounted for just over half of the world's GDP in terms of purchasing power parity; however, this share has since decreased to just over a third and will continue to decline until 2026. In contrast, the group of so-called emerging Asian countries, whose share of the global GDP was only about 9% in 1980, accounted for more than a third of the global GDP in 2020, and this proportion will increase to over 36% by 2026.

The assumption that this growth may never lead to a leveling-off in GDP per capita is irrelevant to the Central European countries. Opportunities are created not only by the internal income conditions or living standards of the partner country, but also by the scale of potential trade. The possible failure of catching-up measured in terms of GDP per capita does not prevent the region's prominent companies from contributing to the growth of investment, jobs and technological excellence in Central Europe; the best examples of the latter are obviously to be found in China.

If we group the key countries of the region according to varying Central European economic interests, we can see the following three circles:

- Countries that not only develop much faster than the global average, but also outperform their regional peers in terms of economic growth, will be in the first round. Alongside China, India has followed a comparable, albeit less dynamic, trajectory over the same period, with its share of the global GDP expected to exceed 8% by 2026. Indonesia, Malaysia and Vietnam have a greater rate of growth than the global and regional averages, but China will continue to dominate at both global and regional level. China and India are therefore significant for the Central European region due to their increasing roles in commerce, capital investment and technology transfer.
- There is a special circle of countries that are developing more slowly compared to the global average, but where technology-intensive investment from the region predominates. For instance, Japan and South Korea have contributed significantly to Hungary's technical modernisation, but they also play a similar role in neighbouring countries.

¹² The original quote: „Asia has prospered because Pax Americana, which has held since the end of World War II, provided a favorable strategic context. But now, the troubled U.S.-Chinese relationship raises profound questions about Asia's future and the shape of the emerging international order.”

- The third circle includes countries like Russia and Kazakhstan, whose share of the global GDP is projected by the IMF to decline, but whose (potential) contribution to securing the region's supply of raw resources and energy is considerable. It has become evident that there are differences in how Central European countries perceive Russia. For instance, Poland's fear of the Russian threat has always driven its foreign policy and made the country more inclined to listen to US foreign policy arguments, as well as increasing its willingness to collaborate with the USA in many areas.

The three circles of Eurasia outlined above are obviously not a pure classification, since China, for example, can currently be classified in both the first and second circles; nevertheless, this classification of nations demonstrates the evolution of relations sustained with them, as well as the changing character of these relations.

5. Fault Lines in Central Europe

In spite of the economic benefits of cooperation with China or perhaps Russia, a significant number of Central and Eastern European countries surveyed have reversed their foreign policy in the past two years. These nations are increasingly taking sides in the geopolitical conflict between the USA and China/Russia, and increasingly acting in accordance with US arguments, frequently against their own economic interests. We can also say that these countries have very similar motivations in cooperating with China and Russia, yet their economic development and different geostrategic positions have led to vastly different and highly significant results in their foreign policies. With the exception of Hungary, the countries of Central Europe have adopted a much more hostile tone towards both countries than before.

Kavalski explains this about-turn by giving four reasons: (1) the unfulfilled promises, (2) the pressure from the US and the EU, (3) the negative perceptions in Central Europe of the events in Hong Kong (4) and, last but not least, the fact that the Chinese public is tired of the costly "Belt and Road Initiative" and the 16+1 cooperation (Kavalski, 2020).

The Hungarian approach is different. Prime Minister of Hungary, Viktor Orbán, stated as early as 2010 that *"we sail under the Western flag, though an Eastern wind is blowing in the world economy"* (Orbán, 2010), thereby launching the Eastern Opening policy. To corroborate this, in a speech to parliament on 20 September 2021, he stated that *"the essence of Hungarian foreign policy is that we must be on good terms with all important world political players...Hungary has an interest in strengthening the European Union; it is important that we are a strong ally of the United States, it is important to maintain a meaningful and respectful relationship with Russia and it is important also to take advantage of all of the benefits of trading with China"* (Orbán, 2010). Therefore, Hungary does not take sides in the geopolitical contest and does not adhere to the cold war logic employed by other Central European countries. There is an additional, somewhat more complex cause for the different Hungarian approach, which helps explain the nature of the rivalry between the two powers. The US and China

approach economic development differently. Due to the typically stronger economic interference in China – particularly the type that directly or indirectly guides companies in their investment and technological cooperation – solid political relations are also required if these nations wish to conduct business with China. In China, politics and business are inextricably linked, whereas in the USA, foreign policy decisions do not directly impact business decisions. Thus, ironically, Hungary can afford to enjoy "the best of both worlds" as a result of its peculiarly balanced foreign policy.

Relations with Brussels are another fault line in the Central European region, as Poland and Hungary have had significant disputes with the European Commission in recent years. These contentious issues include immigration management, the rule of law, the LGBTQ rights dilemma, Europe's energy supply and the nature of relations with Russia/China. Yet these seemingly diverse and unrelated issues are linked by a single question: how do these countries view the future of the European Union and the role of the states within? With their vastly distinct histories and economic and social development, Central European countries appear to place a much greater emphasis on the nation state and national identity than the majority of Western and Northern European nations. This contradiction was summed up by the Hungarian Prime Minister at a June 2021 conference titled *The Day of Hungarian Independence: "instead of a Europe of nations, a European superstate is being built in Brussels which no one has given a mandate for"* (Orbán, quoted in Portfolio, 2021). The concept of a Europe of nations stands in stark contrast to the concept of the European superstate, in which the loss of national identity inevitably leads to the loss of state sovereignty. Central European countries have this in common; however, they essentially differ in the extent to which they defend national sovereignty, as not all elements are equally significant for all nations. A good example is Poland, Slovakia and the Czech Republic, whose relations with Russia – Poland, in particular – have historically been more strained. This, then again, gives Hungarian foreign policy more room for manoeuvre. In September 2021, Hungary, in contrast to the European mainstream, and with a strong emphasis on developing economic relations, signed a 15-year gas supply contract with Russia. The recent energy crisis illustrates the rationality and practicability of Hungarian foreign policy.

Although the Russian economy's share of the global economy has been declining over the past few decades, the country's turn to the East could reverse what was previously believed to be a permanent trend, and place the Russian economy on a rapid growth trajectory. A key concern for the Central European region is how to relax the EU's trade-restrictive environment and identify areas of cooperation that can boost business even if sanctions remain.

In conclusion, Western Europe and the United States view the diversification efforts of Central Europe as contradictory to Western interests, so tensions are likely to persist over the medium to long term. Ironically, Central European countries are also interested in strengthening Europe rather than weakening it, which can only be accomplished if they catch-up and strengthen their sovereignty.

References

- Aslund, A. (2011). Lessons from the East. European Financial Crisis, 2008-2009. *Peterson Institute for International Economics*, Policy Brief, June 2011, Number PB11-9. Retrieved from <https://www.piie.com/publications/pb/pb11-09.pdf>
- Beckley, M. – Brands, H. (1 October 2021). The End of China's Rise. Beijing Is Running Out of Time to Remake the World. *Foreign Affairs*. <https://www.foreignaffairs.com/articles/china/2021-10-01/end-chinas-rise>
- Brands, H. – John L. G. (2021). The New Cold War. America, China, and the Echoes of History. *Foreign Affairs*, November/December 2021.
- Global Times. (29 September 2021). China ranks No.1 globally in outward FDI for the first time. <https://www.globaltimes.cn/page/202109/1235451.shtml>
- Grela, A. & Majchrowska, A. & Michałek, T. & Mućk, J. & Stążka-Gawrysiak, A. & Tchorek, G. & Wagner, M. (2017). Is Central and Eastern Europe converging towards the EU-15? *Narodowy Bank Polski*, NBP Working Paper No. 264. https://www.nbp.pl/Publikacje/Materialy_I_Studia/264_En.Pdf
- Hungarian Central Statistical Office. (2018). Foreign-controlled enterprises in Hungary. <https://www.ksh.hu/docs/hun/xftp/idoszaki/pdf/kulfleany18.pdf>
- Kavalski, E. (2020). How China lost Central and Eastern Europe. *The Conversation*. <https://theconversation.com/how-china-lost-central-and-eastern-europe-142416>
- Léotard, C. (11 June 2018). The central Europeans, the bloodsuckers of the European Union? *Political Critique*. <http://politicalcritique.org/cee/2018/the-central-europeans-the-bloodsuckers-of-the-european-union/>
- Loong, L. H. (2020). The Endangered Asian Century. America, China, and the Perils of Confrontation, *Foreign Affairs*, July/August 2020.
- Naczyk, M. (10-12 July 2014). Budapest in Warsaw: Central European Business Elites and the Rise of Economic Patriotism Since the Crisis. *Presented at the Conference: SASE 26th Annual Conference*.
- National Bank of Canada. (2021). Geopolitical briefing. May 17, 2021. https://www.nbc.ca/content/dam/bnc/en/rates-and-analysis/economic-analysis/GeopoliticalBriefing_210517.pdf
- Orbán V. (5 November 2010). Speech by Viktor Orbán at session IX of the Hungarian Standing Conference. *Kormany.hu*. <https://2010-2014.kormany.hu/hu/miniszterelnokseg/miniszterelnok/beszedek-publikaciok-interjuk/orban-viktor-beszede-a-magyar-allando-ertekezlet-ix-ulesen-2010-november-5>
- Orbán V. (2020). Viktor Orbán's Rejoinder. *Kormany.hu*. <https://kormany.hu/beszedek-interjuk/miniszterelnok/orban-viktor-viszonvalasza>
- Ostry, J. D. – Loungani, P. – Furceri, D. (2016). Neoliberalism: Oversold? *IMF Finance and Development*, 56 (2). <https://www.imf.org/external/pubs/ft/fandd/2016/06/pdf/ostry.pdf>
- Piketty, T. (16 January 2018). 2018, the year of Europe. *Le Mond. Blog*. <https://www.lemonde.fr/blog/piketty/2018/01/16/2018-the-year-of-europe/>
- Portfolio. (19 June 2021). Viktor Orbán Reveals his Vision for the Future of the European Union. <https://www.portfolio.hu/gazdasag/20210619/kiderult-hogyan-kepzeli-el-az-europai-unio-jovjet-orban-viktor-488860>
- Rosen, D. H. (2021). China's Economic Reckoning. The Price of Failed Reforms. *Foreign Affairs*, July/August 2021.
- Shah, S. (17 April 2019). Poland rules out euro adaption. *Emerging Europe*. <https://emerging-europe.com/news/poland-rules-out-euro-adoption/>
- Williamson, J. (13 January 2004). The Washington Consensus as Policy Prescription for Development. Institute for International Economics, *A lecture in the series "Practitioners of Development" delivered at the World Bank*.
- World Intellectual Property Organization (8 November 2021). World Intellectual Property Indicators Report: Worldwide Trademark Filing Soars in 2020 Despite Global Pandemic. https://www.wipo.int/pressroom/en/articles/2021/article_0011.html

ZSOLT ROSTOVÁNYI

Islam and Geopolitics – The Place of the Middle
East in the Emerging Eurasian Force-field



ISLAM AND GEOPOLITICS – THE PLACE OF THE MIDDLE EAST IN THE EMERGING EURASIAN FORCE-FIELD

ZSOLT ROSTOVÁNYI¹

Abstract

The Islamic world is the largest geocultural area with nearly 2 billion people, characterized by the duality of unity and fragmentation. In the Islamic geocultural space, Islamic religion is part of the geopolitics of a given country or region, and it often becomes an instrument of geopolitics. The “geopolitics of religious soft power” can take many forms and can manifest itself in several ways.

One of the most important geopolitical and geocultural zones in the Islamic region is the Middle East. This essay covers the origin of the concept and its various interpretations. The Middle East is a region of outstanding geostrategic importance. In this region there are four geopolitical pivots: Israel, Iran, Türkiye and Saudi-Arabia, the last three of them are part of a geostrategic triad/triangle, and could be considered as geostrategic players, aspiring to the role of geo-religious, geo-Islamic regional leader, competing with each other. Their interests and ambitions extend beyond the narrowly defined Middle East and have (Eur)Asian dimensions.

This study shows the coexisting geopolitical interests of China and the countries of the Middle East, focusing on the ‘geostrategic triad/triangle’. This is indicated by China’s “opening-up to the West” and the triad’s “opening-up to the East”. The ‘Belt and Road Initiative’ announced by China connects China and the Middle East in a contiguous economic zone through connectivity, strengthening the concept of ‘Eurasianism’.

Keywords: Islam, Middle East, geopolitics, China, Eurasia

¹ Prof. Dr. Zsolt Rostoványi PhD, Professor, Corvinus University of Budapest; Professor, Sapientia Hungarian University of Transylvania.

Islam is the second largest world religion after Christianity, and the largest civilisation in the Huntington sense, spanning from North Africa to Southeast Asia. The Islamic world is the stage for various geopolitical processes in which Islam plays a lesser or greater role.

The Middle East is one of the most significant geopolitical² and geocultural zones in the Islamic world, as it “covers” the majority of Islamic civilisation. Recent years have witnessed significant geopolitical movements and realignments in the Middle East, most notably in the geopolitical – and simultaneously geocultural and “geo-religious” – rivalry between the three “geostrategic players”, Saudi Arabia, Iran and Türkiye, for regional middle power positions. The Islamic factor plays a significant role in this process. The region – and some of its key countries – are actively “opening-up” to Asia, demonstrating the importance of the Middle East region in the concept of Eurasia, significantly expanding their relations with China.

1. Islamic Civilisation as the Largest Geocultural Space of the World

Islamic civilisation (the “Islamic world”) is the largest geocultural region, home to nearly two billion people. The term civilisation is used in the plural and is interpreted as “the broadest level of cultural identity” (Huntington, 1998, p. 53). Geoculture is “a set of shared cultural patterns [...]” (Wallerstein, 2010, pp. 53-54). Islam as a religion and Islam as a cultural system are the factors that provide the *ummah*, or community of Muslims, with a sense of belonging, regardless of where in the world they live.

Muslims make up the majority of the population in 49 countries, a third in around 10 countries and a minority of millions in several others. The Organisation of the Islamic Cooperation (formerly Organisation of the Islamic Conference) has 57 member states. The number of Muslims residing in EU Member States and Britain is estimated at between 25 and 30 million. In terms of growth dynamics, the number of Muslims and their proportion of the world population is steadily increasing, with some estimates predicting that by 2060 they will gain on Christians.

Although many people associate Islam primarily with the Arab world and the Middle East, two thirds of Muslims reside in South and Southeast Asia (Indonesia [the country with the largest Muslim population in the world], Pakistan, India, and Bangladesh, in that order). Islam is the prevalent religion in the broader Middle East region, the Central Asian countries, Azerbaijan in the Caucasus region and several countries in South and Southeast Asia. Significant Muslim minorities reside in India, China (the Uyghurs) and Myanmar (the Rohingya).

Islamic civilisation (“the Islamic world”) as a geocultural unit, as a physical or virtual space, is highly fragmented, exhibiting a duality of unity and fragmentation. This is effectively conveyed by the

² There is no room to discuss the various definitions and extensive literature on geopolitics. In our study, we use a definition by Yves Lacoste which defines geopolitics as “the rivalry for power over territories and the people who inhabit them” (Lacoste, 1999).

geopolitical categories used to identify the various regions, or “subsystems”, of the Islamic world. It is no coincidence that there is no consensus on the use and precise interpretation of these terms, that there are no uniform criteria for grouping them and that nearly all of them have “narrower” and “broader” versions – as these terms are not primarily used in a geographical sense, but rather in a geopolitical/geocultural one, and their grouping criteria are geopolitically motivated and therefore depend on geopolitical objectives.

2. The Middle East

The Middle East is one of the most commonly used geopolitical – as well as geoeconomic and geocultural – concepts, as what occurs there has a major impact on processes in the international system. Its name was coined by Admiral Alfred Thayer Mahan, best known for his works on the analysis of maritime power (Szilágyi, 2018, 48-52). His work *The Persian Gulf and International Relations* was published in 1902 in the pages of the *National Review*, where the term “Middle East” was used for the first time to describe the region extending from the Arabian Peninsula to India.³

It is challenging to define the Middle East unambiguously as an “objective” geographical entity. It can be interpreted narrowly, broadly and in a multitude of forms in between. In its narrow sense, starting out in the West and advancing eastwards, it encompasses Egypt, the countries of the Arabian Peninsula as well as the region of Palestine and Mesopotamia (Syria, Lebanon, Israel, Jordan and Iraq), all the way to Iran. Whether Türkiye is part of Europe or the Middle East is debatable (in our study, we consider it to be part of the Middle East [as well]). Broader interpretations include various other countries: Sudan from Africa, and Afghanistan from Asia. Some include the Caucasian States as well (i.e. Azerbaijan, Georgia and Armenia). No one knows exactly where the Middle East is, even if many believe that they do so, says Davison, presenting a series of attempts at determining its location (Davison, 1960).

The concept of the Middle East emerged in the late 19th and early 20th centuries, in the context of Britain asserting its colonial interests. With the disintegration of the British colonial empire and the distinct emergence of the United States, the Middle East concept became a vehicle for American interests in the region. This conceptualisation reflects Eurocentricity since the reference point is Europe. Geographically, it is impossible for those residing to the east of the Middle East region to interpret it, as the region lies to their west.

Other categories that (partially) overlap with the concept of the Middle East as it is broadly understood have also been adopted. On the occasion of the G8 summit in June 2004, the United States introduced the geopolitical term “Greater Middle East Initiative”, which includes the entire Arab world as well as Afghanistan, Cyprus, Iran, Israel, Türkiye and Pakistan. The new initiative reflected the strategic interests of the United States (Garfinkle, 1999), with the stated objective of

³ In Hungarian, the term *Közel-Kelet*, meaning “Near-East”, has become established; it is fully equivalent to the English “Middle East”, and will be used as a synonym thereof from this point forward.

promoting democracy (the “democracy domino”). Some interpretations have extended the concept to include Indonesia, Bangladesh and the nations of Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan) also (Al Jazeera, 2004).

A number of UN agencies and some other international organisations show a considerable overlap with the broader Middle East category, but the Middle East and North Africa (MENA), which includes the Arab countries as well as Israel, Iran and Türkiye, with the occasional addition of Afghanistan and Pakistan, are also used by researchers and the media. MENA is primarily a geographical classification.

The “Arab world” (*al-alem al-arabi*) is a geocultural concept founded on a national/ethnic criterion – “Arabness”. It generally refers to the 22 member states of the League of Arab States, the “Arab World” (those countries that consider themselves Arab). The ideology of Arabism/Pan-Arabism, the periodically intensified “Arab unity” and the concept of a “united Arab nation” underlie the concept.

3. The Geostrategic Importance of the Middle East

The Middle East is not primarily a geographical category, but rather a geopolitical, geocultural and geoeconomic concept, and it is this combination that lends the region its exceptional geostrategic significance. The geographic location of the region, being at the centre of the “Afro-Eurasian main continent” (Davutoğlu, 2016), gives it an inherently unique geopolitical and geostrategic position. It lies at the crossroads of three continents, at the intersection of strategic routes that have been used for centuries, even millennia. It directly borders the European Union: what happens here has a significant impact on EU security.

The origins of geocultural aspects date back centuries, even millennia. This region is the cradle of human civilisation, the birthplace of the three great monotheistic world religions and later the meeting point of different civilisations. The overlap between the Middle East and Islamic civilisation is almost complete, in that the Middle East, whether narrowly or broadly defined, is almost entirely “covered” by Islamic civilisation. Islam is regarded by many to be (one of) the most important grouping criterion in the Middle East. According to Davison, the Middle East is a geopolitical unit based on Islam (Davison, 1960). This does not contradict the cultural and religious diversity that has characterised the region for centuries.

The fragmentation of the Middle East as a singular geocultural space began more than a century ago with the disintegration of the Ottoman Empire and the creation of largely artificial (nation) states and, has become especially pronounced in the last decade and a half – during the “Arab Spring”. This primarily manifests as an identity crisis.

