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**REGIONS
IN THE
CONTEMPORARY
WORLD:
THE GLOBAL
TURBULENCE
AND ITS IMPACT
ON ASIA**



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Authors:

A. Galimsyanova, A. Gorbatko, E. Davydenko, E. Imamkulieva,

E. Kanaev, E. Katkova, Kim Yong Woon, E. Koldunova,

T. Kolesnikova, S. Luzyanin, D. Mosyakov, E. Narkhova,

P. Shlykov, M. Shpakovskaya, I. Strelnikova, M. Terskikh,

T. Toyoda, V. Vishnyakova, A. Zabella

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*Sergei Luzyanin,
Evgeny Kanaev*

Asia at the Crossroads of Globalization

Amidst the COVID-19 pandemic, evidence that Asia will shape the global development is in abundance. This is all the more significant since Asia relatively recently saw colonial times. Now Asia is speaking in a loud and confident voice, which is exemplified by an exponential increase of Asia's economic, political and security resources, but most importantly, by its rising resilience. In contrast, the "collective West" is facing multiple risks of cascading failures. This is mostly a collapse of the institutions, as well as of the Western dominance in military and economic fields, that were behind the Western assurance in its moral justice and exceptionalism.

In the second half of the twentieth century, a group of East Asian economies – Japan, as well as South Korea, Taiwan, Hong Kong and Singapore as NIE-1, and Malaysia, Indonesia, Thailand and the Philippines as NIE-2 – initiated and eventually developed regional supply-production networks collectively known as "Factory Asia". At the beginning of the twenty-first century, China and the Indochina states joined them. A common problem for the Asian industrial and postindustrial mod-

ernization accounts for overcoming a “middle income trap” that most developing countries encounter. Owing to a specificity of each kind of Asian development model, among the prerequisites for its success or failure, the ratio of R&D to the GDP had profound significance. This factor has far-reaching implications, since responding to the challenges brought by the Fourth Industrial Revolution, the East Asian economies are shaping a new model of digital development. Arguably, this model will be a source of inspiration for the West, which will influence on pivotal global economic, political, security and, most importantly, technological processes, to the best advantage of Asian countries.

At the II International Conference “East and West in the Transformation Phase: Asia Encountering the Challenges of De-globalization”, organized by HSE University in December 2020, the assessment that Asia is able to offer the world a new – consolidating – agenda of cooperation was a crucial component of the discussions. Experts from Russia, China, Japan, Pakistan and other countries debated on the extent to which Asia is ready to lead the process of globalization replacing the West. The question was especially relevant due to the time of the conference. As the US was slipping into a deep political crisis, and the European countries experienced a collapse of their healthcare systems and, more broadly, of the classic welfare state, Asia had sound reasons for pride and confidence. In November 2020, the Regional Comprehensive Economic Partnership was signed. A little earlier, at the Fifth Plenary Session of the 19th Central Committee of the Chinese Communist Party, Beijing declared its new priorities premised upon increasing the

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domestic technologically advanced production, strengthening national security and raising living standards of the Chinese people. With those factors in view, Asia's economic, political and security take-off is self-evident.

The conference participants shared the assessment that the global crisis caused by the COVID-19 pandemic will be long and painful. In line with this analytical focus, a significant part of the discussions focused on the on-going international trends. Tellingly, the pandemic and the expected post-pandemic realities strongly suggest a more visible turn to protectionism and a further fragmentation of international ties. The state will increasingly intervene in both internal economic development and external economic policy. The economic nationalism and restrictionism are gaining traction. The geopolitical factor, mostly, the likely intensification of the US-China controversies over the pivotal issues of economic and technological cooperation, is looming all the larger, with no end in sight.

The conference participants explored in detail the actual outcomes of the US-China decoupling. Although the opinions varied, a negative multiplier effect for Asia was stressed repeatedly. Most discouragingly, the Sino-US trade disagreements may well generate a decrease in investment flows (both FDI and portfolio flows) to Asia's countries owing to the imposed investment restrictions. The technology decoupling embraces both hard (the 5G internet) and soft (US' and China's restrictions on TikTok/WeChat and Google/Facebook respectively) infrastructure, which reinforces a fragmentation of global and regional value chains, as well as complicates cross-border financing operations. The afore-mentioned multiplier

effect spreads across both individual Asian states and the world at large due to Asia's increasing influence on the global development.

In this regard, the technological implications matter a lot. China's leadership is facing tough challenges from private high-tech companies such as "Alibaba Group", "Ant Group", "Tencent", "Baidu" and others concerning their impact on the PRC's financial and technology markets. As those companies are monopolies in the Chinese stock markets, in the online trade, communications and digital business, and as they credit small and medium-sized businesses with exorbitant sums of money, the Chinese authorities are trying to amend the PRC's legislation and regulation. Specifically, in the 14-th five-year plan (2021-2025), a top priority is given to the development of the PRC's high-tech industries, including the modernization of China's IT companies and their digital platforms. The PRC's leadership understands that restrictive measures alone cannot solve the problem, and developing a multi-faceted long-term strategy aimed at fostering economic development simultaneously addressing social problems is a major task.