The region is characterised by multiple, multi-layered and multi-level identities. There are local, non-state (tribal, ethnic or sectarian), state-level and transnational identities (Pan-Arab, Pan-Islamic). Everyone is simultaneously a member of several communities, and there are periodic shifts in

emphasis between contending collective identities. Today, two, in some respect opposing, trends are emerging: on the one hand, the proportion of individuals who identify as predominantly Muslim is rising, while on the other hand, an increasing number of people identify with local, “substate” communities, in part due to a loss of trust in the state.

From a geoeconomic standpoint, the connection between the Middle East and hydrocarbon reserves is evident, as the Middle East holds more than half of the world’s known oil reserves, approximately 40% of natural gas reserves, and the cost of extraction here is much lower than in other regions of the world. Oil is of geostrategic importance; it was used as a “weapon” by the OPEC member states in the 1970s (1973 oil embargo), precipitating a severe global economic crisis. It is no coincidence that all US foreign policy doctrines identify the Middle East as a region of great strategic importance to US interests, with the need to guarantee free access to oil in the Middle East being one of the most important factors.

Water resources play an essential role in the region due, in part, to geoeconomic factors. Given the limited availability of water resources – many rivers, streams and lakes have lost roughly half of their yield over the past 50 years, and the majority of rivers and lakes are shared by two or more countries – water occasionally plays a strategic role in sparking violent conflicts.

4. The ‘Geostrategic Triad’

Russia, China and India are the three uncontested powers – the three poles, so to speak – of the Asian continent. Each of these three nations is also the leader and central (“core”) state of its own geopolitical subregion – or, to use Huntington’s term, civilisation. These three countries currently have no counterparts in the Middle East or in Islamic civilisation holding comparable positions. Russia is the core state of the Slavic Orthodox civilisation, China of the Chinese civilisation, India of the Hindu-Indian civilisation, whereas the Islamic civilisation has no core state in the Middle East or in South and Southeast Asia, and no clearly recognised leading power either. There are, however, three countries in the Middle East region with strong regional ambitions that vie for this status as rivals. The significance of Türkiye and Iran should be emphasised above all, but Saudi Arabia is quickly catching-up with them.

In the Middle East, “primary” and “secondary” actors can be distinguished according to the level of influence they have over regional processes. The former comprises states, “geopolitical/geostrategic players” that can substantially and meaningfully influence the processes in the region, i.e. they are not passive “sufferers” but instead active participants and shapers of the geopolitical games in the Middle East. This group includes four – one Arab and three non-Arab – countries: Saudi Arabia, Iran, Israel and Türkiye. The “second line” includes Egypt, the United Arab Emirates and Qatar, countries with significant but more moderate influence than the previous group.

These four “primary actors” can also be viewed as “geopolitical pillars” who occupy strategic positions through their geographic location; three of them (Türkiye, Iran and Saudi Arabia, and to a lesser

extent Israel) are also “geostrategic players” who use their power and influence beyond their borders to alter the geopolitical constellation (Brzezinski, 1999, pp. 57-58).

Somewhat distinct from the “geopolitical three” of Türkiye, Iran and Saudi Arabia is the fourth “pillar”, Israel, which is the only state in the region that is not part of the Islamic world. Despite being an important geopolitical actor, Israel’s primary geopolitical and geostrategic objectives are not aimed at expanding its regional influence. Israel does not actively intervene in the encircling Arab/Islamic-dominated region, distancing itself from “inter-Arab” or “inter-Islamic” conflicts. When it recognises a direct threat to its security, however, it does not shy away from armed action.

A special constellation has developed between the countries of the “geopolitical three”, since they all aspire to play a prominent role in the Islamic world – at least the status of regional (central) power in the region – and are therefore rivals. Saudi Arabia and Türkiye represent Sunni Islam, while Iran represents Shia Islam.

4.1 Türkiye

Türkiye is a key geopolitical actor in the Eurasian region, a “geopolitical pillar of paramount significance” and a “geostrategic player” (Brzezinski, 1999, p. 66). Geopolitics and geopolitical analysis have long been an integral part of Turkish foreign policy (Egeresi, 2017). The work of university professor turned former foreign minister and then prime minister Ahmet Davutoğlu, titled *Strategic Depth*, is regarded as a classic in Turkish geopolitical literature (Davutoğlu, 2016).

Türkiye’s geographical location, its history and its cultural heritage all contribute to the fact that the country’s affiliation is not clearly defined; it has no exclusive geopolitical definition, as it is located at the intersection of geopolitical regions. “Türkiye is a modern nation state located in the area of interaction between the main geopolitical zones of Afro-Eurasia” (Davutoğlu, 2016, p. 24).

Samuel P. Huntington calls Türkiye a “torn country” (Huntington, 1998, p. 108), which is partly Muslim and partly a Western state. In fact, Türkiye is a country of multiple identities, where elements of several identities coexist. Depending on the development of external and internal factors, elements of one identity or the other are sometimes strengthened and given greater emphasis in the country’s foreign policy.

Türkiye has the opportunity to wield influence in a variety of geopolitical spaces, both broad and narrow: the West (European Union, NATO), the Middle East, the Caucasus region, Central Asia, and the Pan-Turkish geocultural space, the Islamic world and Eurasia – or, in Davutolu’s words, “Afro-Eurasia”. In essence, these geopolitical spaces offer both choices and combinations, and provide Turkish foreign policy with greater or lesser room for manoeuvre, depending on the development of external and internal factors. It is no coincidence that the Turkish leadership, since it is situated at the crossroads of different geopolitical spaces, emphasises the country’s role as a “bridge”, a “gateway”, and a link between various regions, which could assist Türkiye in becoming a global power.

Ever since the Justice and Development Party (AK Party) came to power in 2002, but in recent years

especially, Türkiye's central role and its aspirations to become a regional middle – one could even say global – power have become increasingly apparent. It is no coincidence that many have likened Turkish foreign policy to “neo-Ottomanism” one of the explicit – albeit futile – aims of which has long been to promote the “Turkish model”, especially in the Islamic/Arab and Turkish geocultural regions of Central Asia. Türkiye's efforts to expand its domains of influence in both its immediate and extended environments have been dynamic. To safeguard its geopolitical interests, it is actively intervening, involving the use of armed force, if necessary, in conflicts in the Middle East, be it Syria or Libya. One of its primary political objectives is to prevent the emergence of an independent Kurdish state (Iraq) or vast contiguous Kurdish regions (Syria) in its immediate vicinity. The Turkish army has crossed the Turkish-Syrian border and intervened in the combat on several occasions under the authority of the Turkish parliament.

To accomplish its objectives, the Turkish leadership is pursuing a proactive yet pragmatic foreign policy, for which the concept of Eurasia, or more specifically Afro-Eurasia, provides an appropriate geopolitical framework. The Turkic Council was established in 2009 as a significant geopolitical organisation in the region, bringing together countries of the Islamic civilisation/cultural sphere (Azerbaijan, Kazakhstan, Kyrgyzstan, Türkiye and Uzbekistan) that speak some form of Turkish dialect. Hungary has held observer status in the organisation since 2018.

Türkiye has recently come up with a new Silk Road initiative named “Middle Corridor”, the primary goal of which is to establish a “zone of prosperity” connecting Europe with various regions of Asia and to promote regional cooperation within Eurasia. The core element of the initiative is the development of rail connections between Türkiye and Central Asia, as well as the Transcaucasus region (Colakoglu, 2019). However, Turkish-Chinese relations are somewhat hampered by the uncertainty that characterises the Middle East region.

4.2. Iran

Another central player in the ongoing geopolitical processes that are taking place in Eurasia is Iran, which, much like Türkiye, is a “geopolitical pillar of primary significance” and a “geostrategic player” (Brzezinski, 1999, p. 66). Iran's history dates back thousands of years, and the dynastic Persian empires were marked by rapid expansion. Persian nationalism and Shia Islam are two crucial components of Iranian identity. Persian nationalism is characterised by a sense of cultural “superiority”, as opposed to Arabism in particular, which is rooted in thousands of years of history.

In terms of the Islamic factor, Iran's geopolitical objectives since the victory of the Iranian Revolution of 1979 have been to become a leader in the Islamic world and expand its influence in the region. Since the victory of the 1979 Iranian Revolution, it has been propagating its own “revolutionary” interpretation of Islam, emphasising its non-Shia but rather “Pan-Islamic” character. It has no territorial claims and has not attacked any of its neighbours, despite the frequent use of aggressive rhetoric by its religious and political leaders.

In stark contrast to US intentions, the changes in the geopolitical environment in recent decades and

the US actions in the Middle East – most notably the invasion of Iraq in March 2003 – have greatly enhanced Iran's status as a geostrategic actor, displacing Iraq, the country which had long served as a counterweight and maintained regional balance. Iran has become a “big winner” in regional geopolitical changes, its geostrategic positions have been significantly strengthened, despite being surrounded on almost all sides by a ring of hostility, and anti-Iranianism has become a common denominator in the regional policies of the United States, Israel and Saudi Arabia, despite the fact that these three nations place their emphasis elsewhere.

Decades of animosity between the United States and Iran, followed by sanctions imposed on Iran over its nuclear programme, have contributed to its increasingly strong ties with Russia. Equal involvement in the decade-long Syrian civil war has cemented Russian-Iranian cooperation, forming a distinct Russian-Iranian axis – with the occasional participation of Türkiye.

Iran is not directly involved in conflicts in its immediate environment; instead, it seeks to assert its interests and strengthen its positions through a network of local clients (*proxies*). The primary organising principal of the client network is Shia identity: Shia organisations and militias represent Iranian interests from Syria through Iraq to Yemen. Iran's geostrategic interests, however, extend beyond its immediate surroundings, the narrowly defined Middle East, and have a marked “Eurasian” dimension. Since the early 2000s, the new doctrine of Iranian foreign policy has been one of opening-up towards the East, reflecting the shift in Iran's geopolitical centre of gravity towards the East.

Iran's relations with China have intensified as a result of the United States' withdrawal from the nuclear agreement and the sanctions that have severely affected Iran's society and economy. China is the top buyer of Iranian oil. As part of a 25-year “strategic partnership” agreement signed by the two countries in March 2021, China agreed to invest USD 400 billion to develop Iran's economy and infrastructure. This will considerably improve Iran's position and participation in the Chinese “New Silk Road” project.

In the context of China's dynamic cooperation with Iran, a new Eurasian geopolitical axis seems to be forming. Both China and Iran are involved in reshaping geopolitical relations in Central Asia. Iran has helped establish vital trade corridors connecting Central Asia with Iran and South Asia. One of these is a railway linking the city of Khaf in western Afghanistan with Herat, as well as two Central Asian trade corridors: one of them connecting Kyrgyzstan, Tajikistan, Afghanistan and Iran, and the other linking Iran, Afghanistan and Uzbekistan. In addition to economic cooperation between the two countries, other geopolitical factors bring China and Iran closer together, one of the most important of which is the desire to reduce Western – particularly American – influence.

4.3. Saudi Arabia

Saudi Arabia is the third major “geostrategic player” in the Middle East. With the passing of King Abdullah in 2015 and the accession of Salman bin Abdulaziz Al Saud as the new ruler, the country has undergone significant changes, most of which are attributable to the actual ruler, Crown Prince Muhammad bin Salman. The changes affect both the internal and external policies of the country.

The Saudi leadership has, so to speak, shifted into a “higher gear”.

One of the most significant shifts is the activation and increasing dynamism of Saudi foreign policy diplomacy. Its primary external or geopolitical goal is to actively counterbalance Iran and increase its regional influence. Its regional policy has been characterised by a dynamic, if not aggressive, advance (Qatar crisis, wars in Syria and Yemen, Lebanon), as opposed to the previous balanced approach. To this end, it has diversified its alliances and opened-up to countries and organisations with which it previously had poor relations (Israel, the Muslim Brotherhood).

In April 2016, it announced an extremely ambitious comprehensive development programme for the period up to 2030 (Vision 2030), with the main objective of completely transforming and diversifying the country’s economy and reducing its dependence on oil. It includes enormous investments such as a USD 500 billion “smart city” in the desert and a USD 200 billion solar farm.

The programme, the “vision”, is built on three pillars. One is the country’s status as “the heart of the Arab and Islamic world” highlighting its central and dominant position within the Arab and Islamic geopolitical sphere. The second objective is to become a global financial hub. Given its distinctive strategic position, the third pillar clearly articulates Saudi Arabia’s geopolitical ambitions: to become a global hub connecting three continents, Asia, Europe and Africa.

The convergence between China’s “grand strategy”, the “New Silk Road” initiative and the “Saudi Vision 2030” is noticeable, which in geopolitical terms could be the beginning of the establishment of a “Saudi-Asian Pivot”, as the convergence of Saudi and Chinese strategic interests will also result in a certain reordering of international power relations (Valantin, 2017).

5. The New Middle East Regional Paradigm

In recent years, the regional geopolitics of the Middle East, the relationship between Israel and the Arab countries and the Palestinian-Israeli conflict have undergone a significant shift, and a new paradigm has emerged.

Since the declaration of the State of Israel in 1948, the rejection/acceptance of the existence of the Jewish state, the Arab/Palestinian-Israeli conflict – which has led to war on five occasions and resulted in numerous small-scale confrontations – has become the most prominent fault line in the region. For a long time, the Arab world as a whole (and much of the Islamic world) united in its opposition to Israel and support for the Palestinian cause. The Palestinian issue has defined the relationship between Israel and the Arab/Islamic world.

This formula has evolved over time. Israel signed peace treaties with Egypt and Jordan in 1979 and 1994, respectively. In 1993, in accordance with the Oslo Accords, Israel and the Palestine Liberation Organisation, representing the Palestinians, mutually recognised one another. At the time, the Arab front against Israel had already begun to fracture.

The 2010s marked the beginning of a gradual transition in the system of power and power relations,

as well as the emergence and consolidation of a new regional paradigm. One of the cornerstones of this was the step-by-step rapprochement between Israel and some Sunni Arab nations, including Saudi Arabia, as well as the circumspect development of their relations mainly behind the scenes. The underlying pragmatic considerations were the converging strategic interests of Israel and the “pragmatic” Sunni Arab countries (Egypt, Jordan and the Gulf monarchies), including the fight against “Iran as a common enemy”, the containment of Türkiye, which has been increasingly expressing regional ambitions as a middle power, and last but not least, the potential for cooperation between Israel and the Gulf region.

One could say that events have brought Israel and Saudi Arabia closer together, and a rather peculiar, previously unimaginable alliance has begun to form between the two countries, which have no diplomatic relations. Given its position in the Islamic world, Saudi Arabia could not “afford” to establish formal diplomatic relations with Israel. Thus, among the Gulf nations, the Emirates took the initiative.

The real breakthrough came with the Abraham Accords. The Trump administration clearly sided with Israel on the Palestinian-Israeli conflict, and developed a plan to resolve the dispute under the leadership of the president’s son-in-law and Middle East envoy, Jared Kushner. In a parallel manner, diplomatic negotiations to establish formal contacts between Israel and some Sunni Arab countries are currently underway. On 15 September 2020, the United States, Israel, the United Arab Emirates and Bahrain signed the Abraham Accords, which were shortly joined by Morocco and Sudan, and preparatory discussions with Oman commenced. Even though these accords are often referred to as peace accords, they are in actual fact not, as there was no direct state of war between the parties. They are in fact about the establishment or re-establishment of diplomatic relations.⁴ The primacy of the Palestinian cause has been taken off the agenda.

6. Islam as a Geopolitical Factor

In the countries of the Islamic world, Islam is a part of the region’s geopolitics, and is frequently used as a geopolitical tool to accomplish some geopolitical objectives. The religious factor is evident in the region’s geopolitical processes and, on occasion, can become a significant motivator. However, the underlying factors are frequently not religious but political-ideological, sometimes under the guise of religion. Religion is often a reference point that can give greater weight to a political or ideological move (legitimacy through Islam is particularly important in the Islamic world).

⁴ Morocco and Israel established low-level diplomatic relations during the 1990s, as a result of agreements signed by the Palestinians and Israel during the Oslo Accords. These relations were formally terminated in 2000, after the eruption of the second intifada, but informal contacts between the two countries persisted.

Obviously, there are significant differences in how each country uses (makes use of) Islam. The role of Islam is inherently different in each country of the region, as the majority of them are secular in practice, but the extent to which they are secular varies widely. “Realpolitik” considerations often “override” religious considerations.⁵

In recent years, however, there has been a tendency for religion – specifically Islam – to play a more prominent role than in the past in the foreign and geopolitical policies of countries belonging to the Islamic geocultural space. The “geopolitics of religious soft power” (Mandaville & Hamid, 2018) can manifest in various forms. It can be a manifestation of geopolitical rivalry between countries, of “geosectarianism” (Bokhari, 2015); through the propagation of its own interpretation of Islam and its own “trademark of Islam” of the increasing influence based on “religious soft power”; of distancing itself from extremist jihadism by emphasising the “moderate form of Islam”; and, additionally, of geocultural belonging, which can facilitate cooperation with members of similar geocultural communities.

6.1. “Moderate Islam” as a “Trademark”

The emphasis on the “brand” of Islam, or more specifically “moderate Islam”,⁶ as the “official” interpretation of Islam and its representation at state level has both external, foreign policy and internal, domestic policy, domestic motivations. Jihadism, a radical, extremist strain of Islamism, has perpetrated brutal acts in the name of Islam and in reference to Islam, whether we are discussing al-Qaeda or the Islamic State. In contrast to this narrative, a number of countries (including Jordan, Morocco and Egypt) have positioned themselves as exemplars of “moderate Islam”.

Regarding the internal causes, the opposing forces to the autocratic political leaderships in power in many Middle Eastern countries are predominantly Islamist movements and organisations that define themselves in terms of a particular interpretation of Islam based on their own ideological objectives. The political leadership has an inherent interest in balancing these interpretations against its own.

In countries characterised by ethnic and religious diversity, the emphasis on “moderate Islam” can have significant social and domestic political implications. In Malaysia, for instance, the political leadership has adopted the “1Malaysia” concept to promote national unity, whereby the country’s various ethnicities, religions and cultures⁷ mutually understand and accept one another and take steps towards integration and the formation of a united Malaysian nation. The *wasatiyyah* principal has also become part of the “1Malaysia” concept (Hanapi, 2014).

⁵ Maslaha, the common social good or the welfare of the community, which takes absolute precedence over all other factors, is a central concept of Islam. This can manifest, for instance, in the national interests of a Muslim state “overriding” even the most fundamental Islamic observances!

⁶ Arabic for “*wasatiyyah*”: the original meaning of the word in Arabic is “middle”. It also occurs in several places in the Koran, e.g. 2:143: “And it is thus that We appointed you to be the community of the middle way...” *Wasatiyyah* is used to denote moderate Islam. It is somewhat deceptive since it does not mark the middle ground between right and wrong, but clearly marks the right, the noble and the legitimate.

⁷ Malaysia is both an ethnically and religiously diverse country. 61% of the population is Muslim, 20% Buddhist, 9% Christian and 6% Hindu; however, Confucianism, Taoism and other traditional Chinese religions also have followers.

Even though Indonesia is the most populous Muslim country, many political and religious leaders in the “narrowly defined” Middle East classify it as belonging to the periphery of Islam. However, many Indonesian religious leaders believe that radical interpretations of Islam are rooted in Arab culture and are alien to both Indonesian culture and the Islamic faith. The country’s leadership sees Indonesia as a model country of “moderate Islam”. A unique Indonesian version of this is “Islam Nusantara”, or “Islam of the Archipelago”, which offers an alternative to radical interpretations of Islam based on local historical traits and interpretations of Islam (Hoesterey, 2016).

Remarkable is the turnaround in Saudi Arabia’s officially declared “brand of Islam”, both rhetorically and in minor stages of practice. More than 270 years ago, the Saudi dynasty forged an alliance with the Wahhabi religious leadership, which represents one of the most conservative and dogmatic forms of Islam. Crown Prince Muhammad bin Salman, meanwhile, has professed “moderate Islam”, sharply challenging the religious establishment’s outdated, ultra-conservative interpretation of Islam. In a 2017 interview, he stated that after 30 years of “ultra-conservatism” – by no means the norm – Saudi Arabia was “returning to moderate Islam”. What occurred over the past 30 years is not Saudi Arabia (Chulov, 2017).

6.2. “Exporting” the Interpretation of Islam

The “export” of one’s own interpretation of Islam can be an important factor in increasing influence on Muslim communities in other countries and gaining hegemony over certain movements of Islam. Saudi Arabia and Iran have sought to “export” their own interpretations of Islam through “religious soft power” for decades. For Saudi Arabia, this has meant the ultra-conservative, Wahhabi movement of Sunni Islam, and for Iran, the “revolutionary Islam” that came to power in 1979.

Increased oil revenues following the 1973 “oil boom” and from Saudi-initiated and funded organisations such as the Muslim World League and the Organisation of Islamic Cooperation (formerly known as the Organisation of the Islamic Conference) have greatly aided Saudi Arabia in this endeavour. The “revolutionary Islam” of Iran has adopted this exact Saudi stance, condemning the “American Islam” represented by the Saudis. The situation is exacerbated by the fact that Saudi Arabia is home to a sizable Shia minority, representing 10-15% of the country’s population, and the Saudi leadership is making every effort to prevent the spread of Iranian influence among them. On the Sunni side, Iran is not only accused of exporting “revolutionary Islam”, but also of carrying out vigorous “proselytisation” (“Shiaisation”) in Sunni states.

To provide another example, for decades Saudi Arabia has been trying to spread its own interpretation of Islam and “Arabise Islam” in Indonesia. Its main claim is that the Arab interpretation of Islam is the “true”, “pure” form of Islam. To this end, it has established a number of religious and educational institutions in Indonesia, and offers Indonesian students scholarships to study at Saudi universities. A Saudi Arabian-educated Muslim elite that propagates the Saudi interpretation of Islam has recently emerged in Indonesia as a result of the return of a significant number of these individuals (Haan, 2020).

Previous efforts to promote and disseminate the “Turkish model” are partially indicative of Türkiye’s intention to “export” its interpretation of Islam. By aligning the Atatürk legacy with Islam, this model intended to serve as an example of a type of “Islamic democracy”. Recent events in Türkiye, however, point in a different direction.

6.3. Sectarianism⁸ and/or “Geosectarianism”

The two main movements of Islam are the majority Sunni, accounting for about 85-90% of Muslims, and the minority Shia (10-15%). Sunni attitudes towards Shias range from acceptance to outright rejection, to labelling Shias as apostates. Some radical Sunni Islamist/jihadist organisations (Islamic State, etc.) regard Shias, as apostates, as enemy number one and have committed a series of terrorist acts against them.

Sensing a Shia resurgence in the region in the early 2000s, Sunni political leaders (such as King Abdullah of Jordan) drew attention to the “threat” posed by a unified Shia bloc headed by Iran, a “Shia crescent” stretching from Iran through Iraq and Syria to Lebanon. The religious factor, specifically the Sunni-Shia conflict, has become part of the decades-long geopolitical rivalry between Saudi Arabia – that aspires to the leadership of the two blocs – and Iran. The religious-sectarian and geopolitical elements are difficult to separate and reinforce each other, a phenomenon that can be termed “geosectarianism” (Bokhari, 2015).

In the 2000s, experts began to use the term “cold war” once again to describe the situation in the Middle East. Originally, Malcolm Kerr called the decade of the 1950s and 1960s the period of the “Arab Cold War”, when the “two camps” of Arab states, the “radical”, “revolutionary” forces proclaiming Arab nationalism (or its “socialist” variation), and the “moderate”, conservative monarchies were in opposition with each other (Kerr, 1971).

The “new Middle East Cold War” has emerged along different fault lines, and not only Arab countries are involved. On one side are the “moderates” (primarily Saudi Arabia, Egypt and Jordan), and on the other are the “radicals”, or the “resistance (muqawama) bloc”, which mainly comprises the “Shia crescent” countries. Thus, the “new Cold War in the Middle East” has developed along predominantly religious/sectarian (Shia-Sunni) fault lines.

The picture, however, is much more subtle, as we are not discussing monolithic blocks, and the conflict cannot be reduced to a Sunni-Shia dispute. There is cooperation between the two major movements, but there are also significant divisions within each bloc. For example, Shia Iran has close alliance ties with Sunni Hamas, and Sunni Qatar cooperates with Iran. In Iraq, there is much tension between pro-Iranian Shias and Iraqi nationalist Shias who are distanced from Iran.

⁸ Sectarianism (altaayifa in Arabic) is commonly used to refer to a group of individuals who share certain characteristics (ethnic groups, religious denominations, etc.) and are part of a larger community. In the present case, the concept is narrowed down to the two main movements within Islam and the fault lines that have emerged between them.

Even among the bloc of conservative Sunni monarchies, a unified front against Iran has not yet formed. Kuwait and Oman take a neutral rather than anti-Iran stance, while Qatar, which has a “dissenting” policy on a number of issues, maintains cordial relations with Iran. This is largely due to geoeconomic factors: the two countries have close economic ties and share control of the largest subsea gas field in the Gulf.⁹ This contributed to the embargo of Qatar by the Gulf states and the severing of diplomatic and commercial ties with Qatar by four Arab countries in 2017.

Sectarian conflict – the “Middle East Cold War”, if you will – takes at least two forms. One is the Sunni-Shia conflict, and the other is the parallel Sunni-Sunni dispute (al-Buluwi, 2014). There is one significant fault line within the Sunni bloc, namely regarding the relationship with the Muslim Brotherhood¹⁰. Türkiye and Qatar are staunch supporters of the Brotherhood, whereas Saudi Arabia, the Emirates and Egypt sharply oppose them (and the countries that support them).

In a conversation with Egyptian journalists, Saudi Crown Prince Muhammad bin Salman vividly described the “triangle of evil” – the Ottomans and Türkiye, who seek to impose their caliphate on the MENA region; Iran, which “spreads extremist Shia ideology”; and terrorist organisations – as Saudi Arabia’s main adversary/enemy in the area (Samir, 2018). A later clarification revealed that one of the triangle’s elements was not Türkiye, but rather extremist organisations such as the Muslim Brotherhood, which has produced leaders of terrorist organisations and is supported by Türkiye.

This division has significant geopolitical consequences. In Jordan, Palestine (Gaza Strip), Kuwait, Yemen, Libya, Tunisia, Algeria, Morocco and Sudan, the Muslim Brotherhood has an extensive network of allied political parties. In contrast to Saudi Arabia, the Emirates and Egypt, Türkiye and Qatar support these Islamist parties (Türkiye also has an Islamist party, the AKP, in power) (Mashino, 2021).

7. China and the Middle East

China’s growing interest in the Middle East has been a defining characteristic in the past decade. China’s 2013 announcement of the “New Silk Road Economic Belt – One Belt, One Road” (or Belt and Road Initiative, BRI), which concerns the centre of the Eurasian continent, demonstrates China’s “opening-up to the West” (Jisi, 2014), with the Middle East as one of the primary target regions, as one of China’s “extended peripheral regions”, and more recently “major surrounding regions” (Wang, 2014). China accords strategic significance to the Middle East region and regards its countries as vital partners. The Middle East region plays a key role in the “New Silk Road” initiative, as both the land and sea branches of the “New Silk Road” essentially traverse the Middle East, providing a link between China and the Middle East (and the areas to the west).

⁹ Qatar is the largest exporter of liquefied natural gas (LNG) in the world.

¹⁰ Founded in Egypt in the 1920s, the Muslim Brotherhood is one of the earliest Islamist organisations in the modern sense. In its heyday, it had several million members. It has established an extensive network in the Islamic world over time. During the years of the “Arab Spring” it gained considerable influence in several Arab countries.

To date, China has mostly kept its distance from political events in the Middle East, and to avoid accusations of meddling in domestic affairs, it has adopted a neutral stance on political issues. However, its economic presence is increasingly visible and it has very strong geopolitical objectives in connection with the Middle East region. Non-interference and the maintenance of neutrality at times make it difficult to enforce Chinese interests, and there are signs that China is, albeit cautiously, becoming involved in the political and security processes in the Middle East (arms transfers to some countries, the establishment of a military base in Djibouti to ensure China's military presence in the Middle East, participation in security exercises in the Strait of Hormuz and the Gulf of Oman, etc.).

China's expanding interest in the Middle East is primarily driven by two factors. One of them is the "New Silk Road" initiative, and the other, China's rising energy demands. About half of its oil imports originate from the Middle East, and the region is China's number one supplier of liquefied natural gas. It is anticipated that China's energy consumption will increase significantly, resulting in a greater reliance on Middle Eastern energy sources. Additionally, the Middle East is an essential market for Chinese goods. In recent years, Chinese exports to the Middle East have grown at a dynamic pace: between 2004 and 2018, Chinese exports to Iran increased by 16.9% per year, exports to Pakistan by 15.6%, exports to Saudi Arabia by 16.1% and exports to Türkiye by 16.8% (Greer & Batmanghelidj, 2020).

This is also reflected in the agreements reached with countries in the region, which, excluding Egypt, have been concluded over the past decade. China has signed comprehensive strategic partnership agreements with Algeria, Egypt, Iran, Saudi Arabia and the United Arab Emirates, and strategic partnership agreements with Djibouti, Iraq, Jordan, Kuwait, Morocco, Oman, Qatar and Türkiye (Lons, 2019). This also reveals a kind of hierarchy in China's relations with Middle Eastern countries: preference is given to countries with which it has a comprehensive strategic partnership agreement (Israel is a separate category: China and Israel have a comprehensive innovation strategic partnership agreement).

The 2016 Arab Policy Paper also emphasises the significance of the Middle East to China. The paper (Arab Policy Paper, 2016) provides a comprehensive analysis of the mutually beneficial "model" relations between China and the Arab world ("win-win"). The paper mentions the "New Silk Road" initiative explicitly as a joint project based on "1+2+3" cooperation: 1 – energy as a key factor; 2 – infrastructure, trade and investment; and 3 – nuclear energy, satellite network, ("digital silk road") and new energy sources. The Middle East is an integral part of China's aspiration to create a contiguous economic zone from China through the Gulf to the Mediterranean and Africa, which will be built along the new Silk Road, based on the principle of connectivity.

"Competitive connectivity is the most important geopolitical factor of the 21st century" (Csizmadia, 2021), which also plays a decisive role in the evolution of the position of the Middle East within Eurasia. In Asia and the Middle East, connectivity has a millennia-long history, as it has provided a network of connections between various civilisations and empires. The connectivity between China and the Middle East is a prime example of connectivity, which by default refers to transport networks, while ease of access and accessibility offer a variety of geopolitical, geoeconomic and geocultural

benefits. And control over connectivity can be a crucial factor of influence. This recognition also governs China's Middle Eastern strategy.

China attaches particular importance to cooperation with the Gulf monarchies. Chinese companies are actively engaged in various infrastructure and energy investments that are integral to the goals of the "New Silk Road" initiative (ports, industrial parks). In 2018, China announced the "Industrial Park-Port Interconnection, Two-Wheel and Two-Wing approach" initiative (Yi, 2018). This project will link Chinese industrial parks in Egypt, the Emirates, Saudi Arabia and Oman with nearby ports, schedule the construction of a rail link between the Arabian Peninsula and North Africa and coordinate energy, scientific-technological and financial cooperation.

8. Post-American Middle East: Instability and Insecurity

The 2010s marked the end of an era of direct US presence and active intervention in the Middle East. The last decade was marked by the gradual retreat and diminishing influence of the USA. The ineffectiveness of US Middle East policy and the failure of US military interventions in Iraq and Afghanistan have contributed to this.

Essentially, the wave of protests of the "Arab Spring" began in early 2011, and many had high hopes. The "domino effect" – a wave of democratisation that would sweep away autocratic regimes and enable the region's pressing social, economic and political issues to be resolved – has re-emerged. Well, that's not exactly how it turned out. Few of the initial expectations have been realised.

There has been no wave of democratisation and no real progress in resolving the issues that sparked the protests in the first place. The level of insecurity and instability across the region has increased. Several nations have experienced armed conflicts and even civil wars. Several of the already fragile states have been categorised as "failed" or "fragile" (Iraq, Syria, Libya or Yemen). Tribal, ethnic and religious/sectarian fault lines have intensified, radical, extremist Islamism/jihadism has gained ground and the Islamic State terrorist organisation has seized control of significant portions of Iraq and Syria. A number of non-state actors have emerged on the scene, exploiting the void left by the disintegration of the state.

Even if there is some indication of consolidation, instability, uncertainty and unpredictability have become integral components of Middle Eastern geopolitics. The Middle East is a crisis zone that lacks the basic conditions for stability. Therefore, we cannot speak of an Arab or Middle Eastern regional order. The region is characterised by a lack of order or by "disorder", which makes it extremely difficult to link the region to the Eurasian process, as uncertainty is a significant barrier to the implementation of the intended large-scale economic and infrastructure development programmes. There is some hope that the year 2021 will be marked by a certain "pacification", a reconciliation between adversaries and the beginning of dialogue. The question is whether or not this trend will persist?

References

- Al Jazeera, (2004). The Greater Middle East Initiative. <https://www.aljazeera.com/news/2004/5/20/the-greater-middle-east-initiative>
- Alqahtani, K. (2020). Does Saudi Arabia Benefit From China's Belt and Road Initiative? *Journal of Management and Strategy*, 11(1). <https://doi.org/10.5430/jms.v11n1p1>
- Arab Policy Paper, (2016). Full text of China's Arab Policy Paper. The State Council, The People's Republic of China, http://english.www.gov.cn/archive/publications/2016/01/13/content_281475271412746.htm
- Aras, B. & Kardas, S. (2021). Geopolitics of the New Middle East: Perspectives from Inside and Outside. *Journal of Balkan and Near Eastern Studies*, 23(3), 397-402. <https://doi.org/10.1080/19448953.2021.1888251>
- Bokhari, K. (2015). The Saudi-Iranian Geosectarian Struggle. *The Islamic Monthly*, Spring/Summer 2015. <https://www.theislamicmonthly.com/the-saudi-iranian-geosectarian-struggle/>
- Brzezinski, Z. (1999). *A nagy sakktábla. Amerika világhelsége és geostratégiai feladatai.* [The Great Chessboard. America's Global Supremacy and Geostategic Tasks], Európa Könyvkiadó.
- Buluwi, A. (2014). The Saudi-Türkiye Cold War for Sunni Hegemony. Center for Geopolitical Analyses. <http://icmu.nyc.gr/The-Saudi-Türkiye-cold-war-for-Sunni-hegemony?page=1>
- Chulov, M. (2017). „I will return Saudi Arabia to moderate Islam, says crown prince.” *The Guardian*, October 24, 2017. <https://www.theguardian.com/world/2017/oct/24/i-will-return-saudi-arabia-moderate-islam-crown-prince>
- Colakoğlu, S. (2019). China's Belt and Road Initiative and Türkiye's Middle Corridor: A Question of Compatibility. Middle East Institute. <https://www.mei.edu/publications/china-belt-and-road-initiative-and-Türkiyes-middle-corridor-question-compatibility>
- Csizmadia, N. (2021). A konnektivitás jelentősége – fúziók és hálózatok kora [The Importance of Connectivity - the Age of Mergers and Networks], növekedés.hu. <https://novekedes.hu/elemezsek/a-konnektivitas-jelentosege-fuziok-es-halozatok-kora>
- Davison, R. (1960). Where is the Middle East? *Foreign Affairs*, 38(4), 665-675. <https://doi.org/10.2307/20029452>
- Davutoğlu, A. (2016). *Stratégiai mélység. Törökország nemzetközi helyzete.* [Strategic Depth. The International Position of Türkiye], Antall József Knowledge Centre.
- Egeresi, Z. (2017). A centrum nyomában: geopolitikai gondolkodás és külpolitikai útkeresés Törökországban [On the Trail of the Centre: Geopolitical Reflection and Foreign Policy in Türkiye], *Külügyi Szemle*, 2017 [winter], 64-87.
- Garfinkle, A. (1999). The Greater Middle East 2025. Foreign Policy Research Institute, Middle East Program. <https://www.fpri.org/article/1999/12/the-greater-middle-east-2025/>
- Gause, G. (2016). Beyond Sectarianism: The New Middle East Cold War. Brookings Doha Center Analysis Paper, No. 11. <https://www.brookings.edu/wp-content/uploads/2016/06/English-PDF-1.pdf>
- Greer, L. & Batmanghelidj, E. (2020). Last Among Equals: The China-Iran Partnership in a Regional Context. Wilson Center, Occasional Paper Series, No. 38. <https://www.wilsoncenter.org/publication/last-among-equals-china-iran-partnership-regional-context>
- Haan, J. (2020). Saudi Strategies for Religious Influence and Soft Power in Indonesia. Future Directions International, Strategic Analysis Paper. <https://www.futuredirections.org.au/publication/saudi-strategies-for-religious-influence-and-soft-power-in-indonesia/>
- Hanapi, M. (2014). The Wasatiyyah (Moderation) Concept in Islamic Epistemology: A Case Study of its Implementation in Malaysia. *International Journal of Humanities and Social Science*, 4 (9[1]), 51-62. http://www.ijhssnet.com/journals/Vol_4_No_9_1_July_2014/7.pdf
- Hoesterey, J. (2016). Rebranding Islam: Public Diplomacy, Soft Power, and the Making of „Moderate Islam”. University of Notre Dame. <https://contendingmodernities.nd.edu/field-notes/aci-indonesia-rebranding-islam-public-diplomacy-soft-power-and-the-making-of-moderate-islam/>
- Huntington, S. (1998). *A civilizációk összecsapása és a világrend átalakulása.* [The Clash of Civilisations and the Transformation of World Order], Európa Könyvkiadó.
- Jisi, W. (2014). „Marching Westwards.” The Rebalancing of China's Geostrategy. In: S. Binhong (Ed.), *The World in 2020 According to China.* (pp.129-136). Brill.
- Kerr, M. (1971). *The Arab Cold War: Gamal 'Abd al-Nasir and His Rivals, 1958-1970.* Oxford University Press.
- Lacoste, Y. (1999). Geopolitika. In: Molnár G., Csizmadia S., Pataki G. (szerk.): *Geopolitikai szöveggyűjtemény.* [Geopolitical Anthology. Institute for Strategic and Defence Studies]. (pp. 486-512). Stratégiai és Védelmi Kutatóintézet.
- Lons, C., Fulton, J., Sun, D., & Al-Tamimi, N. (2019). China's Great Game in the Middle East. European Council on Foreign Relations, Policy Brief. https://ecfr.eu/publication/china_great_game_middle_east/
- Mandeville, P. & Hamid, S. (2018). Islam as Statecraft: How Governments use Religion in Foreign Policy. Foreign Policy at Brookings. <https://www.brookings.edu/research/islam-as-statecraft-how-governments-use-religion-in-foreign-policy/>
- Mashino, I. (2021). The Bipolar Conflict in the Middle East over the Muslim Brotherhood – Why Saudi Arabia, The UAE, and Egypt see the Brotherhood as a Threat. Mitsui & Co. Global Strategic Studies Institute Monthly Report, https://www.mitsui.com/mgssi/en/report/detail/___ics-Files/afildfile/2021/08/03/2106e_mashino_e.pdf
- Szilágyi I. (2018). *Geopolitika* [Geopolitics]. PAIGEO.
- Valantin, J-M. (2017): Saudi Arabia and the Chinese New Silk Road. The Red Team Analysis Society. <https://redanalysis.org/2017/05/15/saudi-arabia-and-the-chinese-new-silk-road/>

- Vision 2030. Government of Saudi Arabia. https://www.my.gov.sa/wps/portal/snp/content/saudi-vision#header2_0
- Wallerstein, I. (2010). *Bevezetés a vilárendszer-elméletbe. [Introduction to the World Systems Theory]*, L'Harmattan Kiadó.
- Wang, J. (2014). China's Economic Restructuring and Extension of China's Middle East Strategy, *Journal of Middle Eastern and Islamic Studies (in Asia)*, 8(2), 22-43. <https://doi.org/10.1080/19370679.2014.12023243>
- Yi, W. (2018). China and Arab States Should Jointly Forge the Cooperation Layout Featuring "Industrial Park-Port Interconnection, Two-Wheel and Two-Wing Approach", Embassy of the People's Republic of China in the Republic of Malta. <https://www.mfa.gov.cn/ce/cemt/eng/zyxwdt/t1576567.htm>

PÉTER KLEMENSITS

The Geopolitical Significance of Southeast
Asia in the New Multipolar World Order



THE GEOPOLITICAL SIGNIFICANCE OF SOUTHEAST ASIA IN THE NEW MULTIPOLAR WORLD ORDER

PÉTER KLEMENSITS¹

Abstract

In the new multipolar world order, Southeast Asia deserves more attention as Asian countries rise. The region is home to the 10-nation Association of Southeast Asian Nations (ASEAN), which is becoming increasingly important both politically and economically. ASEAN is not only the world's fifth largest economy, but also forms the basis for regional integration initiatives in the Asia-Pacific region. Geopolitically, each country balances between the United States and China, avoiding unilateral engagement and seeking to act as a bridge. The region is of particular geostrategic importance to the two great powers, which also reinforces their role in the future of Eurasia. It is no coincidence that Southeast Asia played a central role in China's Belt and Road Initiative and the Indo-Pacific concept of the United States. The aim of this paper is to illustrate the importance of Southeast Asia in the international geopolitical processes, focusing on the geostrategic goals of China and the regional responses to them, from the perspective of the US-China rivalry.