Arguably, the future world will become increasingly China-centric. From an economic perspective, it is because China can effectively adapt its policy, as well as the interests of its BRI partners, to the on-going global economic and technological shifts. A synergy of the state planning and the market self-organization is a key pillar of the PRC's economic policy. The emphasis upon the technologically advanced industries is attractive to other countries since they see China as a major ex-

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porter of not only its investment and technologies, but also of its development model.

Despite the COVID-19 pandemic, China is liberalizing its trade and investment ties. Having eased restrictions on the FDI in many sectors, in 2020, the PRC became the largest investment destination in the world. As the RCEP gains traction, it will further encourage the rise of Asia in the global economy amidst the protectionism in other regions. This scenario means that China's influence will increase exponentially.

In the political realm, the reason is also clear. China is a state with unique mobilizing experience and enormous yet unfulfilled potential. The PRC has substantial international reserves, large-scale state programs aimed to support the domestic production, the nationally minded business, and active and disciplined population. Most importantly, the BRI is a state-led mega-strategy of promoting Chinese goods, services, technologies and complex solutions abroad with prospects for changing the present political, corporate, investment and technological map of Eurasia. This perfectly responds to the priorities of China's BRI partners that are interested in expanding a range of available possibilities to implement large-scale modernization programs, but lack sufficient resources.

Ideologically, China's emphasis on conservative values is important. The conference participants stressed that China has come a long way from developing "cultural cosmopolitanism" to prioritizing its unique developmental experience, then to creating an analogue of the Western democracies (but under a strong leadership) and eventually to a the neo-conservatism. Arguing that China has made a deep revision of its experience

and may well synergize its interests with the prospective planning of its partners, the conference participants shared the view that the PRC's ideology is perceived positively in the BRI states.

As HSE University is a center of educational and academic excellence, the conference participants touched upon a set of issues related to how the BRI participants react on some Chinese practices with potentially negative implications for those countries. The relevant examples are numerous and range from the specificity of SOE governance in China (the production and the marketing processes are under the CCP strict control) to strong censorship in the Internet. Specifically, the reasons for concern about the Chinese development model include the highest debt-to-GDP ratio in the world, a gradual decrease in working-age population, an inward-focused corporate management culture, but most importantly, a problematic shift from factor-driven to innovation-driven model of economic growth.

In the international arena, the challenges that the PRC has to respond to are also significant. Relations between China and its Asian neighbors, for instance, India and Vietnam are strained: from their point of view, the BRI gives China unilateral benefits at the expense of its partners. Complicating matters is the fact that nearly all Asian states fear being involved in the Sino-US controversies over numerous issues. To Asia's disadvantage, the most serious threat emanating from the Sino-US trade and technological disagreements is a possible fragmentation or even an eventual break-up of regional and global supply-production chains, and instruments of their digital support.

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In light of this, a logical question was raised: will the world accept the PRC's prospective leadership as *the (emphasis added by the authors) "driver of the 2.0 globalization"* assuming that even in Asia China's policy is encountering difficulties?

The conference participants argued that while the problem is serious, it is manageable for at least three reasons. First, the COVID-19 pandemic has not decreased radically the PRC's intention to finance infrastructure projects in the BRI partner states. Amidst the global economic slowdown, this is a valuable asset. Second, the PRC does not aim to interfere in the domestic affairs of its BRI partners as China has suffered a lot from such practices throughout its history. Third, other regional and global actors, mostly, the Russian Federation, India and ASEAN, can balance China's influence. Taking into account the sensitivities of its partners, and implementing its policy with proper consideration for their expectations, China will gain much more than it will lose.

As part of the discussion, a spectrum of issues related to cooperation between Russia and China was raised. Pointing to an unprecedented level of Russia-China relations, the experts stressed: from a practical perspective, the priorities of Moscow and Beijing are far from identical. First, it relates to their diverging perceptions of the current global order. For Moscow, the global order that has existed since the USSR collapsed is detrimental to Russia's interests and must be revised. For Beijing, the current global order, although far from ideal, does not need a radical revision. China's mega-strategy the Belt and Road Initiative aims to upgrade the existing order by China's efforts rather than completely revise it.

At present, China supports rather than hampers a further deepening of the Western globalization. Beijing introduces its own terms and narratives into the Russian-Chinese dialogue: “a new era”, “a community of common destiny” etc. In its turn, Russia recognizes the importance of multipolarity and equality in international relations, but emphasizes potential dangers of de-globalization and regionalization. At the expert level, Russia conceptualizes a sort of “new bipolarity” based on the present confrontation between the two superpowers – the declining US and the rising China. At the same time, both Russia and China support the global governance institutions, primarily, the UN Security Council. To date, those differences have not led to serious disagreements between Moscow and Beijing, as they repeatedly stress their respect for the partner’s position.

Nevertheless, Moscow and Beijing differ in their goal setting. China perfectly understands what it wants: its main goal is to develop the Belt and Road Initiative. For the PRC’s leaders, everything that contributes to implementing this task should be encouraged. Concerning Russia, it seems to understand much better what it does not want: a continuation of the ongoing trends of global development, as they run counter to Russia’s interests. Additionally, China has a wide range of instruments, including infrastructure facilities, digital platforms to support its economic initiatives etc., in order to turn its foreign policy vision into action. Concerning Russia, the spectrum of its instrumental possibilities remains relatively narrow.

No less fundamental factors seem to be at play behind the Russia-China dialogue. First, their interests in Eurasia matter. Once China launched the One Belt, One Road Initiative

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(later on the Belt and Road Initiative, BRI), Russia perceived it as a challenge to its economic interests in Central Asia. To alleviate those concerns, Beijing offered Moscow to become a financial recipient of the BRI, which was rejected. Instead, the Russian Federation and the People's Republic of China signed an agreement on synergizing the Eurasian Economic Union and the Economic Belt Silk Road on equal and mutually beneficial terms. China accepted the afore-mentioned Russian proposal, which strengthened the positions of both states in the economic and transport sphere. At the same time, the establishment of the free trade regime is conspicuously staggering owing to a huge asymmetry in the economic potentials of China and the EAEU member countries, including the Russian Federation.

Second, the efforts made by Moscow and Beijing to cooperate across the Eurasian continent coincided with exponentially increased US' pressure on Russia and China. As a result, Moscow and Beijing reorganized the Eurasian geopolitical space and consolidated the "non-American world" in Eurasia. It was further strengthened by the SCO expansion. In 2017, India and Pakistan joined the Organization as permanent members, while in 2021, the procedure of Iran's accession to the SCO started. The expected implications should be regarded through the prism of the US' withdrawal from Afghanistan and an increasing dissatisfaction with the American policy across the Eurasian continent.

Third, owing to Russia's high military-strategic potential, the argument that China aims to use its economic instruments to make Russia a dependent partner runs counter to reality.

The combined potential of the two states is approximately equal, which allows Russia to pursue an independent policy at the global, regional and bilateral (the Russia-China) level. For this reason, the Russian leadership does not aim to intensify its military-political rapprochement with China, including by means of the bilateral military alliance. Although the US challenge strengthens China's motivation to develop its strategic nuclear forces, Beijing does not agree to negotiate on the non-proliferation issues, as well as on measures to restrict its strategic nuclear weapons, with Washington or Moscow, both in the bilateral and the trilateral (Russia-US-China) formats. In light of this, China regards Russia as not only an instrument to deter the US, but also as a source of nuclear military technologies.

Fourth, due to Beijing's official position on the Crimea issue (the PRC did not recognize the Crimea as Russia's territory), Moscow continues its neutral policy on the East China Sea and the South China Sea issues. More to the point, China's uncertain position on the South Kuril Islands issue remains unchanged. Nevertheless, neither Moscow, nor Beijing insists on the partner's support for its approach to the territorial problems.

The monograph reflects on some of the issues that have become hot topics amidst the COVID-19 pandemic and are likely to increase in significance in the years to come. This is the second book published after HSE University international conferences focusing on the world and its regions amidst the twists and turns of globalization. The first book debuted in 2020.

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The monograph includes selected writings of scholars whose area of research embraces globalization and regionalism, and who presented their views at the II International Conference “East and West in the New Transformation Phase: Asia Encountering the Challenges of Deglobalization”, organized by the World Economy and International Affairs faculty, HSE University, in December 2020. The book has three interrelated objectives, which is reflected in its structure. Its first part discusses the specificity of the present stage of globalization, as well as its implications for Asia. The second part explores the dynamics of Asian responses to the globalization with an emphasis on the COVID-19 pandemic. In the third part, the interaction between Asia and other regions is scrutinized. The book concludes by discussing major tasks that the International Regional Studies as an academic and teaching discipline has to resolve in navigating the minefields of the increasingly complicated COVID-19 world.

The editorial board hopes the materials that follow grasp a complex yet unfinished crisis caused by the COVID-19 pandemic, reflecting on how to overcome its most disturbing implications. This is the ultimate aim and simultaneously the mission of the book.

China as an Exporter of Economic Globalization in the 21st Century

The chapter aims to explore prospects for a new model of economic globalization in the 21st century amidst the COVID-19 pandemic and in the post-COVID-19 pandemic era. In the world economy, major trends are shaped by an intensification of de-globalization in the West, and simultaneously, by a rise of economic exchanges of all sorts in Asia.