Keywords: Geopolitics, Southeast Asia, US-Chinese rivalry, Belt and Road Initiative, Indo-Pacific concept

¹ Dr. Péter Klemensits PhD, Senior Research Fellow, Eurasia Center, John von Neumann University.

1. Introduction

By the 21st century, a new multipolar world order started to emerge, in which the rise of Asia stands out.² Southeast Asia is one of the continent's dominant regions and has become one of the world's leading political and economic players. The Association of Southeast Asian Nations (ASEAN) is the world's fifth largest economy and its significance is on the rise (US-ASEAN Business Council, 2019). It is also the cornerstone of the integration initiatives of the Asia-Pacific region, which also shape relations with the great powers. From a geopolitical standpoint, ASEAN states have historically sought to maintain a balance and act as mediators between the great powers while eschewing overt engagement. Southeast Asia can also be viewed as a buffer zone of great power influence, with the United States maintaining a dominant security and military position while China dominates the economic sphere. The actual geopolitical significance of the region can only be comprehended in light of the two powers' relations with the ASEAN countries.

The aim of this paper is to summarise the most important information about the region; to show why, in light of the rivalry between China and the United States, Southeast Asia is considered one of the most important regions in the world from a geopolitical perspective, and how ASEAN states can successfully balance the conflicting interests of the great powers through the formation of political, economic and security relations. Unquestionably, the countries of Southeast Asia will have to be taken into account in the unfolding Eurasian integration process, and their experience in the western part of the supercontinent also merits consideration.

2. Southeast Asia in the International System of the 21st Century

Southeast Asia is one of the dominant regions of the Asian continent, encompassing the territory south of China, east of India and northwest of Australia. It has a total area of 4,545,792 km² and a population of 661.5 million. In 2020, the region's total GDP reached USD 3.08 trillion (O'Neill, 2021). Geographically speaking, it is possible to differentiate mainland Southeast Asia from the archipelago. The region can be seen as geographically, politically and culturally heterogeneous, with the term Southeast Asia itself being used only since World War II, highlighting the close relationship between the smaller territories (Balogh, 2015, p. 21). With the exception of Thailand, the states of the region were part of colonial empires, gaining independence only after 1945 (see Figure 1).

² Numerous theories regarding the new world order have recently emerged. While opinions differ widely – e.g. Chris Ogden highlights the future centrality of China and India; John West argues that India will surpass China; and Kishore Mahbubani, Kent E. Calder and Bruno Maçães discuss a China-led New World Order – they all agree that as the West loses ground, the political, economic and military importance of South Asian, East Asian, and Southeast Asian countries will continue to grow, while the centre of the globe will shift eastwards (Ogden, 2017; West, 2018; Mahbubani, 2018; Calder, 2019; Maçães, 2018).

Politically, the region comprises the 10 ASEAN (Association of Southeast Asian Nations) member states (Myanmar, Thailand, Cambodia, Laos, Vietnam, Malaysia, Singapore, Indonesia, Brunei, Philippines) and East Timor, which became independent in 2002. ASEAN has been the third fastest expanding economy in the world over the past decade, indicating a heterogeneous region where the position of the “Tiger Cub economies”³ (Indonesia, Malaysia, the Philippines, Thailand and Vietnam) is dominant (US-ASEAN Business Council, 2019). Indonesia is the largest economy in the region, with the 17th highest GDP in the world in terms of purchasing power parity, but is projected to be the eighth largest by 2050 (IMF, 2021; PwC, 2017). Singapore is one of the world’s most advanced economies, a monetary and commercial hub, and is projected to be the world’s richest country in terms of GDP per capita by mid-century. In terms of purchasing power parity, Vietnam is currently the world’s 24th largest economy. However, it is anticipated that by 2050, China will permanently be the fastest growing large economy in the world, with an annual GDP growth of approximately 5.1% (IMF, 2021; PwC, 2017). Thailand, the second largest economy in Southeast Asia, attributes its growth primarily to manufacturing, tourism and agriculture. Much like the Philippines, Asia’s eighth most populous country, and Malaysia, a dominant player in education and business, with an annual GDP growth of around 6-7% (see Figure 1).

Table 1: Key indicators for Southeast Asian countries

	Country	Land area (km ²)	Population (million people, 2020)	Nominal GDP (billion USD, 2021)	Nominal GDP world rankin (USD, 2021)	GDP per capita (USD, 2021)	Achieving independence (Colonialist)
1	Indonesia	1,877,519.0	273,523.62	1,158.783	16.	4.256	1945 (Holland)
2	Thailand	510,890.0	69,799.98	538,735	26.	7.702	It was not colonised
3	Philippines	298,170.0	109,581.09	402,638	34.	3.646	1946 (USA)
4	Malaysia	328,550.0	32,366.00	387,093	38.	11.604	1957 (Britain)
5	Singapore	709.0	5,685.81	374,394	39.	64.103	1963 (Britain)
6	Vietnam	310,070.0	97,338.58	354,868	41.	3.609	1945 (France)
7	Myanmar	652,790.0	54,409.79	76,195	70.	1.423	1948 (Britain)
8	Cambodia	176,520.0	16,718.97	27,239	106.	1.720	1954 (France)
9	Laos	230,800.0	7,275.56	20,440	118.	2.773	1953 (France)
10	Brunei	5,270.0	437.48	15,278	134.	33.097	1984 (Britain)
11	East Timor	14,870.0	1,318.44	1,726	184.	1,285	2002 (Portugal)
	ASEAN	4.545.792	661,5	3,08	5.	4.849	-

Source: compilation by the author based on IMF and World Bank data

³ The name refers to the fact that these countries have followed the same export-driven economic development as the “Four Asian Tigers” (Hong Kong, Singapore, South Korea and Taiwan).

The majority of Southeast Asian countries are part of the newly industrialised states; however, their importance in the global economy is steadily increasing. The importance of Southeast Asia in the global economy is demonstrated by the region’s status as a global manufacturing centre (Pananond, 2019). In addition to being one of the most important markets, the sector contributes 20% of ASEAN’s GDP and has the third largest labour force in the world (Business Sweden, p. 12). In addition to investment, innovation expansion is a crucial component of economic growth. Productivity can be facilitated substantially by mobile internet, big data, the Internet of Things, automation and the spread of cloud-based technologies.

Nevertheless, Southeast Asia’s development is hampered by a backwards infrastructure environment that would require substantial investment. The Asian Development Bank estimates that a minimum of USD 2.8 trillion would be required for infrastructure investment in the region between 2016 and 2030, which would necessitate external funding (Standard Chartered, 2019). It is no coincidence that Southeast Asian states have been eager to join China’s “Belt and Road Initiative” (BRI) mega-programme, which, in addition to investment, seeks to develop the economies of the countries concerned and enhance connectivity across Asia. Large-scale infrastructure development projects with China’s active participation will further strengthen economic cooperation between Southeast Asia and the regions further afield, demonstrating that the progress of Eurasian integration will further strengthen Southeast Asia’s economic standing internationally.

ASEAN was established in 1967 as a regional integration organisation with the primary goals of boosting economic development and guaranteeing peace and security. Southeast Asia’s strategic significance was evident during the Cold War, when the USA and the communist powers (China and the Soviet Union) attempted to restrain each other during the Vietnam War, and this situation has not changed, even in the 21st century. Today, ASEAN places a greater emphasis on combating climate change and assuring sustainability, and is dedicated to meeting the UN Sustainable Development Goals.

China’s economic dominance in the region has increased in recent years, while the United States continues to maintain a strong position in terms of security policy. The primary strength of the ASEAN states is that throughout history – even in the centuries before colonialism – they have always successfully pursued a balancing act between the great powers, whereby they continue to strive to maintain an equal distance between the United States and China, with a view to mutual benefit.

3. The Geopolitical Significance of Southeast Asia: the Axis Among the Great Powers

ASEAN, the USA and China form a strategic triangle in which four distinct types of relations can be established between the three sovereign powers, taking into account the possible negative and positive relations between them, as we have seen in different historical periods.⁴ Since 2010, ASEAN has been the passive actor in this “romantic triangle”, with which both China and the US have better relations than the two powers have with each other, realising a positive relationship between the axis state and the two border states (Dittmer, 2016). In the process, China’s economic ties with the region have strengthened, which has been of considerable benefit to ASEAN, while Beijing’s increasingly assertive foreign policy has also led it seeking protection from the US. A war between the two great powers would represent a real tragedy for ASEAN, so maintaining the organisation’s central position and mediating between the two parties remains a top priority. The peaceful resolution of conflicts through the philosophy known as the “ASEAN Way”⁵ has become more critical than ever.

The intensifying US-China rivalry is a major challenge for ASEAN, whereby managing relations with major powers in a multipolar world with a focus on long-term interests and analysing geopolitical developments requires considerable wisdom on the part of the organisation, and fortunately, historical examples can provide a good basis for this (Mahbubani & Sng, 2017). According to Singapore’s former Prime Minister Lee Kuan Yew, since Asian countries are unable to counterbalance China on their own, they continue to rely on US security and economic influence to maintain geopolitical balance. However, the rise of China cannot be prevented. The US must be prepared to share its leading role sooner rather than later, while the countries of Southeast Asia must also embrace China’s dominant economic position, or risk being squeezed out of a market that is increasingly influencing the future of the global economy (Graham et al., 2013).

It should be emphasised that Southeast Asian countries do not wish to choose between China and the US, as this would in no way serve their interests (Mahbubani, 2020a), as several ASEAN leaders have publicly stated. The rise of China remains a cause for concern, particularly among its neighbours, as “no one feels comfortable sharing a small room with an elephant, no matter how benign.” The majority would thus embrace a sustained US presence to counterbalance the influence of China. However, they want to see a competent and heedful US presence, not one that forces a choice between the two regimes, as if the “with us or against us” ethos of the US were the only option. As a result of the enduring American presence in Southeast Asia, many locals continue to view the USA favourably, which their diplomats are still able to exploit (Mahbubani, 2020b).

⁴ 1) a negative relationship between the three parties; 2) a positive relationship between two parties vis-à-vis the third; 3) a positive relationship between the axis state and the two border states; 4) a positive relationship between all three parties.

⁵ The term “ASEAN Way” refers to a problem-solving methodology or approach that adheres to Southeast Asian cultural norms. It is fundamentally an informal and personal working process or style. Policy makers consistently use compromise, consensus and consultation in the informal decision-making process in order to achieve a conflict-free way of problem solving (Goh, 2003).

Despite the above, however, the responses of the region’s states to geostrategic challenges are far from unified. From the perspective of international relations theory, small states have a number of options for defining their behaviour towards a revisionist power, among which the concepts of *bandwagon* and *appeasement* stand out. However, opposing a great power is hardly a realistic alternative (De Castro, 2019). In the case of Southeast Asia, there are plenty of examples of the above-mentioned diplomatic strategies being employed in the formulation of foreign policy by individual states. However, as this does not only show differences in the case of the 10 countries, but often also in the instances of successive governments, this paper will refrain from describing them in detail and will instead provide a brief summary of the responses to the Chinese BRI and the US Indo-Pacific strategy.

4. Great Power Geostrategic Concepts

4.1. Chinese Strategics

China’s geostrategic aspirations can be encapsulated by the “Belt and Road” initiative announced in autumn 2013, through which Beijing aims to revive the tradition of the old Silk Road. China is therefore committed to constructing and modernising transportation networks in the footsteps of the caravan routes that once connected Europe and Asia, while boosting the economies of the regions concerned. In essence, this is a long-term international development programme led (financed) by China, which in turn meets Beijing’s geostrategic goals by connecting remote regions to major trade routes. Morgan Stanley estimates that China’s BRI-related expenses could reach USD 1.2-1.3 trillion by 2027 (Morgan Stanley, 2018).

The Belt and Road Initiative comprises two megaprojects: the Silk Road Economic Belt and the 21st-century Maritime Silk Road. The first connects China to Central Asia, the Middle East and Europe by land, while the second links the main maritime trade routes of Africa, Europe and Oceania as well as South and Southeast Asia.⁶ Since the two programmes are inseparable, the aim is to implement them simultaneously. Despite the undeniable significance of high-speed rail and motorways in the 21st century, maritime transport remains the primary mode of transport in terms of volume. The Maritime Silk Road is therefore even more important in global terms than the transcontinental “economic belt”.

The Maritime Silk Road plan was first made public in early October 2013 in a speech by Chinese President Xi Jinping to the Indonesian Parliament (ASEAN-China Centre, 2013). In his speech, the Chinese head of state expressed his strong support for the need to establish modern maritime infrastructure and develop transport routes, especially between China and the ASEAN states. As Southeast Asia has historically been a hub for long-distance trade, the region plays a particularly important role in this endeavour for China.

⁶ In addition to the 21st-century New Maritime Silk Road, China is also planning to construct an Arctic Silk Road simultaneously with the melting of the Arctic ice. For more details, see Zoltai, 2021.

The New Maritime Silk Road, similar to the onshore projects, is expected to go beyond “mere” infrastructure development funded by China (e.g. building ports and shipyards). Its true aim is to facilitate regional cooperation, financial integration, free trade and scientific cooperation.

For centuries, the Maritime Silk Road enabled peaceful interaction between different cultures and civilisations, not only contributing to the development of long-distance trade, but also ensuring the creation of a new international economic and political system in which China’s leading role was undisputed. Building on the successes of the past, the concept of the 21st-century Maritime Silk Road today strives to emphasise the positive effects of globalisation and argue in favour of mutual gains, peaceful cooperation and sustainable development of the maritime world.

According to the Chinese government, the sole objective of the New Maritime Silk Road and the entire “Belt and Road Initiative” is economic, namely to ensure “*win-win* cooperation”, common development and prosperity, and to promote economic and cultural integration between China and the countries involved. However, the Maritime Silk Road is also of immense diplomatic significance, and it is no accident that it has been a central theme of Chinese foreign policy in recent years. The countries of Southeast Asia have been viewed as the most important potential partners from the outset, since the project is primarily intended to ensure their reconciliation in the face of China’s increasingly assertive foreign and defence policies of recent times. Whereas China believes infrastructure-related investments are not politically constrained, it is clear that interests are intertwined. While in the case of ASEAN, the larger strategic objective should not be forgotten: given the rivalry between China and the United States, economic and political emphasis should be placed on expanding Chinese influence in the region. Though there is no dispute as to the commitment of certain South and Southeast Asian nations (Pakistan, Sri Lanka, Malaysia and Cambodia), their objective is to establish long-term cooperation (Klemensits, 2018).

The geostrategic objective of the Maritime Silk Road project is to guarantee Beijing control over key maritime trade routes and the uninterrupted import of raw materials.

4.2. The American Concept

Opinions are divided regarding the results of the “Pivot to Asia” or “Rebalance” concept announced during the Obama administration, but it is evident that it did not fully address the “China challenge” effectively until the end of 2016. With the rise to power of Chinese President Xi Jinping in 2012 and the announcement of the BRI the following year, the United States increasingly viewed China as a threat against which it intended to implement countermeasures. In the meantime, however, China, fearing US containment intentions, also attributed a geopolitical dimension to the BRI, influenced by the ancient Chinese game of weiqi on Chinese thinking (Horváth, 2020).

The term Indo-Pacific as a strategic concept only emerged in 2017, after the election of US President Donald Trump. In his keynote speech at the APEC summit in November 2017, Trump disclosed for the first time the specifics of his administration’s Asia policy. Trump envisioned the peaceful and free development of “sovereign and independent countries” in his “Indo-Pacific Dream”, and offered

a bilateral partnership with the states of the area to maintain a “free and open Indo-Pacific” region in opposition to Chinese ambitions. Trump asserted that the favourable terms offered by the US were being unjustly exploited by certain countries, resulting in a growing US trade deficit, which previous US administrations did not address. Referring to China, he also spoke out against state economic planning and the expansion of state-owned enterprises. He stated that the USA would continue to seek a fair and equal partnership in its bilateral relations, while breaking with decades of US policy practice by rejecting multilateral agreements and advising countries to pursue their own self-interest. In addition, he emphasised the significance of intellectual property protection, particularly since some states have gained unfair advantages in this area (The White House, 2017a). Nonetheless, it is also worth adding that the accusations repeated by the US echo those previously made against Japan and Germany (trade surplus, exchange rate manipulation, disregard for intellectual property rights), when these countries appeared to pose a threat to US economic dominance in the global economy (Moldicz, 2021, pp. 31-33.).

Regarding the security of the region, Trump’s economy-centric foreign policy strategy was made clear when he equated economic security with national security and then called for the protection of the rights of individual countries and the principles of free navigation and overflight. The US National Security Strategy, published in December 2017, already contained the core elements of the concept, namely that in the Pacific region “visions of freedom and repression compete” and that Chinese assertiveness is one of the primary threats, while allies also play a crucial role (The White House, 2017b).

Trump’s administration has already treated Beijing as an open competitor that cannot be integrated into the liberal world order; consequently, a balancing strategy must be pursued against it, with the ultimate objective of disadvantaging the opponent so that the United States wins the race for hegemony (De Castro, 2018). Consequently, the National Defense Strategy issued by the Pentagon in January 2018 identified the long-term strategic rivalry between the revisionist powers as the most significant challenge that poses a threat to US security (Department of Defense (DOD) United States of America, 2018).

In November 2018, at the APEC Summit, Vice President Mike Pence reiterated the Indo-Pacific concept introduced by President Trump at the 2017 APEC Summit. The Indo-Pacific Strategy Report, issued by the Department of Defense in June 2019, focused on preparedness, partnership and a networked region, i.e. the preparedness of allies (Japan, South Korea and Australia), building new defence partnerships (Vietnam, Indonesia and Malaysia) and establishing a cooperative network through US bilateral relationships (DOD, 2019). In November 2019, the US State Department summarised the developments of the previous two years in the strategy in a publication titled “A Free and Open Indo-Pacific: Advancing a Shared Vision.” The document sought to assert the increased commitment of the United States to the region, emphasising the need to preserve a free and open region and the significance of economic ties with allies and other partner states (Department of State, United States of America, 2019). During 2020, following the COVID-19 pandemic, US foreign policy became even more antagonistic towards Beijing than before, with the Free and Open

Indo-Pacific (FOIP) strategy becoming increasingly anti-China, while also seeking to engage allied nations in a conflict for its own ends.