The author argues that the globalization landscape is increasingly shaped by the East rather than by the West. China's points of strength regarding the evolution of the new model of globalization are revealed. Among them, the key are: a rapid economic recovery, a successful stabilization of the PRC economy by means of stimulating the domestic consumption, the development of the Belt and Road Initiative (the BRI).

The analysis of main provisions and principles of the BRI leads to the conclusion that the BRI prospects and implications for China and its BRI partners are bright. The author singles out two groups of factors that ac-

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count for interest of the BRI states in a new economic globalization. The first group is based on a high incidence of sustainability of the Chinese economy, the PRC's strong position in APEC, ASEAN+3, BRICS and other multilateral venues, as well as Beijing's emphasis on international public goods. The second group is associated with the inclusiveness of this model and the lack of requirements for the political systems of the participating countries. At the same time, the author points to a rise of economic and geopolitical confrontation between the United States and the PRC as a threat to the de-facto China-led globalization. The chapter illustrates the Chinese perspective on the opportunities and challenges posed by the globalization, and outlines measures that could be beneficial to China and its partners.

Keywords: *globalization, world economy, COVID-19 pandemic, Belt and Road Initiative, Asia-Pacific regionalism.*

Introduction

In 2020, one of the most discussed issues in the academic and expert community sounded as follows: "Is the era of globalization over?" This issue generates much debate on different economic, political, cultural and social discussion platforms. The reasons for raising this question are obvious. The chapter explores the specificity of the present international

politics and substantiates the assessment of China's paramount importance in shaping an evolution of globalization.

Methodology

The research methodology is based on a systematic approach, general scientific and special methods. The systematic approach allowed considering the globalization processes as a complex system that includes the economic interests of large countries, as well as their balance and ways of ensuring national interests in the international space.

The approach based on the concept of international public goods made it possible to give a balanced and comprehensive assessment of China as a hegemonic country based on a system of functions, goals and objectives in the development of globalization. The analytical method is applied to identify trends in the development of globalization at the beginning of the 21st century. This method was also used for determining the current state of the Chinese economy by means of the structural-dynamic analysis of indicators of the participation of the PRC's economy in international economic relations. A synergy of methods allowed assessing the present state and prospects of the Belt and Road Initiative as China's mega-strategy aimed to reshape the global economic and political order.

The China-Led Globalization: an Interim Assessment

Among the arguments for the end of the globalization trend, the 2020 pandemic, which aggravated the contradictions of international politics, deserves special attention. Alt-

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though a de-globalization started in the aftermath of the 2008 global financial and economic crisis, exemplified by a rise of protectionism in many countries and a resort to economic sanctions (a restriction of bilateral trade, investment and financial transactions). The sanction-based confrontation between “the collective West” and Russia, the US-China trade war, the US sanctions against Iran are major examples of the contemporary international politics. The crisis of the European integration model, exemplified by Brexit, substantiates the assessment that the world has changed radically.

In 2020, the general de-globalization trend was reinforced by the events caused by the COVID-19 pandemic: large-scale lockdowns, a break-up of many supply-production chains, a decrease in trade and other economic operations, and entry restrictions for labor migrants and tourists. Ensuring safety and health of citizens has become a top priority for states, which decreased the importance of international cooperation and negatively impacted on the globalization as the world knew it a short time ago.

At the same time, an intensification of the globalization processes in Asia with the PRC as a new center of gravity is gaining momentum. China ranks first and second in terms the nominal GDP the GDP based on the purchasing power parity respectively, is the world main exporter. China’s mega-strategy the Belt and Road Initiative signifies the beginning of the China-led globalization.

The PRC’s economy has gone through a transformation from a country referred to as “a world assembling factory” and a recipient of investments to an actor with a strong R&D po-

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tential, a global innovator, investor and provider of international assistance.

Main indicators of China's foreign trade and investment substantiate this assessment. Taking into account growing volumes of China's GDP and exports, the country's export quota is constantly decreasing (from the maximum value in 2006 - 35.4% to 18.2% in 2018; Table 1). This indicates a de facto transition from a macroeconomic development model based on the export orientation to a growth model through a stimulation and development of domestic consumption. At the same time, in the volume of total world exports, the Chinese share accounted for 13.25% in 2019. This makes the PRC not only a major economic actor, but also a predictable and stable partner.

Table 1

Export component of the Chinese economy

Indicator	2001	2006	2011	2016	2017	2018
GDP, bn yuan	11086,3	21943,9	48930,1	74006,1	82075,4	90031,0
Export, bn yuan	2202,4	7759,7	12324,1	13841,9	15330,9	16412,8
Export quota, %	19,9	35,4	25,2	18,7	18,7	18,2

Compiled and calculated by: *China Statistical Yearbook 2019*¹

The dynamics of indicators of China's participation in international investment cooperation is of crucial importance. While the PRC was a net recipient of investments before the

¹ China Statistical Yearbook 2019. URL: <http://www.stats.gov.cn/tjsj/ndsj/2019/indexeh.htm> (date of access: 15.11.2020)

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global crisis, since 2008, China’s contribution to international investments has increased significantly. In 2018, Chinese companies made 14.5% of all foreign direct investments in the world (Table 2).

Table 2

**Participation of the PRC
in international investment relations, %**

Indicator	2001	2006	2011	2016	2017	2018	2019
Share of China in attracting FDI	6,07	5,18	7,68	6,74	8,02	9,25	9,17
Share of China in making FDI	0,61	4,78	9,01	8,91	9,89	14,50	8,91

Compiled and calculated by: UNCTAD Statistics²

The geographic structure of the PRC’s investments indicates its preference for the “developing + developing countries” and the “South-South” format. In 2018 most Chinese investments were directed to Asia (73.8%, with 60, 7% to Hong Kong), mainly to Singapore, Indonesia, Vietnam and the Republic of Korea; 10.2% to Latin America; 6.1% to North America; 4.6% to Europe, 3.8% to Africa, 1.5% to Oceania³. This exemplifies a high degree of stability of the Chinese economy and its active role in international investment cooperation.

Before the COVID-19 pandemic started, a solid foundation for the development of the BRI had been laid. Among its

² UNCTAD Statistics. URL: <https://unctad.org/statistics> (date of access: 15.11.2020)

³ China Statistical Yearbook 2019. URL: <http://www.stats.gov.cn/tjsj/ndsjsj/2019/indexeh.htm> (date of access: 15.11.2020)

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components, ideas and principles of cooperation were of special importance. They included narratives such as “peace and cooperation”, “mutual benefit and win-win”, “openness and tolerance”, “mutual learning” etc. Agreements on cooperation with more than 125 countries had been signed, and financial mechanisms to implement projects with mechanisms of public-private partnership had been developed.

Since the outbreak of the pandemic, China has intensified its economic policy. In April 2020, ASEAN+3 Summit During the summit, the Asian Infrastructure Investment Bank declared its readiness to open a special account to fight the virus, while China pledged \$ 5 billion to the ASEAN countries [Salickij, Semenova, 2020. P. 161-171.] This assistance increases international confidence in China as a global public goods provider.

Along with those advantages, the PRC is encountering serious challenges. First of all, the on-going confrontation between the United States and China over trade and technological issues matter. The restrictions imposed by the United States on China in the form of tariff and non-tariff measures affect China's ability to develop international economic cooperation. International dialogue platforms like APEC, ASEAN and BRICS provide China with a strong foundation for developing its international projects [Varfalovskaja, 2018. P.85-91.]

A milestone event in the global economic cooperation was an establishment of the Regional Comprehensive Economic Partnership (RCEP).⁴ When this mega-FTA becomes opera-

⁴ Asia has Established the World's Largest Free Trade Zone. URL: <https://www.rbc.ru/economics/15/11/2020/5fb0bdb69a7947d5289e28e9> (date of access: 15.11.2020)

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tional, the combined GDP of its participants will surpass any other integration unions (in 2019 it amounted to almost \$ 26 trillion, Table 3). For comparison, the GDP of USMCA (United States-Mexico-Canada Agreement) stood at \$ 24.4 trillion in 2019.

Table 3

**Regional Comprehensive Economic Partnership
in the World, 2019**

Country	Gross domestic product, current prices, U.S. dollars, billions	Gross domestic product (purchasing power parity), current prices; international dollars, billions	Population, millions
Australia	1387,1	1345,7	25,5
China	14401,7	23393	1400
Japan	5080	5450,7	126,2
Korea	1646,7	2304,8	51,8
New Zealand	205,2	215,8	4,9
ASEAN	3234,7	8643,9	655,4
RCEP	25955,4	41353,9	2263,8
World	87552,4	134556,9	7673
Share of RCEP in the World, %	29,65	30,73	29,50

Compiled and calculated by: *World Economic Outlook*⁵

⁵ World Economic Outlook, October 2020: A Long and Difficult Ascent. October 2020. URL: <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020> (date of access: 15.11.2020)

The RCEP will provide preferential treatment for trade within the region with a decrease in customs duties, which will significantly stimulate trade exchanges between the RCEP participants. Obviously, to operationalize the RCEP will take several years. The RCEP is open to accession by other international actors.

As Russian experts argue, “Beijing offers the world an “inclusive” economic globalization, which should ensure higher living standards and reduce property contrasts” [Chubarov, Kalashnikov, 2018. P. 25-33.]. A distinctive feature of China's cooperation projects with other countries is an absence of politically-motivated requirements. This makes cooperation attractive to other countries, and the economic expediency prevails over political issues in building relations with China. This concept is at the heart of the Belt and Road Initiative. Moreover, China's focus on “common prosperity” has a positive effect on China's relations with its BRI partners. Developing ties with the PRC, other countries strive to improve the well-being of their citizens, relying on mutually beneficial projects.