Following the election victory of US President Joe Biden in November 2020, the core elements of the Indo-Pacific strategy remained in effect. In March 2021, the Biden administration issued the “Interim National Security Strategic Guidance”, in which it advocated for a stronger alliance with China (The White House, 2021). Respect for democracy, freedom and human rights was given greater emphasis than before; however, this should not impede the strengthening of partnerships. In contrast to the Trump administration, Biden is unlikely to strain US-China relations to the breaking point, and he does not anticipate an open stance from allies either. Secretary of Defense, Lloyd Austin, emphasised during his July visit to Singapore that the US does not expect Southeast Asian countries to choose between Washington and Beijing.

On 15 September, the United States, the United Kingdom and Australia entered into an agreement to establish an “enhanced trilateral security partnership” called AUKUS, under which the US and the United Kingdom will assist Australia in acquiring nuclear-powered submarines, thereby fostering the country’s defence capabilities and contributing to the security of the Indo-Pacific region (Clarke, 2021). In economic terms, since the US is not a member of the Regional Comprehensive Economic Partnership, and in order to reassure its allies, Biden announced at the East Asia Summit in October that “the United States along with its partners will explore the possibility of establishing an Indo-Pacific economic framework” (Powell, 2021).

5. The Evolution of Relations with China

As the announcement of the BRI in 2013 – and the positive response of Southeast Asian countries to it – has had a significant impact on ASEAN-China economic relations, it is worthwhile to briefly examine their development. ASEAN and China signed the Framework Agreement on Comprehensive Economic Cooperation in November 2002, initiating the process of establishing the ASEAN-China Free Trade Area, which entered into force in January 2010 (Wu, 2015). This is partly the reason why China has been ASEAN’s most important trading partner for the past 12 years. And since 2018, ASEAN has become China’s second most important trading partner (ahead of the United States) after the European Union (Xilian, 2019) (similarly, the Regional Comprehensive Economic Partnership, signed in 2020 and entering into force in 2022 – while not only involving China and ASEAN countries – will have a huge impact on the integration of the region).

And the coronavirus pandemic has led to a new chapter in economic relations, with ASEAN surpassing the European Union as China’s largest trading partner in the first two months of 2020. This demonstrated that Southeast Asia and China have an unbreakable supply chain that even external shocks such as the coronavirus cannot disrupt (“ASEAN becomes China’s largest trading partner in 2020, with 7% growth”, *Global Times*, 2020). In 2020, ASEAN-China trade volume reached USD 684.6 billion; and then, in the first half of 2021, it amounted to USD 410.75 billion.

Of this, China’s exports amounted to USD 225.83 billion, while imports amounted to USD 184.92 billion. This represents an increase of 38.2% and 38.3%, respectively, relative to the previous year (Ministry of Foreign Affairs, 2021).

According to ASEAN statistics, in 2020, China’s direct investment in ASEAN reached USD 14.36 billion, an increase of 52.1%, while ASEAN’s actual investment in China reached USD 7.95 billion, an increase of 1% over the previous year. According to preliminary statistics, in the first half of 2021, Chinese companies invested USD 6.81 billion in ASEAN, while the bloc’s actual Chinese investment amounted to USD 5.63 billion. In June of this year, mutual funds between China and ASEAN exceeded USD 310 billion. Cooperation predominates in sectors such as manufacturing, agriculture, infrastructure, high technology, digital economy and green economy (Ministry of Foreign Affairs, 2021). All of this demonstrates the close economic ties and interdependence between China and Southeast Asia.

- Cambodia is regarded as one of China’s most important Southeast Asian partners. Significant progress has been made in the country’s infrastructure and tangible connectivity development, much of which can be attributed to the BRI. Despite COVID-19, significant projects such as the Phnom Penh-Sihanoukville high-speed railway and the construction of a 700-megawatt power plant in Sihanoukville have continued, propelling the country’s post-pandemic economic development (Xinhua, 2021).
- With regard to Laos, one of the most important initiatives between the two countries at the moment is the China-Laos railway project, whose main objective is to channel trade and transform the landlocked country into a mainland hub. As Laos is a relatively impoverished country with limited natural resources, it is largely at the mercy of the Chinese initiative, and the pandemic has only exacerbated this situation (ISEAS, 2021).
- Myanmar is of particular importance to Beijing’s geostrategic plans, as it provides China access to the Indian Ocean. The projects signed during Xi Jinping’s visit in January 2020 are all linked to the China-Myanmar Economic Corridor (CMEC), which is part of the BRI. In spring 2021, despite the political and economic turmoil, the regime reaffirmed its commitment to implement its earlier plans (The Irrawady, 2021).
- Vietnam endorsed the BRI but was wary of the associated Chinese loans. Mistrust of Beijing and fears of indebtedness are fuelled by the conflict in the South China Sea and the unfavourable terms for Chinese loans. Vietnam’s participation in the BRI thus appears to be rather subdued and slow, even though the country is in dire need of infrastructure development (Abuza & Vu, 2021).
- Thailand recently made an effort to maintain its independence from China, as it fears falling into a debt trap and its economy is heavily reliant on Chinese tourists (Bunyavejchewin, 2020). The BRI railway project would connect Bangkok to the north of the country using Chinese high-speed rail technology. The Chinese city of Kunming would then also be accessible via Laos.

- In terms of the Maritime Silk Road, Indonesia is the most important Southeast Asian state to China in terms of geopolitical and geostrategic considerations. Through the Malacca, Lombok and Sunda Straits, China's imports and exports pass through strategic trade routes controlled by the largest state in the region. Thus, without Indonesia's participation, the initiative cannot flourish. Nevertheless, the Indonesian and Chinese governments quickly came to an understanding, as President Joko Widodo (Jokowi) wants to turn his country into a "Global Maritime Hub", acting as a bridge between the Indian and Pacific Oceans. In November 2014, President Jokowi pledged to support the development of maritime infrastructure, including the establishment of 24 strategic ports and five deepwater ports (Duquennoy & Zielonka, 2015), with the objective of enhancing connectivity, attracting foreign investment and maximising trade opportunities. However, several projects had unfortunately already been delayed prior to COVID-19 due to economic and environmental concerns, so the parties should seek to revive them in the future (Rakhmat & Pashya, 2021).
- During Najib Tun Razak's tenure as Malaysia's prime minister between 2009 and 2018, the country was committed to the BRI and anticipated substantial economic benefits from Chinese projects. As a result, a deal was reached to establish the Malaysia-China Kuantan Industrial Park, with China undertaking significant developments at the Kuantan Port on the eastern edge of the Malay Peninsula. After 2018, the government of Mahathir Mohamad reduced the country's participation in the BRI, but allowed key projects to continue. However, doubts have now been raised about their future, while relations between the two countries have also grown colder.
- Singapore has favoured the BRI from the outset, focusing in particular on the areas of infrastructure, financial connectivity and investment in third countries. In 2017, to improve land connectivity, Singapore and Malaysia started construction of the 350 km long, US\$11 billion Kuala Lumpur-Singapore high-speed railway, which is scheduled to begin operating in 2031 (Railway technology, 2020). The BRI project is part of the proposed Kunming-Singapore railway. Despite the government's positive attitude, some believe that the 21st-century Maritime Silk Road could see the port of Singapore lose its former unique *shipping hub* status, as China, through its developments in Malaysia and due to the mainland routes, could face a loss of trade. Brunei's principal ties with China are economic, as it is a major supporter of the BRI project, and China has also promised to assist the country in diversifying its economy. However, China's infrastructure investment and increased trade flows may offer a solution to these issues (Goulard, 2021).

Overall, the BRI has had a major impact on ASEAN countries, increasing their economic reliance on China. However, due to geographical, geostrategic, economic and cultural reasons, there are significant differences in each country. In mainland Southeast Asia, the economies of Cambodia, Laos and Myanmar are heavily dependent on China. However, despite China's growing position in foreign trade and FDI, Thailand and Vietnam are viewed as effective in their efforts to maintain a balance between the great powers and distance themselves from Beijing. In the archipelago, the

economic ties of Indonesia and Malaysia with China – putting aside the ebb and flow of political relations – have become tighter, as evidenced by the increase in BRI projects and the shift in the external trade balance. Singapore and Brunei exhibit a similar pattern in their relations with China, although the economic benefits for the latter two are more evident than for the other countries. Although ASEAN countries have, in principle, welcomed the BRI, they continue to fear its potential strategic consequences – e.g. political dependence, debt trap – while the US has also taken steps to magnify these challenges (Gong, 2019).

6. Reception of the Strategic Concept Offered by the United States

The Indo-Pacific strategy announced by the United States has not elicited unanimous responses from ASEAN countries. The Trump administration's "America First" foreign policy and rejection of multilateral frameworks were initially met with scepticism even by the US's most important Asian allies, and Washington was unable to adequately counterbalance China's economic influence with promises ("U.S. pledges nearly USD 300 million", 2018). As for the Indo-Pacific, even its geographical meaning was initially unclear to Southeast Asians, who found it difficult to identify with the undefined region stretching from the east coast of Africa to the western basin of the Pacific Ocean.

In June 2019, ASEAN finally released the document "ASEAN Outlook on the Indo-Pacific", which revealed important details about the organisation's vision and goals. Its four main elements are: the integration of the Asia-Pacific and Indian Ocean regions; the facilitation of dialogue and cooperation instead of rivalry; development and prosperity for all concerned; and the importance of the maritime domain in the regional architecture. In line with other international organisations, the document also advocates maritime cooperation, the facilitation of connectivity and sustainable economic development (Parameswaran, 2019). It is also evident that ASEAN nations are more interested in promoting their regionalism than in hindering China, and refuse to engage in armed conflict with China due to their economic interests and asymmetric power relations. However, the birth of the document was preceded by extensive debate, highlighting the division on the issue within the organisation. Long-standing ASEAN members and US allies are more inclined to adopt the US strategy, whereas countries with no formal ties to the US favour China (Liu, 2015). In addition to the geographical context, alliance politics and domestic politics have undoubtedly influenced the conduct of governments. The 35th ASEAN Summit reaffirmed what had been set out in the previous document, but also took an open stance in favour of maintaining ASEAN's central role, reaffirming non-interference in domestic affairs, respect for sovereignty and the importance of the "ASEAN Way".

Singapore, an influential political and economic player, predominantly argued for the strengthening of economic ties between ASEAN and the US (it should be noted that the US was the largest

foreign investor in ASEAN in 2019, accounting for 15.2% of total investment (ASEANstats, 2020)). Thailand, which held the 2019 chairmanship of the organisation, favoured linking the BRI and the Indo-Pacific strategy, as this would benefit all ASEAN members. Indonesia, on the other hand, has concluded from the events that the US no longer intends to act as a counterweight to China and is in the process of withdrawing from the region. Malaysia, on the other hand, viewed the US concept as unwarranted intrusion in South China Sea affairs, making it more difficult to resolve the conflict. When the US directly attacked the BRI in early 2019, namely by referring to it as a debt trap, Myanmar politicians defended the Chinese initiative. Similar statements were later made by the Malaysian and Cambodian governments (Liu, 2015).

Taking into account the economic and security proposals made by the US, the fact that their economies are at the mercy of the US, and the systemic pressures apparent in the multilateral framework, Vietnam, Thailand and Singapore can be considered as the principal supporters of the US concept. For the former three countries, as well as Indonesia and Malaysia, the concept is a preferable option for cooperation; however, for the Philippines and Cambodia, the risks and opportunities are both present (Liu, 2015).

As the Trump administration's rhetoric towards China became more trenchant – while the mooted points of the Indo-Pacific strategy remained unclear – following the first wave of COVID-19 in 2020, Southeast Asia continued to try to take advantage of the mutual opportunities presented by the BRI and FOIP, while staying out of the US-China conflict and acting as an axis in the grip of the two powers.

Following Joe Biden's inauguration, the indication by the new administration of its desire to strengthen economic ties with the region and its offer of support against COVID-19 was well received in Southeast Asia. There was also sympathy for the preservation of a rule-based international order and a pledge to limit China's policy in the South China Sea. However, high-level US visits did not dispel regional concerns about the strategy of the Biden administration (Tan, 2021). The United States' withdrawal from Afghanistan cast doubt on its commitments to its allies, and the formation of AUKUS has further divided the region. Allies of the United States, such as Vietnam and Singapore, anticipate positive results from the pact, as does the Philippines, which believes the accord will enhance the military capabilities of a close ally (Australia). Indonesia and Malaysia responded with considerably less enthusiasm and more caution. The Indonesian foreign ministry criticised the agreement, fearing an acceleration of the arms race, whereas Malaysia warned of rising tensions, whilst calling for the parties to respect the agreement on a nuclear-weapon-free zone in Southeast Asia and promised that China's views be taken into account (Southgate, 2021).

Since the Biden administration is yet to devise a coherent Southeast Asia policy, the states of the region are essentially playing a waiting game, while their fundamental strategy of balancing China and the US according to the interests of each state remains unchanged.

7. Conclusion

Southeast Asia plays an important role in the multipolar world order of the 21st century, highlighting the geopolitical importance of the region. The region, considered a geopolitical buffer zone between two great powers, plays a prominent role in both Chinese and American strategic concepts. Traditionally, the ASEAN states do not wish to pick and choose between the two concepts, but rather attempt to conform to them, while at the same time attempting to play the role of an axis in the tense relationship between Washington and Beijing. Over the past centuries, the countries of Southeast Asia have always been able to maintain a balance between the great powers, and to varying degrees, they still have the potential to do so.

In economic terms, there is no alternative to close cooperation with China. Thus, ASEAN countries have pledged to take an active part in the implementation of the BRI, while also supporting the US regional security role, i.e. they take a positive view of the Indo-Pacific concept as well. ASEAN countries viewed a substantial portion of US plans as acceptable, while they have also sought to strengthen ties with China. Economically, the US cannot compete with China in the long term. However, due to its military strength, it continues to exert a dominant influence in the Asia-Pacific region. Relations between Beijing and Washington have remained tense since the election of Joe Biden, while the world faces the negative consequences of COVID-19, and Southeast Asian countries are expected to continue adapting to the strategic visions of both great powers, while avoiding conflict and balancing between the two to maximise gains.

References

- ASEAN-China Centre. (2 October 2013). *Speech by Chinese President Xi Jinping to Indonesian Parliament*. http://www.asean-china-center.org/english/2013-10/03/c_133062675.htm
- ASEAN becomes China's largest trading partner. (2020, március 7). *Global Times*. <https://www.globaltimes.cn/content/1181864.shtml>
- ASEANstats. (2020). ASEAN Key Figures 2020. https://www.aseanstats.org/wp-content/uploads/2020/11/ASEAN_Key_Figures_2020.pdf
- Balogh A. (2015). *Bevézetés Délkelet-Ázsia történelmébe*. [Introduction to the History of Southeast Asia], ELTE Eötvös kiadó.
- Bunyavejchewin, P. (2 May 2020). Will the 'Milk Tea War' Have a Lasting Impact on China-Thailand Relations? *The Diplomat*. <https://thediplomat.com/2020/05/will-the-milk-tea-war-have-a-lasting-impact-on-china-thailand-relations/>
- Business Sweden. (2012). *The Rise of the Southeast Asian Tigers – Elements for Success in Southeast Asia*. The Swedish Trade & Invest Council. <https://marketing.business-sweden.se/acton/media/28818/southeastasia?sid=TV2%3AAsH8budOIC>
- Calder, K. E. (2019). *Super Continent: The Logic of Eurasian Integration*. Stanford, California: Stanford University Press.
- Clarke, M. (22 September 2021). The AUKUS Nuclear Submarine Deal: Unanswered Questions for Australia, *The Diplomat*. <https://thediplomat.com/2021/09/the-aukus-nuclear-submarine-deal-unanswered-questions-for-australia/>
- De Castro, R. C. (2018). 21st Century U.S. Policy on an Emergent China: From Strategic Constraint to Strategic Competition in the Indo-Pacific Region. *International Journal of China Studies*, 9(3), 259-283.
- De Castro, R. C. (2019). From rebalancing to competition: The Trump administration's grand strategy for the Indo-Pacific region. *Tamkang Journal of International Affairs*, 22(4), 1-50. [https://doi.org/10.6185/TJIA.V.201904_22\(4\).0001](https://doi.org/10.6185/TJIA.V.201904_22(4).0001)
- Department of Defense. (2019). *Indo-Pacific Strategy Report*. <https://media.defense.gov/2019/Jul/01/2002152311/-1/-1/1/DEPARTMENT-OF-DEFENSE-INDO-PACIFIC-STRATEGY-REPORT-2019.PDF>
- Department of Defense. (2018). *Summary of the 2018 National Defense Strategy of the United States of America*. <https://dod.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf>
- Department of State. (2019). *A Free and Open Indo-Pacific*. <https://www.state.gov/wp-content/uploads/2019/11/Free-and-Open-Indo-Pacific-4Nov2019.pdf>
- Dittmer, L. (2016). China, Southeast Asia, and the United States. *Contemporary Chinese Political and Strategic Relations: An International Journal*, 2(1), 111-138.
- Duquennoy, A. & Zielonka, R. (2015). *Bridging Asia and Europe Through Maritime Connectivity*. European Institute for Asian Studies. http://www.eias.org/wp-content/uploads/2016/02/Bridging_Asia_Europe_2015.pdf
- Goh, G. (2003). "The 'ASEAN Way'; Non-Intervention and ASEAN's Role in Conflict Management" (PDF), *Stanford Journal of East Asian Affairs*, 3(1), 113-18.
- Gong, X. (13 April 2019). Will China Undermine Its Own Influence in Southeast Asia Through the Belt and Road? *The Diplomat*. <https://thediplomat.com/2019/04/will-china-undermine-its-own-influence-in-southeast-asia-through-the-belt-and-road/>
- Goulard, S. (3 June 2021). China's BRI in some ASEAN countries (3/4): Wawasan Brunei 2035, *OBOReuropa*. <https://www.oboreurope.com/en/chinas-bri-asean-brunei/>
- Graham A., Blackwill, R. D., Wyne, A. (2013). *Lee Kuan Yew: The Grand Master's Insights on China, United States, and the World*. Cambridge, MIT Press.
- Horváth L. (2020). A kínai geopolitikai gondolkodásmód és az "Egy övezet, egy út" kezdeményezés. [Chinese Geopolitical Thinking and the "One Belt, One Road" Initiative], *Geopolitikai Szemle*, 4(1), 203-220.
- ISEAS. (2021). *2021/99 "BRI Projects in Cambodia and Laos Roll On Despite Covid-19" by Vannarith Chheang*. <https://www.iseas.edu.sg/articles-commentaries/iseas-perspective/2021-99-bri-projects-in-cambodia-and-laos-roll-on-despite-covid-19-by-vannarith-chheang/>
- Klemensits, P. (2018). Geopolitical Consequences of the 21st Century New Maritime Silk Road for the Southeast Asian Countries. *Contemporary Chinese Political Economy and Strategic Relations: An International Journal*, 4(1), 107-138.
- Liu, Z. (2015). Dongmeng guojia shijiao xia di Meiguo "yin tai zhanlüe" [The US Indo-Pacific Strategy from the Perspective of ASEAN Countries], *Liu zhi andongcheng, Liuzhi'an dong cheng*, 114-133.
- Maçães, B. (2018). *Belt and Road: A Chinese World Order*. London, Hurst & Company.
- Mahbubani, K. (2020a). *Has China Won? The Chinese Challenge to American Primacy*. PublicAffairs.
- Mahbubani, K. (2018). *Has the West Lost It? A Provocation*. Penguin Books.
- Mahbubani, K. (20 April 2020b). The world after covid-19: Kishore Mahbubani on the dawn of the Asian century, *The Economist*. <https://www.economist.com/by-invitation/2020/04/20/kishore-mahbubani-on-the-dawn-of-the-asian-century>
- Mahbubani, K. & Sng, J. (2017). *The ASEAN Miracle: A Catalyst for Peace*. NUS Press.
- Ministry of Foreign Affairs of the People Republic of China. (16 September 2021). *Overview Of China-ASEAN Economic And Trade Relations, Opportunities And Challenges*. https://www.fmprc.gov.cn/mfa_eng/wjlb_663304/zwjg_665342/zwbd_665378/t1907333.shtml
- Moldicz, Cs. (2021). *The struggle for technological supremacy between China and the United States*. Battlefield: Europe. Routledge, Rethinking Asia and International Relations. August 2021