The globalization project, of which China is the center, is based, mainly, on the transport infrastructure that links China with its partners. The construction of new and the modernization of existing transport routes and ports is aimed at increasing the volume of trade flows and the speed of their delivery [Lezhenina, 2019. P. 38-43.]. This is mutually beneficial, as the projects offer its participants an increase of business activity, considerable tax revenues, technological exchanges etc. [Davydenko, 2020. P. 38-43.]. When completed, the objects allow increasing production of goods and services, as well as the in-

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ternational competitiveness of those countries, providing their citizens with jobs (and income, respectively), and improving their well-being.

China's "soft power", reflected in promoting a new model of globalization, is supported by reliable instruments of "hard power", which "is the result of practical political wisdom, the art of finding a balance between violent and non-violent modes of government" [Efanova, 2018. P. 417-426.] China's ability to use various instruments to develop the BRI provides its partners with strong incentives to participate in this project.

Conclusion

Taken together, the afore-discussed factors demonstrate a strength of the PRC's economy, as exemplified by a rapid recovery of its activity after the lockdown, and a high level of political stability. The PRC's effective policy amid the COVID-19 pandemic substantiates this point. If so, prospects for implementing a new model of globalization of the 21st century, organized around China, are very real.

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**The Confrontation
between the US and China
in the World Economy:
Causes, Evolution and
Consequences**

Nowadays, trade, investment, economic and political relations between the United States of America and the People's Republic of China cannot be considered as peaceful, positive, harmonious and friendly. Contradictions between the two countries are increasing in scale and depth, and the way the US-China relations have been developing since the COVID-19 pandemic started, substantiates a skeptical assessment of their prospects in the years to come. A central feature of these relations, however, is a high degree of their inconsistency, which is primarily due to a constant rise of China's competitiveness in the global political economy and the eventual China-US controversies over miscellaneous issues. Regrettably, the outbreak of the COVID-19 pandemic exacerbated rather than decreased tensions in the US-China dialogue despite a change of the US administration. This has a negative impact not only on the US and the PRC, but also on the world at large, as

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this scenario progressively undermines a cooperative component in the global development.

The purpose of this study is to analyze the origins and a subsequent evolution of the US-China controversy over the global economic issues, as well as its main implications. Special attention is paid to the Russian dimension of the US-China interaction as a direct consequence of their on-going decoupling. The author argues that the present confrontation between Beijing and Washington may well result in a new globalization model, specifically, a simultaneous co-existence of its transatlantic track led by the United States, and the Asian track led by China. However, a possibility of the afore-mentioned co-existence needs an equality of positions of the US and China on the world arena, which is beyond a realistic scenario.

***Keywords:** China, the United States, globalization, world economy, sanctions.*

Introduction

The importance of studying the causes, evolution and consequences of the confrontation between the United States of America and the People's Republic of China in the world economy is obvious. In recent years, the economic and technological confrontation between the US and the PRC has been

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increasing. This confrontation is a consequence of an enhanced competitiveness and strength of the Chinese economy, an active policy of Chinese companies in other countries, an innovative development of the PRC's economy.

Year after year, China challenges the US as the world leader. It provokes a negative reaction in Washington, which results in a fierce rivalry between the two countries in the world economy, as well as an increase in protectionist tendencies in the American economy and a controversy between Beijing and Washington over trade and technological issues. The coronavirus pandemic, for the origin and spread of which the US blames China, an introduction of the security law in Hong Kong and other events resulted in a deterioration of relations between China and the US.

In general, trade and economic relations between the two countries are close and dynamic, but simultaneously highly competitive. The present interdependence of countries in the international arena is so significant that a competition between the two powers causes considerable damage both to the world economy and directly to the United States and China. A decrease in economic interdependence and a rise of protectionism negatively affect international trade, as well as the world economy and international politics.

The chapter analyses the causes and evolution of economic confrontation between the US and China, and assesses its consequences.

Methodology

In the course of the study, its author used different scientific methods such as the comparative method, analysis and synthesis. The main goal is to specify the aftereffects of the US-China economic confrontation on their bilateral relations and the global economy. The Russian dimension of the problem is prioritized as a special aspect of the research.

The chapter is based on the materials prepared by Russian, Chinese and other experts, as well as on statistical publications. The data is obtained mainly from primary and secondary sources. The former includes official documents and data reports, while the latter are presented by academic publications.

China-US Relations: a State of Play

The economic and political confrontation between the US and China has existed for a long time. Among the key reasons, the US trade deficit, controversies over intellectual property rights and the renminbi exchange rate, the status of Hong Kong, the origins of the COVID-19 and other sensitive issues are of special note. [Jakovlev, 2017. P. 93]. Since recently, the US-China confrontation has significantly intensified due to an increase of China's economic and political power [Allison, 2017. P. 26]. According to some assessments, the key reason stems from an outbreak of the US-China trade war and the eventual mutual restrictions [Wang, 2019. P. 196]. Arguably, China's actions have always mirrored the US response.

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A brief history of open confrontation between the US and the PRC is as follows. The trade war between the United States and the People's Republic of China started in 2018, when the US announced that its trade deficit reached a record level in 2017 [Timofeev, 2019. P.173]. In 2017, the US-China trade turnover amounted 375,2 billion dollars, increasing by 28.2 billion dollars compared to the previous year¹. In March 2018, Washington issued a Memorandum on Actions related to the section 301 Investigation targeting of China's economic policy². Since then, the US and China have increased their import duties, imposed mutual sanctions on each other's companies. In the late 2019 and the early 2020, the two countries signed an agreement to gradually reduce mutual import duties and increase China's purchases of the US agricultural products. In 2020, however, Washington blamed Beijing for spreading the coronavirus and imposed new sanctions.

The table shows the foreign trade statistics of the US and the PRC in 2018-2020. For a long time, there has been a huge trade imbalance in favor of China. The trade war has led to a decline in mutual trade. Arguably, the decline can be explained not only by the trade war, but also by the aftereffects of the COVID-19 pandemic.

¹ U.S. International Trade Commission (USITC). URL: <https://dataweb.usitc.gov/> (date of access: 05.01.2021)

² Morrison W.M. Enforcing U.S. Trade Laws: Section 301 and China // Congressional Research Service, June 26, 2019. URL: <https://fas.org/sgp/crs/row/IF10708.pdf> (date of access: 20.12.2020)

Table 1

**The United States - China foreign trade in 2018-2020
(in billion dollars)**

2018			2019			2020 (9 months)		
Trade turnover	Export	Import	Trade turnover	Export	Import	Trade turnover	Export	Import
633,5	478,4	155,09	541,22	418,5	122,7	457,75	353,84	103,9

Source: compiled by the author: ITC. Trade statistics for international business development; U.S. International Trade Commission (USITC)³.

At present, despite the US attempts to maintain its leadership in the world economy, China is ahead of the US in almost all major economic and financial indicators. The Chinese currency is strengthening against the US dollar. The demand for Chinese bonds is growing. At the same time, the PRC does not properly fulfill its obligations to increase imports of products from the US, which can be regarded as Washington's failure.

Arguably, the PRC's advance is only a matter of time, as China has good chances to increase its global superiority. The on-going confrontation between Washington and Beijing increases China's economic and political self-sufficiency [Petrov,

³ ITC. Trade Statistics for International Business Development // URL: [trade-map.org/Bilateral_TS.aspx?nvpm=1%7c842%7c%7c156%7c%7cTOTAL%7c%7c%7c2%7c1%7c1%7c1%7c1](https://www.itcmap.org/Bilateral_TS.aspx?nvpm=1%7c842%7c%7c156%7c%7cTOTAL%7c%7c%7c2%7c1%7c1%7c1%7c1) (date of access: 10.01.2020); U.S. International Trade Commission (USITC) // URL: <https://dataweb.usitc.gov/> (date of access: 05.01.2021)

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2020]. The PRC's "double circulation" policy (it implies external and internal growth factors of China's economy) will be focused on a further advance of the PRC's possibilities in terms of technological efficiency and dependence on imports of innovations.

A recent announcement by the Central Bank of China to remove most restrictions on the use of the Chinese currency in international trade will further strengthen the PRC's positions in the world economy. Among China's advantages, a gradual implementation of reforms, an adaptation of the Chinese economy to the global economic disturbances, and a transition from quantitative to qualitative transformation of economic growth are worthy of note.

The US-China confrontation triggered a process of decoupling, which means a destruction of their strong economic interdependence [Leksjutina, 2020. P.8]. Remarkably, experts and think tanks point to a new concept of globalization, namely, a simultaneous existence of two directions of globalization – the US-led transatlantic and the China-focused Asian track [Postel-Vinay, 2020. P. 83]. However, the existence of new globalization concept is impossible for a long time, as it implies equality of positions of the US and the PRC in the world economy, which cannot last indefinitely.

The present and future political and economic relations in the world will increasingly depend on the US-China interaction. Under any scenario, the US-China confrontation has crucial implications for the global economy, which results in a redistribution of trade flows between various countries and regions, changes in world prices etc. On the other hand, a deteri-

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oration of the relations between Washington and Beijing leads to a rapprochement between Beijing and Moscow, which is exemplified by an increase in their mutual trade, investments and other forms of economic cooperation [Kolesnikova, Menci, 2020. P. 23].