- Morgan Stanley. (04 March 2018). *Inside China's Plan to Create a Modern Silk Road*. <https://www.morganstanley.com/ideas/china-belt-and-road>
- Ogden, C. (2017). *China and India: Asia's Emergent Great Powers*. Polity Press.
- O'Neill, A. (16 June 2021). *Gross domestic product of the ASEAN countries from 2011 to 2021*, Statista. <https://www.statista.com/statistics/796245/gdp-of-the-asean-countries/>
- Pananond, P. (9 October 2019). Southeast Asia moves from world's factory to regional powerhouse, *Nikkei Asia*. <https://asia.nikkei.com/Opinion/Southeast-Asia-moves-from-world-s-factory-to-regional-powerhouse>
- Parameswaran, P. (24 June 2020). Assessing ASEAN's New Indo-Pacific Outlook, *The Diplomat*. <https://thediplomat.com/2019/06/assessing-aseans-new-indo-pacific-outlook/>
- Powell, A. (27 October 2021). US to Develop "Indo-Pacific Economic Framework", *VOA* <https://www.voanews.com/a/us-east-asia-leaders-convene-to-discuss-threats-challenges-in-region-/6287538.html>
- PwC (2017). *The Long View How will the global economic order change by 2050?* Pricewaterhouse Coopers <https://www.pwc.com/gx/en/world-2050/assets/pwc-the-world-in-2050-full-report-feb-2017.pdf>
- Railway technology. (2020). *Kuala Lumpur-Singapore High Speed Rail*. <https://www.railway-technology.com/projects/kuala-lumpur-singapore-high-speed-rail/>
- Rakhmat, M. Z. & Pashya, M. H. (8 April 2021). Chinese Infrastructure Projects in Indonesia Face Fresh Delays. *The Diplomat*. <https://thediplomat.com/2021/04/chinese-infrastructure-projects-in-indonesia-face-fresh-delays/>
- Southgate, L. (23 September 2021). AUKUS: The View from ASEAN. *The Diplomat*. <https://thediplomat.com/2021/09/aucus-the-view-from-asean/>
- Tan, S. S. (2 October 2021). Biden's underwhelming engagement with Southeast Asia, *East Asia Forum*. <https://www.easiaforum.org/2021/10/02/bidens-underwhelming-engagement-with-southeast-asia/>
- Standard Chartered. (3 April 2019). *ASEAN needs to re-think approach to USUSD 2.8 trillion infrastructure gap*. <https://www.sc.com/en/feature/asean-needs-to-re-think-approach-to-us2-8-trillion-infrastructure-gap/>
- The Irrawady. (23 July 2021). Myanmar Junta Implementing China's BRI Projects by Stealth. <https://www.irrawaddy.com/opinion/analysis/myanmar-junta-implementing-chinas-bri-projects-by-stealth.html>
- The White House. (2021). *Interim National Security Strategic Guidance* <https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/03/interim-national-security-strategic-guidance/>
- The White House. (2017b). *National Security Strategy of the United States of America 2017. President of the United States of America*, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>

- The White House. (10 November 2017a). *Remarks by President Trump at APEC CEO Summit | Da Nang, Vietnam*. <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-apec-ceo-summit-da-nang-vietnam/>
- US-ASEAN Business Council. (22 July 2019). *ASEAN's Economy*. <https://www.usasean.org/why-asean/asean-economy>
- U. S. pledges nearly USD 300 million security funding for Indo-Pacific region. (2018, August 04). Reuters. <https://www.reuters.com/article/us-asean-singapore-usa-security-idUSKBN1KP022>
- Xilian, H. (10 October 2019). New era for China-ASEAN relations, *China Daily*. <https://www.chinadaily.com.cn/a/201910/10/WS5d9e9db0a310cf3e3556fac6.html>
- Xinhua. (02 September 2021). BRI projects help Cambodia cushion economic fallout of COVID-19 pandemic, *Xinhuanet*. http://www.news.cn/english/2021-09/02/c_1310163185.htm
- West, J. (2018). *Asian Century... on a Knife-edge*. London, UK: Palgrave Macmillan.
- Wu, X. (2015). Aobama zhizheng yilai Zhing Mei zai Dongnanya diqu yingxiang li bijiao fenxi [Comparative Analysis of the Influence of China and the United States in the Southeast Asian Region During the Obama Administration], *Zhongguo yu guoji guanxi xue kan*, 2015(2), 51-68.
- Zoltai, A. (2021). Climate Change and the Polar Silk Road in China's Foreign Policy. *Contemporary*

MARCELL HORVÁTH

Sustainable Recovery and Prosperity in Eurasia
- A Report on the 2021 Eurasia Forum



SUSTAINABLE RECOVERY AND PROSPERITY IN EURASIA – A REPORT ON THE 2021 EURASIA FORUM

MARCELL HORVÁTH¹

Between 18 and 19 November 2021, the Hungarian National Bank hosted its flagship event, the Budapest Eurasia Forum, for the third time. The primary focus of the conference series is the current geopolitical transformation, in which the unipolar world order is slowly being displaced by a multipolar system and Eurasia is emerging as an old-new power centre. We are at another stage in a sweeping historical process, with the centre of gravity of the global economy now shifting from the West to the East, reminiscent of the situation 500 years ago, when the Far East (China and India) provided the most advanced economies in humanity for a long time. In the same way as the rise of the West in recent centuries has been the result of innovation and an entrepreneurial spirit, so too is Asia's ascent driven today by technological progress and the widespread adoption of technology. The open market economy, reforms and development of China and other Asian countries have led to credible estimates that the Far East giant could take over the status of the largest economy from the United States by no later than 2035, and possibly in the second half of this decade. While these projections pertain to China, it is obvious that the Far East giant cannot tip the scales on its own. When discussing an economic-technological-geopolitical transformation and new models, South Korea, Singapore, Dubai, Kazakhstan and Russia, to mention a few, cannot be overlooked. All in all, by mid-century, 60% of the global GDP is expected to be generated by predominantly emerging Asian countries.

Recognising this turn of events, the Hungarian National Bank renewed its international relations and launched the Budapest Eurasia Forum event series in 2019, in the spirit of creating a balance between the West and the East. The term Eurasia refers not only to the supercontinent in a geographical sense, but also to its living associated geopolitical tradition. Eurasia is a buzzword for the nations of Europe, as well as Central and East Asia, as the term appears in everything - from Anglo-Saxon geopolitical thinkers to the discourse of Russian, Kazakh, Turkish, Chinese and

other Asian people. While the approach of these nations to Eurasia differs, the concept of increased cooperation is shared. The success of the Forum itself is testament to this: over three years, the event has attracted around 100 high-level speakers from Europe and Asia to an international audience of more than 15,000 attendees.

The growing interest in the conference series highlights the strategic position of East-Central Europe, Hungary and Budapest, in particular, as our region is a link between the West and the East due to its geographical location, historical traditions and present aspirations. The region's prosperity will primarily depend on whether or not it can become a hub for Eurasian cooperation by attracting Western and Asian investment, knowledge and its own innovative capacities. The Budapest Eurasia Forum, a one-of-a-kind event series in Europe, seeks to contribute to this goal with a growing number of partners.

The Forum will discuss the opportunities for Eurasian cooperation by means of defining megatrends of the modern era, such as the rise of geopolitics, digitalisation, long-term sustainability and the revolution of money, as well as the opportunities that emerge from their fusion. Each year, its thematic panels (finance, economy, geopolitics, multilateral cooperation, technology, infrastructure and connectivity and education) are organised around the most topical issues in the field. The title of this year's event was "Sustainable Recovery and Prosperity in Eurasia – Trends, Future, Solutions", as the world is at a crossroads in the wake of the COVID-19 epidemic and many other social and environmental challenges: the international community must find "recipes" for long-term sustainable economic growth, quality development and prosperity.

Since the starting point of the century has become long-term sustainability, which will determine all issues and the future of humanity and the Earth. Thus, the countries of Eurasia have largely acknowledged the need for new, carbon-neutral, circular economic models with an emphasis on qualitative development factors. China, along with the EU, Singapore and South Korea, has also embarked on a green turnaround, as evidenced by the setting of a carbon neutrality target date (2060), the promulgation of environmental standards and the Green Silk Road initiative. The current global energy crisis demonstrates, however, that the phase-out of fossil fuels is anything but smooth. The purpose of the Forum is to debate which forms of Eurasian cooperation are most conducive to achieving a sustainable economy based on renewable energy sources.

As we are discussing the basics, it is pertinent to note that money and finance have shaped the course of human history since the beginning of mankind and transformed economic and social life in different periods of history. Just consider the trade accounts recorded on Mesopotamian clay tablets or the emergence of early modern banking houses and stock markets. Thus, the 21st century is also witnessing a renewal of the financial system, which could give megatrends new impetus. Central Bank Digital Currency (CBDC), which is currently being developed and tested by a number of central banks in Eurasia, is linked to the current revolution in money and financial innovation. Moreover, the function of central banks is expanding to facilitate the transition to a green economy and the digitalisation of the financial system. The Forum convenes financial decision-makers who are at the vanguard of change both in Asia and around the world.

¹ Dr. Marcell Horváth, Executive Director in Charge of International Relations, Hungarian National Bank.

Digital space and high-tech solutions progressively permeate not only economic and financial systems, but also social and international relations. However, the secret to future digital innovation and investment success is anything but obvious. In examining the present and future of technology, the Forum also explores these elements, focusing on the most effective aspects of Asian and Western approaches (e.g. special economic zones, financial incentives, corporate and state strategies). The change is based on digital literacy and the transformation of everyday life, with education and high-tech experts from across Europe and Asia discussing the issues.

In the same way that sustainability is the alpha of issues that appears in every analysis, geopolitics has become the omega of the concerns of this century, affecting virtually all areas. For the relationship between states and regions has always been a determining factor in the evolution of humanity, but when could geopolitics be more prominent than in the increasingly complex networks of our time? Economic, technological, health, energy, logistical, telecommunications, cyber security and space advancements, among others, now have geopolitical implications. The ascent of Eurasia should be viewed as the key geopolitical issue of the 21st century. This is a long-term, non-linear process of dynamic competition, interaction and cooperation between various economic-technological-geopolitical power centres of the world (Atlantic Alliance, East Asia, etc.). In this context, the emergence of a new great force field, Eurasia, is primarily (though not exclusively) attributable to the rise of China, and with it the emergence of a new centre of power unfolding in narrower and broader concentric circles around China.

Accordingly, the keynote speakers and the participants of the six panels of the Budapest Eurasia Forum 2021 discussed issues such as the changing role of central banks in the post-COVID era, the current directions of the Eurasian geopolitical force field, the promotion of innovation as a catalyst of economies and the opportunities for multilateral cooperation in the green transformation. In addition, the development of digital infrastructure, education and “digital literacy” were also discussed.

In consideration of the pandemic that has hit the world in its umpteenth wave, this year, just like the year before, the Eurasia Forum was held in a virtual setting, opened by György Matolcsy, President of the Hungarian National Bank. In his speech, Mr Matolcsy stressed that the main question at this year’s event was how central banks can support the digital and green transition. According to the president of the central bank, the answer lies in the question itself, as central banks have a duty to promote the transition and Eurasia can play a leading role regarding green multilateralism. György Matolcsy also noted that we live in a rather complex world, which is why we need a fusion of Eastern and Western ideas and approaches: there is no single correct solution to the challenges we face and will face in the future. To ensure sustainable growth in the Eurasian region, we require sustainable and balanced growth in public debt, technology, the financial system, societies, the natural environment and human activities.

After the opening address by the president of the Hungarian National Bank, Under-Secretary-General for the United Nations Department of Economic and Social Affairs Liu Zhenmin added that central banks have played a crucial role in preventing economic and social collapse over the past

year and a half to two years, but the ordeal is not over yet as they must support economic recovery and face new and unexpected challenges, such as high inflation and the facilitation of transition. It is crucial for central banks to plan for the long term and factor climate change risks into their operations. Liu Zhenmin emphasised the significance of regional cooperation and the necessity for Eurasia to promote a green transition.

Following Liu Zhenmin’s address, Minister of Foreign Affairs and Trade Péter Szijjártó shared his thoughts on Eurasian cooperation. The minister emphasised that Eastern countries have almost caught up with Western countries in the field of technology and that Eastern companies have opportunities in the financial sector comparable to their Western counterparts. Last year, 70% of global investment was financed by the East and only 30% by the West. Szijjártó also referred to the successful Hungarian external economic strategy announced in 2010, the “Eastern Opening” policy and the fact that South Korea became Hungary’s largest investor in 2019, surpassing Germany and other Western nations for the first time. This trend persisted in 2020, with China, the Asian superpower, becoming Hungary’s largest investor. The minister also recalled that Hungary was the first EU Member State to sign an MOU with China regarding the New Silk Road megaproject. Szijjártó stated that Eurasian cooperation must be founded on mutual respect and emphasised Hungary’s support for the expansion of the Eurasian partnership within the EU.

Tian Guoli President and CEO of China Construction Bank, also shared his thoughts at the opening ceremony. Tian noted that Europe and Asia need to begin a new chapter in economic and trade cooperation, and added that there are still unexplored opportunities for connectivity. The continuous development of technology over the past two decades has transformed business and traditional financial models; therefore, we must work diligently and foster win-win partnerships to overcome the challenges ahead.

The Role of Central Banks in the Wake of the Pandemic – Experiences Across Eurasia

Following the opening section of the Budapest Eurasia Forum, the first panel titled “The Role of Central Banks in the Wake of the Pandemic – Experiences Across Eurasia” was moderated by Barnabás Virág, Deputy Governor for Monetary Policy and Financial Stability of the Hungarian National Bank. The deputy governor introduced the panel by stating that megatrends of our time, such as the green transition and digitalisation, have accelerated in the wake of the pandemic, and that policymakers must find the appropriate responses to macroeconomic challenges, given that rising inflation is a challenge that virtually all countries have to address. At the beginning of the financial panel, Yi Gang, Governor of the People’s Bank of China, shared his thoughts with the audience via video message. The governor of China’s central bank provided a concise overview of global economic trends for the year, including the sluggish economic recovery and rising inflationary pressures, as well as China’s crisis mitigation measures. In this context, he stated that although

some stimulus measures have been phased out as the crisis has subsided, support for small and medium-sized businesses and the development of green finance will continue well into the future. Yi Gang also noted that coordination between monetary and fiscal policy may become more difficult as stimulus programmes are phased out. The governor added that international cooperation is necessary for sustainable, inclusive and balanced global economic growth.

Following Yi Gang's video message, Barnabás Virág briefly shared his thoughts on the most recent trends influencing the financial sector, which were later reflected upon by the panellists. The deputy governor pointed out that central banks have implemented monetary austerity measures and that it now appears that high inflation may be a permanent rather than temporary phenomenon. Central banks are also actively addressing two contemporary megatrends: 86% of institutions are exploring the possibility of introducing Central Bank Digital Currency, and an increasing number of central banks are "becoming greener". Following the keynote speech of Barnabás Virág, David Marsh, Chairman of the Official Monetary and Financial Institutions Forum (OMFIF); Sopnendu Mohanty, Chief Fintech Officer of the Monetary Authority of Singapore (MAS); Alexander Morozov, Director of the Research and Forecasting Department at the Bank of Russia; and Yang Su Park, Director General of the Bank of Korea, participated in the panel discussion and responded to the deputy governor's questions, which mainly focused on macroeconomic challenges, the digitalisation efforts of central banks and the green transition. David Marsh pointed out that a holistic approach is needed to address the current challenges and that it is crucial that central banks learn from each other and from past experiences. Other panellists concurred, and Alexander Morozov added that maintaining macroeconomic stability and identifying and mitigating potential threats such as climate change and new epidemics is a top priority.

The topic of Central Bank Digital Currency was also part of the panel discussion. Sopnendu Mohanty added that in Singapore, CBDC is primarily used to facilitate wholesale transactions, as the city-state's instant payment system is so efficient that retail digital notes are no longer viable. The two greatest benefits of CBDC are without a doubt cost-effectiveness and speed. Yang Su Park concurred, but added that while the Bank of Korea is investigating the possibility of introducing CBDC, it is still a matter of caution and that the goal is not to introduce digital currency as soon as possible. The second half of the discussion centred around the green transition and other potential challenges the central bank may face. Alexander Morozov and Yang Su Park agreed that climate change poses a threat to financial stability, and the agendas of the two central banks include monitoring and researching climate risks. David Marsh also emphasised that the scope of central bank activities has significantly expanded over the past 30 to 40 years. Summarising the key ideas of the panel, Barnabás Virág concluded that we need to be prepared for innovative solutions and learn from history.

The New Era of Geopolitics in Eurasia

The second panel of the Budapest Eurasia Forum was titled "The New Era of Geopolitics." This year's geopolitics panel explored the shifting geopolitical landscape and the adaptation and cooperation mechanisms of the great powers. Norbert Csizmadia, President of the Board of Trustees at Pallas Athene Domus Meriti Foundation (PADME), opened the panel discussion by emphasising the significance of geopolitics in the setting of the present era. World-renowned geopolitical expert Parag Khanna stressed the importance of connectivity and infrastructure in the context of new tendencies in Eurasian geopolitical developments. By 2021, the new geopolitical strategy will encompass not only the acquisition of influence over geographic regions, but also the infrastructure encircling and traversing them. According to Khanna, the true great power struggle in the ensuing years will be over the influence of Eurasia's infrastructure. A tripolar global power structure has formed in recent years, with its power hubs in North America, Europe and Asia. Asia has increased its international influence on the global political stage considerably, not only on account of China, but also Southeast Asia and other East Asian countries. Developing competing forms of cooperation will be one of the leitmotifs of the new arrangement in the future.

The geopolitical panel was moderated by Elena Rovenskaya, an expert at the International Institute for Advancing Systems Analysis (IIASA); Rana Mitter, Director of the University of Oxford China Centre; Roza Nurgozhayeva, former Vice President-General Counsel at Nazarbayev University; and Wang Huiyao, Founder and President of the Center for China and Globalization participated in the panel discussion. The invited experts analysed the opportunities and prospects for the Eurasian power space within the context of the panel discussion, highlighting the significant interdependence, trade difficulties and potential power shifts caused by COVID-19. Elena Rovenskaya emphasised that science can provide diplomatic bridges for an increasingly tense global community. Competitive connectivity and related infrastructure development will also be crucial in the coming years, claimed Rana Mitter, and in this regard, Central Asia's role in the region could increase significantly. How the Eurasian states will be able to contain the risks associated with climate change is also a vital topic, as the recent Glasgow Climate Pact did not provide sufficient guidance on a number of issues for the European and Asian states. Roza Nurgozhayeva noted that the countries participating in the Chinese Belt and Road Initiative could play a significant role in reducing emissions in the future, and that China will also be obligated to play an active role in the Eurasian region as a whole. Wang Huiyao, founder and president of the Center for China and Globalization, reminded the audience that China has significant trade potential with both European and ASEAN countries, which could determine its future international competitiveness, and that the Belt and Road Initiative's green shift could create new opportunities for China's allies in Eurasia to promote climate protection and the conservation of natural resources.

According to Rana Mitter, the rivalry between the United States and China is currently delineating the processes of change in the geopolitical space from the perspective of global power. Infrastructural rivalry could lead to an intensification of alliance-building activities between the two powers with

Eurasian countries, which in turn could lead to an infrastructure-based division of Eurasia. The panellists agreed that Eurasian nations can only address emerging climate and social challenges through close cooperation, and that the expanding infrastructure opportunities should be accompanied by a stronger push for free and open dialogue between Europe and Asia.

Infrastructure, Connectivity and Technology

The third panel of the Eurasia Forum, titled “Infrastructure, Connectivity and Technology: Innovation is the New Normal”, was moderated by Péter Fáykiss, Director of Digitalisation at the Hungarian National Bank, who began the event by engaging in a conversation with Christopher Mattheisen, Managing Director of Microsoft Hungary. The focus of their discussion was the identification and analysis of the current economic and technological challenges posed by the coronavirus disease situation, as well as the innovative technologies and solutions available to address them. Mr Mattheisen stated that the coronavirus pandemic has hastened the world’s digitalisation. Companies that had previously spent years measuring the rate of their digital transformation were astonished to discover that it all occurred within weeks or even days. The crisis has transformed what was previously believed possible and has shown that without digital transformation, the prospects of a company’s survival are bleak. He added that due to evolving technologies, we now have unprecedented access to vast amounts of data, and it is this trend that enables AI to truly demonstrate its capabilities, whether it be analysing data from external sources or making decisions based upon it.

During the panel discussion, Péter Fáykiss greeted among the panellists: Justyna Czyszczek, Deputy Director of the Investor Support Department of the Special Economic Zone of the Krakow Technology Park; Glenn Diesen, Professor at the University of South-Eastern Norway; Radosław Kedzia, Regional Vice President of Central Eastern Europe and Nordic Region; and Sixuan Li, Founder of ViaVia Shopping and Financial Commentator at CCTV Business China Central Television.

During the discussion, the panellists, reflecting on the thoughts of Christopher Mattheisen, added that we have entered the era of the fourth industrial revolution, with its three pillars being 5G, artificial intelligence and big data. Relying on these technologies, major breakthroughs in all areas of life would be possible in the future. For instance, 5G data transmission and artificial intelligence could fully automate supply chains, thereby boosting turnover and preventing the disruptions we are currently experiencing. However, it is important to consider that companies are still comprised of people, without whom further technological advancement is inconceivable. The panellists also asserted that it is important to ensure that the digitalisation process reaches the general public and market participants in equal proportion, which can be facilitated by the general public itself. Excluded groups in society can be included in the digitalisation process through human assistance, education and effort. Glenn Diesen added that, historically, industrial transformations have had an

impact on the geopolitical conditions of the time, and he believes that the same applies to the current era. Political sovereignty, in his opinion, necessitates a degree of technological sovereignty, which nations can attain by establishing their own technological base and diversifying their technological partnerships. During the 21st century, Asia has been home to an increasing number of the world’s most successful technology companies, weakening the technological supremacy that the US enjoyed in the second half of the 20th century.

Innovation and Investments in Eurasia – Best Practices

The fourth panel of the Budapest Eurasia Forum was titled “Innovation and Investments in Eurasia: Recent Best Practices.” This year’s economic panel focused on innovation and future investments, the key driving force of modern knowledge-based economies. The panel’s keynote speaker, Vice Governor Ni Qiang, represented one of China’s fastest growing provinces, Hainan Island, where a new comprehensive strategy to develop the Hainan Free Trade Port and a variety of related industries, including tourism, logistics, services and the high-tech sector, has been in place since last year. The vice governor stressed that through market opening, cross-border trade and investment, Hainan will share the fruits of development with the rest of the world. As the world’s largest and most densely populated landmass with enormous economic potential, Eurasia has a significant role to play in this partnership. Ni Qiang emphasised that the Budapest Eurasia Forum has evolved into a forum for professional dialogue that will assist in harnessing this potential.

Both the moderator, Dániel Palotai, Executive Director of the IMF, and the panellists reflected on the island’s spectacular development, which served as a suitable starting point for the panel discussion. Paolo Borzatta, Board Member of European House Ambrosetti; Mateusz Rykaa, Vice President of the Board of Directors of the Katowice Special Economic Zone; David Zeng, Associate Director of Corporate Affairs at Merck Holding (China) Ltd.; and Feng Zongxian, Professor at Xi’an Jiaotong University, China, participated in the discussion. Their discourse centred around identifying the factors that contribute to successful innovation. Experts identified as critical the size of the available market; the interaction of a large and diverse pool of talented, experienced individuals, for example, through a network of universities and training institutions; long-term investment in education and (basic) research; as well as government incentives and self-organisation of companies.

Spontaneous clusters – partnerships of companies, research institutes and universities – specialising in a particular industry have been essential to the development of world-class economic centres in Italy; therefore, this model should be studied in Eurasian nations alongside successful government programmes. All participants considered cross-border cooperation as essential: Eurasia is the stage for future innovation success, not only through shared physical and digital infrastructure, but also by ensuring that foreign companies align their activities with the economic policy priorities of the host countries.

Green Cooperation and Green Multilateralism – Sustainable Ways to Handle Global Threats

The fifth panel of the Budapest Eurasia Forum titled “Green Cooperation and Green Multilateralism – Sustainable Ways to Handle Global Threats”, was moderated by Csaba Kandrács, Deputy Governor of the Hungarian National Bank, responsible for Financial Institutions and Consumer Protection, and Tamás Baranyi, Deputy Director of the Institute for Foreign Affairs and Trade. The panel opened with a discussion between Simon Tay, Chairman of the Singapore Institute of International Affairs, and the Deputy Governor of the Hungarian National Bank. Their dialogue focused on the opportunities for a sustainable economy arising from the unique characteristics of each region and country. Simon Tay explained that while the carbon neutrality of small nations like Singapore and Hungary is important, they do not contribute to the global environmental fight in the same proportion as significantly larger countries. Nevertheless, the economies of smaller countries can influence global market behaviour and trends, so in this instance, smaller countries can influence the sustainable development and greening of global markets. Simon Tay also added that cooperation between Asian countries could be greatly improved by an international organisation, such as the European Union in Europe. He argued that in this regard the establishment of a so-called “Asian Climate Community” could considerably enhance international cooperation on sustainability initiatives and projects. He concluded by stating that central banks could play a pioneering role in the process of making the financial sector sustainable, and that their initiatives have a significant trend-setting effect.

The panel discussion was moderated by Deputy Director Tamás Baranyi. He was joined on the panel by Cheng Lin, Director of the International Cooperation Centre of the Beijing Institute of Finance and Sustainability; Asel Nurakhmetova, Advisor to the AIFC Green Finance Centre; Xie Wenhong, Head of the China Programme at Climate Bonds Initiative; and Linda Zeilina, Founder and CEO of the International Sustainable Finance Centre. The panel began by discussing the restructuring the financial sectors in the Eurasian region in response to climate change. In this regard, the panellists agreed that infrastructure transformation is a critical issue and that countries must have access to the necessary financial support through a variety of financial institutions. On this point, Cheng Lin noted that the green finance sector must expand to provide a liquid, stable foundation for the transition to a sustainable economy. In response, other participants explained that there is a need to “green” the nature of the assets offered by financial institutions to ensure that the transition to carbon neutrality of a country or market is comprehensive in all respects. The expert further explained that he saw a need to reduce the cost of certain green financial instruments so that they could be employed by a broader spectrum of individuals on more favourable terms. During the panel discussion, the participants reached the conclusion that, although each country and economic region has its own plans for climate protection and the development of a sustainable economy, they must be implemented on a global scale and comprehensive international cooperation must be established. This is crucial for both in terms of individual and common goals.

New Skills for a Digital Age – The Increasing Role of Digital Literacy and Digital Competence Today

The sixth and final panel of the forum, titled “New Skills for a Digital Age – The Increasing Role of Digital Literacy”, examined the impact of rapid digitalisation on the education sector, specifically in terms of digital skills development. Levente Horváth, Director of the Eurasia Centre at John von Neumann University, and Chen Zhimin, Vice President of Fudan University, Shanghai, introduced the panel’s key concepts. According to Chen Zhimin, Fudan University’s steady growth over the past few years can be attributed to its efforts to attract the best professionals and the most talented students, as well as its efforts to cultivate existing professional relationships and forge new partnerships with government, education and business organisations. Fudan University, like other universities, had already begun to develop some of its academic platforms, such as digitising libraries and integrating administrative systems, prior to the pandemic, but has responded to the distance learning situation with additional IT infrastructure developments in classrooms and laboratories, such as VR technology and live streaming.

After a thought-provoking exchange of ideas between Levente Horváth and Chen Zhimin, the panel continued with the discussion of Paul Cheung, Director of the Asia Competitiveness Institute and Professor at the National University of Singapore (NUS); Jang Sang-Hyun, Director of the Korea Education and Research Information Service (KERIS); Sandra Kučina Softić, President of the European Distance and E-Learning Network (EDEN); and Timothy O’Connor, Director of the Center of Competency at the National University of Science and Technology MISIS (NUST MISIS) in Russia. In his keynote speech, the moderator of the panel, Kristóf Lehmann, Director of International Monetary Policy and Economic Education at the Hungarian National Bank, expressed that the rapidly evolving sector of digital education is a constant challenge for educators and institutions, and therefore fresh platforms, techniques and innovations are required to capture students’ attention.

At the outset of the discussion, Jang and O’Connor presented good practices in digital education in their respective countries and institutions, with Jang highlighting the importance of Big Data and Artificial Intelligence (AI) education in the future. In her presentation on the state of digital education in Europe, Sandra Kučina Softić emphasised the importance of distinguishing the concept of digital education in general from the concept of emergency distance education, which has arisen as a result of the current pandemic, and that transparency and accessibility are essential factors for improving the quality of digital education. Cheung added that one of the aims of digital education is to equip not only future generations but also the adult workforce with basic information literacy and digital skills. O’Connor added that, in addition to digital skills, more emphasis should be placed on teaching and developing essential basic communication skills such as interpersonal communication, literacy, media literacy and the ability to form a critical evaluation of the credibility of information sources. The panel concluded with a reflection on the differences in digital education in the Eurasian

region: the technological and educational aspects of digital literacy are currently at varying levels in different countries, and individual strategies are therefore being developed in response to the pandemic.

Mihály Patai, Deputy Governor of the Hungarian National Bank in charge of international relations, cash logistics, financial infrastructures, digitalisation and credit promotion, summed up the key messages of the Budapest Eurasia Forum, which took place between 18-19 November 2021. The Forum emphasised the importance of enhancing the Eurasian partnership in addressing challenges ahead such as climate change. The potential of digital and cross-border infrastructure development also creates a win-win situation in terms of development for countries, while new technological advances benefit the well-being of the public. Balance, innovation and harmony will be the buzzwords for the upcoming period in finance, economics, geopolitics, multilateralism, infrastructure development and education. A fusion of Eastern and Western models is essential to establish a Eurasia capable of thriving in the face of 21st-century challenges.

The Age of Eurasia – Future Directions of Knowledge, Technology, Money and Sustainable Geoeconomics

This year, the spirit of the event was reflected in the publication of a collection of papers titled “Age of Eurasia – Future directions of knowledge, technology, money and sustainable geoeconomics” compiled from the papers of 32 authors from seven different countries. Arranged in six chapters, the 19 papers of the volume take a novel approach to the key elements of the Forum’s themes and represent an important knowledge base for anyone interested in learning more about regional cooperation organisations, the relationship between geopolitics and technology, smart cities or the background of the Eurasia concept. The fact that renowned experts from South Korea, China, Norway, Russia, Singapore and the United States participated in the publication of this volume demonstrates the success of the international bridge-building initiatives of the Hungarian National Bank.

The 2021 event was supported by the Boao Forum for Asia; the Shanghai Forum; the Fudan Development Institute; the Singapore Fintech Festival and the World Fintech Festival; the strategic partner of the Hungarian National Bank, the Official Monetary and Financial Institutions Forum; the International Institute for Applied Systems Analysis, based in Austria; The European House – Ambrosetti; the Eurasia Business and Economics Society; and the Euro-Asia Forum in Politics, Economics and Business. Thanks to digital implementation, the event reached over 10,000 viewers.

The conference website, where the entire event can be viewed, is available at the following link: <https://mnb.hu/eurasia>.

NORBERT CSIZMADIA: GEOFUSION – THE POWER OF GEOGRAPHY IN THE ECONOMIC AND GEOPOLITICAL WORLD ORDER

ALEXANDRA ZOLTAI¹

Publisher: Pallas Athéné Könyvkiadó

Year of publication: 2020.

ISBN: 9789635730056

Pages: 282

In his book *Geofusion*, Norbert Csizmadia, a geographer and geopolitical and geoeconomics expert, interprets the geopolitical processes of the 21st century by exploring geographical and economic interconnections. The underlying premise is that international relations have become more complex and complicated than ever before, as globalisation has entered a new era of technology, knowledge and long-term sustainable development. In the sequel to his 2016 book *Geomoment*, the author employs the method of geofusion to examine the propelling forces, power centres, accomplishments, visions and strategies of this new geopolitical era. The most important questions we can find answers to in the book are: how to navigate the geofusion world map of the 21st century; how to use geography to explore the new economic and geopolitical world order; what does a new interconnected Eurasia mean, and why is this era of sustainable development in Eurasia significant? The author further illustrates his research with 100 maps.

Geofusion

The book is arranged into six chapters. Following the Introduction, the second chapter, investigating the relationship between geography and geopolitics, attempts to answer the question of how geopolitics as a science relates to geography. The third chapter employs geopolitical factors to demonstrate how specific geographical locations (countries, regions, cities, economic power centres, etc.) can be defined in terms of geopolitical structures. Chapter 4 elaborates on the new world order of the 21st century, outlining the major trends that will shape future decades and the driving forces

of the transitional period. The fifth chapter summarises and synthesises the academic findings of the previous three chapters, and formulates the correctness or incorrectness of the statements by addressing hypotheses. Finally, Chapter 6, the Epilogue, examines how the coronavirus epidemic is shaping this new world order. It is important to note that the date of the Epilogue concluding the book is 24 July 2020, when the second wave of the pandemic was just emerging in Europe.

The book starts out with a highly intriguing subject, compiling 21 tenets to aid in the understanding of the 21st century. To highlight a few examples:

- the centre of gravity in the global economy has clearly shifted eastwards;
- the most important regions and the winners of the new era will be – due also to their geographical location – the so-called gateway regions (ASEAN countries, Central Asian countries, Central and Eastern European countries), i.e. the former peripheries will become the new centres of the future;
- we live in the age of global city-states; today, 147 global companies account for 40%, while almost 700 corporations account for 80% of the global GDP;
- or that we must redraw our maps to understand the spatial changes and processes of the 21st century, as, according to the forecast of the World Economic Forum, the three most significant regions in times to come will be the Indian Ocean, the Arctic Ocean and the land area between the two oceans: Eurasia;
- the Belt and Road Initiative is one of the largest and most significant investments in human history, with China's long-term plan to reclaim Eurasia's former historical, cultural, economic and commercial significance by constructing the New Silk Road and shifting the focus of development in terms of axes and routes from the oceans to the mainland. These networks will be implemented via economic corridors;
- however, we also encounter the statement that global civilisation will be replaced by a new “geocivilisation”, which, taking shared interests into account, prioritises the creation of a harmonious world order based on the transposition of thousands of years of Chinese ecological civilisation into the 21st century.

The Introduction outlines the main hypotheses of the book and the author's methodology, namely “geofusion”, through which he examines the driving forces, centres of power, achievements, future prospects, visions and strategies of the new geopolitical era of the 21st century. Geofusion refers to the spatial interconnections of complex world phenomena, but it also refers to a method of analysis as the synthesis of network maps that depict clustering and functional interconnections. As Norbert Csizmadia explains, geofusion is a new synthesis of geography that links different disciplines (economics, geopolitics, geoeconomics, network analysis, international relations and world economics) and, as a new synthesis, aims to reflect global trends through new types of maps (so-called geofusion maps), i.e. it analyses the spatial processes of global processes in the age of networks. And in doing so, it will create a new milestone in geography by combining economics,

¹ Alexandra Zoltai, China expert, Researcher, Eurasia Center, John von Neumann University; head of the Book Review column.

technology, design and visualisation. Geofusion maps are new maps that illustrate new visions for a wide variety of terrain, demonstrating geopolitical and geoeconomic interconnections by means of connectivity. By using new types of geofusion maps, we can use geographic factors to define the geopolitical spatial structure that allows us to identify the key centres of power and interconnections of a new, multcentred world economy.

The primary assertions of the book are:

1. Comprehending our new multi-centred geopolitical and economic world requires an analysis of geographic factors, force fields and centres. This can be better understood with the use of geofusion input factors.
2. In the new world order of global networks, geopolitical, geoeconomic and geostrategic centres of gravity and force fields are shifting, and geofusion as a method can help to explain this. The new global force fields and centres of power are densifying and culminating in hubs, global urban networks or “fusionopolises”.
3. Through the Belt and Road Initiative (BRI), Eurasia’s role will be enhanced and global cities and countries on the Eurasian continent may emerge as victors in the new multipolar world order.

The Network of Relationships Between Geography and Geopolitics

In the second chapter, the reader will find a comprehensive overview of the network of relationships between geography and geopolitics, its interdisciplinarity, the historical overview of geopolitics and the evolution of geopolitical and geoeconomic thinking. This chapter provides an in-depth account of geography’s current position in the system of sciences and its interdisciplinary nature. According to the author, geography began as a description of the Earth, but centuries later it outgrew this descriptive role and incorporated a territorial approach along its boundaries, creating its own subfields, and an increasing number of disciplines, particularly the social sciences, are turning to geography. And for Norbert Csizmadia, geography is nothing less than an “instrument for getting to know the world”. The author then analyses the evolution of geopolitical thought, the geopolitical schools of thought and their prominent thinkers up to the present day. The primary message is that geopolitics is based on political geography; therefore, the chapter presents the most influential theories of the past century, from the development of the organic state (Ratzel, Kjellén) to the German geopolitical school (Haushofer), the Anglo-Saxon geostrategic school (Mackinder, Spykman), the post-war American geopolitical school (Brzezinski, Kissinger, Friedman) and the critical geopolitics of the 80s, to geoeconomic thinkers (Luttwak, Lorot, Gasimli) and trends.

Geopolitical Factors and Structures

The third chapter is based on the structure of geopolitical factors described by Mendes Dias in his 2005 work titled *Geopolitics*, in which he distinguished six agents, which he further elaborated by combining physical factors and natural resources (raw materials, minerals), technological factors and transport-communication factors (called connectivity factors) into four main groups of geopolitical factors. These are the following:

1. Natural physical factors and resources include area, location, form, morphology, surface, vegetation, climate, energy, minerals and sustenance.
2. Demographic and human factors: population size, population density, population growth index, population composition, quality of life, linguistic, educational and cultural factors.
3. Structural factors: political and social conditions, economic structure, military power and other factors.
4. Technology and connectivity agents: technology, transport and communication system, accessibility, infrastructure (maritime, land and air transport).

According to the author, the significance of describing these factors is that it can serve as a foundation for identifying the main actors and locations of the new world order under the conditions for the emergence of a multipolar world order in the 21st century. In light of this, the author of the book has created his own classification of countries based on geographical factors and presented it to the readers in the form of an informative table. He then discusses connectivity, which he identifies as the most significant geopolitical factor of the 21st century. The chapter concludes with an overview of the most influential world theories and geopolitical spatial divisions of the late 20th and early 21st centuries: the geopolitical spatial division of the initial decades of the 21st century by Saul Bernard Cohen, the civilisational world order spatial division by Samuel Huntington, the world order spatial division by Wei Ruan, George Friedman and Juan Perez Ventura, and the prognosis of Ágnes Bernek. Finally, geofusion and network node maps used as methodologies are presented. As a scientific result, a new measurement method (geofusion) is added to the toolbox of geopolitics and geography. This technique, when integrated into the methodology of network research, can make a prediction based on the spatial distribution of previously incomparable fields of expertise by synthesising maps of a new type of associative geography.

A Multi-centred Economic and Geopolitical World Order

Chapter four outlines the major trends that will shape the future decades and the driving forces of the transitional period. The chapter describes the principal features of the present-day geopolitical world order in four subchapters. The first introduces the concept of geoeconomics, described here as a new “geoeconomic world order”, and then presents the key findings and recent trends in geoeconomics. The second, in which readers can delve into the world of fusions and networks, portrays the technological transition, where networks, including geospatial networks, are playing an increasingly important

role, particularly in the new multi-centred global economic world order, which will become an even more significant driving force in the coming years due to a new technological explosion (big data, artificial intelligence, robotics, GRID technology). The author dedicated the third subchapter to global cities, since in this 21st century economic world order, they will be the main power centres of our age as a result of technological progress. Taking into account the emergence of global cities, their competitiveness factors, the geographical and geopolitical factors presented in Chapter 3, as well as the existing global competitiveness rankings, the author has examined existing global competitiveness rankings and has produced a new global competitiveness ranking and classification called the “fusionopolis”. The global cities of the Eurasian continent will come to the fore due to the fact that new centres of power will emerge through international spatial networks and hubs, fusion spatial meeting points and functional geography (connectography), taking technological factors and long-term sustainability into account. Finally, the fourth subchapter analyses whether we are indeed witnessing a new Eurasian economic and geopolitical age founded on long-term sustainability, and whether or not this is truly the result of the Belt and Road Initiative launched in 2013. In support of this, the author investigates which regions and geographical locations may become significant in the years ahead as a result of the development of the BRI. This subchapter also pays special attention to the economic force field of East-Central Europe and the geopolitical role of Hungary therein.

The age of geofusions

The fifth chapter summarises and synthesises the academic findings of the previous three chapters, and formulates the correctness or incorrectness of the statements by addressing hypotheses. At the end of the chapter, the reader will find the future directions and challenges of the research as well as a proposal for the benchmark of the new economic and geopolitical world order, in which the new world order is constituted by a world globalised in networks and the benchmark is constituted by associative geographic maps produced using a new method called “geofusion”. Norbert Csizmadia believes that these hypotheses and findings are significant and relevant to Hungarian economic policy and national strategy, since we can only position ourselves on the geofusion map of the new world order if we are aware of the coordination of monetary, economic and geopolitical policies. Nonetheless, he calls attention to the fact that in the future it will be crucial to analyse the geopolitical force fields and regions in greater depth, as well as to investigate the future role of the gateway regions and their analysis.

Epilogue – the pandemic that has changed the world

Based on his research, the author contends that the COVID-19 pandemic will not alter the course of human history but will instead hasten current trends. For instance, people will have more faith in governments because they will recognise that well-functioning governments are essential to the proper functioning of society and the maintenance of health. Currently, COVID-19 also appears to be hastening the shift of power from the West to the East. In the Epilogue, the author also looks at the coronavirus outbreak from a geopolitical angle, looking at it through the lens of its dissemination.

Readers can learn about intriguing connections, such as how it coincides with geofusion, i.e. the geopolitics of networks. Then, we are provided with an overview of the epidemics that have emerged throughout world history and their effects on our planet. Finally, we can read a very thorough analysis on how the COVID-19 outbreak has affected the structure of our world, what new standards have evolved and which sectors have benefited most from the COVID pandemic. Norbert Csizmadia asserts that the COVID-19 pandemic is one of the most severe global crises of this century. Its scope and depth are immense, but he argues that the lesson we should draw from this is not that globalisation has failed but rather that it is extremely fragile.

Geofusion is a very up-to-date and readable book on geopolitics that is further enhanced by a large number of diagrams and maps, making the content even more pleasant and comprehensible. I heartily recommend it not only to those with an interest in geopolitics, but also to anyone concerned about the future of our constantly evolving world, or the impact of the COVID-19 pandemic on globalisation. I believe that every reader will find exciting chapters of interest.

BRUNO MAÇÃES: THE DAWN OF EURASIA – ON THE TRAIL OF THE NEW WORLD ORDER

ALEXANDRA ZOLTAI¹

Publisher: Pallas Athéné Könyvkiadó

Year of publication: 2019.

ISBN: 9786155884092

Pages: 252

The author of this book is Bruno Maçães, former Secretary of State for European Affairs of the Portuguese Government, former researcher at Carnegie Europe, and currently Senior Research Fellow at the Hudson Institute in Washington, DC. *The Dawn of Eurasia* focuses on the emergence of the Eurasian continent. The postulate of the book is that the supercontinent will have a significant impact on the course of the future of the global world. He uses the experiences of a six-month journey along the historical and cultural borders of Europe and Asia at the end of 2015 to illustrate the how and why of his arguments.

At the Dawn of Eurasia

Even in the foreword of the book, the author points it out that although bookshops are full of books about Russia (especially the Russian threat), China (especially its miracles) and the European Union (namely its crises), special care is taken to place books on different countries separately and not together.

The author continues his introduction by saying that if we compare our present with the past, we can see that today the powers of globalisation force us all to live in a disordered common existence. The issue with this, he claims, is that each country/region has its own perspective on how the world should be, and these views are rarely the same. The author takes the view that this century will not be the century of Asia, Europe or of America, and attempts to offer us an alternative answer, namely that this century will be the century of Eurasia. While he notes that Eurasia is itself a complex world (and not simply its name), where highly different political systems are mixed and compelled to coexist, he believes that this supercontinent has a balancing force.

¹ Alexandra Zoltai, China expert, Researcher, Eurasia Center, John von Neumann University; head of the Book Review column.

Maçães goes all the way back to the Berlin Wall, which was part of the Iron Curtain that divided Europe, or more specifically Western Europe and the Soviet Union, and he says this can now be applied to what he refers to as the “bamboo curtain”, the demarcation line between communist and capitalist countries in Asia. In the aftermath of World War II, European countries had to accept that there was no longer a leading European power in the world, as this position was assumed by the United States. In the author’s opinion, China is now taking over the world, and the role of Eurasia is also growing in importance, since China views the world order through the lens of the Eurasian concept, as evidenced by the Belt and Road (BRI) initiative. This world view, although still in its infancy, proves that China is already living in the age of Eurasia, as is Russia – while the author adds that these days it is difficult to speak optimistically about Russians. Therefore, this book aims to alter the reader’s view of Eurasia and make Europe and Asia appear as a single entity.

The first part of the book explores the origins of the polarisation between Europe and Asia, the forces that could unravel this polarisation, and speculates on the shape that the new supercontinent might take on the ruins of the past world order. In the second half of the book, the author’s own travels provide a geopolitical overview of Eurasia, visiting and introducing the reader to a number of lesser-known countries/cities that will likely play a significant role in the future of the world. He devotes special chapters to China and Russia, among others, which he believes will serve as the political and economic foundation of the supercontinent. After a brief introduction to the book, the author asks whether people have ever thought of themselves as Eurasian, and then goes on to say that, if they have not, it is time they did, as we are entering the age of Eurasia and must become accustomed to the concept.

Part One – The Map

According to Arnold Toynbee, the terms Europe and Asia are typically used interchangeably, although ancient Greek sailors sailing to the Sea of Azov once considered them as being complementary to another. The boundary between Europe and Asia has always been indistinct and illusory, and the author uses Voltaire’s ideas to point out that it is difficult to distinguish between Europe and Asia once one reaches the Sea of Azov. The author proceeds by stating that the polarisation between the two regions is not spatial, but rather temporal, and that this division is a reflection of the modernisation and development in which Europe has gained a great advantage during the era of industrial revolutions. The most fascinating aspect is not that Asia’s backwardness now appears to be reversible, but rather the manner in which these various developing societies choose to modernise and close the gap. The difference between Europe and Asia is therefore that Europe has been on the modern course for decades, while Asia has remained on the traditional path. Consequently, the difference was not between the two regions, but instead between societies or, more precisely, between their distinct perceptions of time; however, these differences appear to be diminishing with the rapid expansion of modernisation outside Europe. The author agrees with Francis Fukuyama that the entire world is progressing towards a modern society, but there are innumerable pathways and diverse conceptions of what a modern society means.

The author believes that Russians are of the opinion that Europeans inhabit an illusory world, while Russians live in reality. To demonstrate to the European Union that the European integration effort was only one of many, Russia and China had one goal in mind when they developed their joint megaproject (i.e. portions of the BRI). Since while Europeans believe in the sacrament model of exercising power, the Russians more or less believe in universality, as does China, which is currently working on developing common values. The project jointly envisaged by Russia and China would connect Eurasia as a supercontinent with three major players: one in the West, one in the East and one in the centre. The author, in addition to shedding light on the fact that these three central actors cannot be interpreted without each other, also draws attention to the fact that the position of these players is constantly shifting in relation to each other. In this case, for instance, Moscow is closer politically to Beijing than to Berlin. This is almost exclusively positive from China's perspective, as it improves its access to Russian raw materials and increases its political influence in Central Asia and Russia. The author claims that resolving the Russian issue may also hold the key to China achieving hegemony. However, he adds that China, Russia and the European Union have distinct interpretations of Eurasian integration. The Eurasian concept is also a solution for the European Union, as it will make minor European states that are incapable of cooperating realise that they cannot compete individually with countries like China and India, and will therefore be interested in closer integration.

According to Maçães, the emergence of new powers with ambitions that extend far beyond their boundaries is what led to Eurasia's ascent and integration into a single entity. In addition, the rise of China coincides with Russia's aspirations as well as the demise of the European Union. However, the author cautions that a fourth emerging power – India – must eventually be taken into account. He also stresses that the role of Japan should not be forgotten either, and emphasises the significance of Iran also. In describing the competition between the USA and China, he cites a Chinese expert who believes that the conflict in Ukraine has given China an additional 10 years to prepare for a global confrontation with the United States, as, once again, the US-Russian conflict has intensified, thus diverting attention away from the other issues. Which direction will this unifying current come from? West to East, or perhaps East to West? Will Eurasia become a larger version of the European Union or will the EU undergo significant transformations as a result of the new universal principles that both China and Russia are actively developing and advocating? Undoubtedly, all three actors play a significant role in defining the new world order.

The emergence of modern trade and cultural ties between Europe and Asia, by bypassing Africa, greatly contributed to the psychological division between the two continents. However, the author argues that this will change not only due to the rise of the aforementioned great powers, but also as a result of global warming. This may lead to the melting of new ice routes in the Arctic, thereby improving maritime connections between Europe and Asia.

There is no doubt that this process of transformation in the world, which can be seen as a “whole”, is only whole in relation to its parts, and parts are only parts if considered in the context of the whole; therefore, this is an exceedingly complex process. In terms of global politics, this can be interpreted as how we perceive the whole in relation to how we perceive the parts.

Part Two – The Journey

In the second part of the book, the author scrutinises a number of major and some lesser-known countries/cities of the new supercontinent, several of which he visited during his six-month trip. Maçães talks to the locals and attempts to portray the country/city from the inside, through its perspectives and experiences, in order to demonstrate that the formation of the Eurasian supercontinent actually holds the key to the destiny of the world.

His first stop is Azerbaijan, where, according to a local architect, Baku is the only truly Eurasian city on the world map, not only geopolitically but also architecturally, as it blends European and Asian architectural styles, which have influenced and continue to influence the culture and social life of the city. The author shares the same view: Europe and Asia are a real paradox – two distinct worlds on a single continent – but East and West have to meet somewhere, it is simply a matter of finding that point.

As the next stop, the book devotes a larger chapter to China. Maçães attributes the key to China's success to the fact that internet use in China has advanced to the point where the physical and digital worlds are almost completely intertwined. This is partly because the first computing device for the majority of Chinese people is not a laptop but a smartphone. According to the author, the Chinese perceive the internet as a means to connect with the world and even make changes to it. As a matter of fact, the biggest innovative developments in connection with the internet have not been made by internet companies, but by Chinese companies operating in sectors such as real estate, banking and insurance. He cites the example of WeChat, a multi-purpose messaging application, which, besides communication, enables users to pay, send money, find a parking space, book a cinema ticket and much more. According to the author, returning to Europe after a trip to China is akin to travelling back in time, since here, cash is still in use. As mentioned earlier in the book, the division between Europe and Asia is the result of the fact that Europe is a developing continent while Asia has remained a prisoner of its traditions; however, in this respect, this division is slowly coming to an end. Nevertheless, the question arises: what will the West do about it?

Maçães makes it clear that change is underway, which is no surprise, and considers the BRI project, announced by China in 2013, one of the most significant geopolitical initiatives of this change. He regards it as a link between East and West, a gateway to Europe. The first important junction of the BRI is the city of Khorgas, where China connects with Inner Asia and thus with Europe, involving fast transportation, infrastructure, trade, finance and cultural relations. The author was absolutely awestruck by Khorgas dry port, particularly its size and its ability to succeed despite being located far away from the oceans and seas. He sees the city as the ideal starting point for the dry port to give rise to new industrial areas and new cities along the trade route, possibly enabling the reopening of the ancient Silk Road. This might put an end to the isolation and polarisation that divides Eurasia and would mean that Europe and Asia would no longer be on opposite sides, but would finally merge into a single continent, with China serving as one of the principal agents of Eurasian unification.

In the next chapter, Maçães takes the reader to Bolshoy Ussuriysky Island, located between China and Russia. In 2004, the parties reached an agreement to divide the island, which was implemented in 2008 when Russia transferred half of the island to China. Since then, the island has become a symbol of how the Asian region is divided between the two great geopolitical powers. As a consequence of Western sanctions, Russia sees its future in fostering stronger ties with China. The author also questions whether Russia currently considers itself a European nation. However, he contends that due to Europe's negative attitude towards Russia, China may be the only solution for Russians. Unlike Europe, Asia still has something to lose.

After the brief diversion to the island, we advance towards discussing Russia and Russian identity. After visiting and describing various parts of the country and its cities, the author concludes that Russia cannot be regarded as a European country due to its historical and cultural differences. The main argument for this is that Russia is the only state outside of Europe that has managed to maintain its sovereignty and independence under the major modern European empires. Russia has therefore always been at the centre of the rift between Europe and Asia, so it is not surprising that it is so preoccupied with the Eurasian issue.

The book then goes on to describe the "Eurasia Tunnel", by which the author is referring to Türkiye. He first looks at the historical perspective and then discusses the current situation, focusing on the foreign policy of Turkish President Recep Tayyip Erdoğan, in the context of which he examines Türkiye's relations with NATO and Russia, as well as its approach to the issue of Syria and Afghanistan.

Next, we arrive in Europe and a reflection on the European issue in the Eurasian concept, which Maçães is relatively critical of. According to him, over the past decades, EU politicians have gone about their daily business without much regard for what they perceive to be an underdeveloped world outside of Europe. Then they were struck by the wind of change from outside, to which their own system could not adequately respond. The system that had been working automatically had now suddenly been upset and they were desperate to find the answer, not from a political standpoint but from an engineering perspective, to restore the functionality of the system, but that may not be the right answer for this transformation.

The author concludes by providing three reasons why Europe should keep the Eurasian concept in mind. The first one is the issue of Russia and China. The second, foreign policy issues such as Ukraine, the refugee crisis and aspects of energy and commerce that cannot be addressed and resolved without linking Europe and Asia. Thirdly, the future security threats that he believes can only be comprehended and addressed in a Eurasian context. Lastly, he provides a persuasive argument for why Eurasian unity would be beneficial for Europe, namely the struggle against the divisive forces at work in Europe.

Epilogue

The epilogue begins with Trump's term as president of the US and the effect he had on international relations. He then discusses the situation in the Muslim world and China in terms of the challenges they will encounter in the future. According to him, these societies have adopted a new civilisational direction, with the primary goal of mastering modern sciences. However, it is unclear how this can be accomplished. In his opinion, America and Europe face different challenges in the future. First of all, any shift in the international balance of power in democratic regimes is felt much more promptly and profoundly. Secondly, in the emerging new world order, there are no distinct centres; instead, balance forms among the poles. For instance, he views Brexit and the fact that Donald Trump was able to become US president for a single term in 2017 as indicators of the transformation of the world order and the emergence of a new superpower. According to the author, these events also symbolise the shift in global dominance towards Asia, a region over which the Western world has less and less influence and control.

INFORMATION FOR AUTHORS

Eurasia Era invites readers and potential authors to submit papers that take a multidisciplinary approach to issues affecting Eurasia as a whole and that are of a comprehensive nature. The Editorial Board invites submissions pertaining to one of the column topics, China, Southeast Asia, the Islamic World, Russia, India and South Asia. In addition to papers, we also offer the opportunity to publish conference reports and book reviews.

Eurasia Era publishes only original, previously unpublished, double-blind peer-reviewed studies.

Formal criteria

The study should be approximately 6,000 words in length.

Text

- MS Word format
- On A4 paper; each of the left, right, bottom and top margins must be 2.5 cm
- Typeface to be used: Times New Roman
- Chapters: 13 pt, normal, single line spacing, spacing: 6 pt after each paragraph, justified alignment.
- Subchapters: 12 pt, normal, single line spacing, spacing: 6 pt after each paragraph, justified alignment.
- Chapters and subchapters are numbered using the decimal system (Chapter 1, subchapter 1.1, sub-subchapter 1.1.1, etc.).
- Text: 11 pt, normal, single line spacing, spacing: 6 pt after each paragraph, justified alignment.

Tables, figures, maps

- All tables, figures and maps should be in an editable format (i.e. Excel, Word).
- We cannot accept tables, figures and maps in an image format (e.g. sent in JPG file format).
- Formal criteria for tables and figures:
 - Title: Times New Roman, 11 pt, normal (place title above the table)
 - Source: Times New Roman, 11 pt, normal (place source above the table)

Abstract

- Studies should include an abstract of at least 150 to 300 words in both English and Hungarian.
- 4-5 keywords both in English and Hungarian should be listed underneath the abstract.
- Please provide full name, title and institutional affiliation.

References

- Please apply the APA format when preparing your references. For further details, please see: <https://libguides.library.usyd.edu.au/c.php?g=508212&p=3476096>
- Notes should be included as endnotes at the end of the paper.
- Include a bibliography at the end of the study, in alphabetical order.

The main objective of Eurasia Era is to create and establish an internationally recognised scientific journal that takes a multidisciplinary approach to comprehensive issues that have affects all across Eurasia. Our aim is to provide an opportunity and a framework for professional discourse between representatives of different academic disciplines, to bring together different research perspectives, and to analyse the trends, challenges and opportunities facing Eurasia and the international system in the 21st century.

Members of the Editorial Board:

Editor-in-Chief:

Prof. Dr. István Szilágyi

Deputy Editors-in-Chief:

Dr. Csaba Moldicz

Dr. habil. Gergely Salát

Editor-in-Charge:

Dr. Levente Horváth

Columnists:

Dr. Ágnes Bernek

Dr. Béla Háda

Dr. Levente Horváth

Dr. Péter Klemensits

Prof. Dr. Zsolt Rostoványi

Dr. Péter Szatmári

Dr. habil. Zoltán Wilhelm

Alexandra Zoltai

Editorial Board:

Prof. Dr. László Csicsmann

Dr. Norbert Csizmadia

Dr. habil. Mózes Csoma

Prof. Dr. Zoltán Dövényi

Prof. Dr. Imre Hamar

Prof. Dr. Judit Hidas

Dr. habil. Máté Ittész

Dr. Kristóf Lehmann

Prof. Dr. László Vasa

Prof. Dr. Erzsébet N. Rózsa

Dr. Borbála Obrusánszky

Dr. Sándor P. Szabó

Prof. Dr. József Popp

Dr. Sándor Sipos

Dr. István Szerdahelyi

Dr. István Tarrósy

Prof. Dr. István Tózsa