Conclusion

At present, the US-China economic and political confrontation is very serious. The major contradictions can hardly be solved easily. Among the main reasons, the US trade deficit, intellectual property rights violations, currency controversies, Hong Kong status etc. The COVID-19 pandemic has further worsened the US-China relations, as Washington blames Beijing for spreading the virus across the world. But the key reason for the US-China economic and political confrontation is an increase in China's economic and political power, with profound implications for the US as the world leader. Washington treats Beijing primarily as a rival, not a partner, which undermines prospects for active and multidimensional cooperation between the two states.

The consequences of the US-China ongoing rivalry include decoupling, an emerging concept of globalization, a redistribution of trade flows in the world, a pressing necessity for the United States and China to explore new markets, as well as fluctuations in the global commodity and financial markets. As a result, new rounds of a rapprochement between China and Russia can be expected.

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*Dmitry Mosyakov,
Marina Shpakovskaya*

**Global Changes in the East
as a Challenge to the Contemporary System
of International Relations**

The chapter explores an impact of the present global geopolitical changes and transformations on the political architecture of Asia from the Middle to the Far East, which influences upon most of the regions of the world. The chapter aims to contribute to the present-day debates on common and specific features in the development of various regions, as well as on their future evolution, with East Asia as a case study.

As the world is noticeably shifting to multipolarity, competition between them is intensifying. The authors argue that the influence of the “collective West” is diminishing, which is exemplified, among other things, by the on-going evolution of multilateral cooperation in the traditional – the Asia-Pacific – region. Arguably, the US internal weaknesses were behind the its withdrawal from the Trans-Pacific partnership. Concerning a new US-led construct, the Indo-Pacific region, ample evidence suggests that this initiative lacks components necessary to make it efficient. Most importantly, as the

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Indo-Pacific region represents a new geopolitical reality, it is hardly beneficial to states that aim to develop cooperation with China. In fact, the Indo-Pacific region can be considered as a challenge not only to China, but also to the whole networking of ties and processes in the Asia-Pacific region. In their turn, the regional interactions become increasingly China-centric as the Belt and Road Initiative gains traction, which adds to the fragility of the present network of regional ties. Due to the trends presented above, cooperation between Russia and China acquires special significance, as it allows countering the damaging effect of the US-China controversy and eventually establish a system of cooperation across the Eurasian continent.

Keywords: *Russia, China, US, TPP, Indo-Pacific region.*

Introduction

The new international reality is an emerging Indo-Pacific region (IPR) as a new geopolitical construct. The IPR is becoming an anti-Chinese bloc and is perceived by its opponents as a military threat. At present, the main actors in the region which are not involved in the IPR construction regard the project as a challenge not only to China, but also to the whole system of established ties and relations in the Asia-Pacific region (APR).

In this regard, cooperation between Russia and China assumes profound significance. According to V.V. Putin and Wang Yi, relations between the two countries are strong as a rock.

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Meanwhile, many experts expect their further development, because of which the issue and its implications warrant consideration.

Methodology

The study distinguishes the regional level and the regional subsystems (or regional complexes) as independent analytical objects of research. This approach allows solving both theoretical and applied tasks, among which a comparison of the key macro-regions of the world is the most significant.

An identification of the regional level of analysis helps to analytically correctly distinguish intra-country specific features and place them in the context of regional politics. It follows the arguments endorsed by A.S. Panarin, who emphasized links between the spatial and functional-political characteristics of certain regions of the world [Voskresenskij, 2012. P.30; Panarin, 2004. P.57]. Proceeding from this methodology, the transformations taking place both in the global and regional dimensions of international relations are considered, and a mutual influence of trends emanating from different cultural and political centers is explored.

The Evolving World Politics and Its Asian Dimension

The contemporary system of international relations has been developing over many years as part of the overall process of modernization. In the East, it was influenced by undeniable success achieved by the Western countries. An integration of Eastern societies into this trend took place in different ways:

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from obtaining colonial and semi-colonial status to independent radical reforms, as it happened in Japan.

Undeniably, in the second half of the XIX century and almost during the whole XX century, "the wind from the West overcame the wind from the East." Under the influence of the "Western craze", as it is often said in China, the traditionalism and archaism of the East gradually seemed to fade into oblivion. One hundred and fifty years of almost continuous modernization, and an eventual participation in globalization have formed several generations of people in the East, especially within the ruling elites, for whom Western values – democracy, human rights, freedom of the press – became a regular part of routine life.

At present, amidst the COVID-19 pandemic and the ever-increasing crisis of the collective West, new developments are taking place. When the leader of Western civilization – the United States – decided to withdraw from the Trans-Pacific partnership (TPP), as well as turn to protectionism, the situation in the East began to change rapidly¹. The events around the TPP convinced experts and decision-makers in the East that an end of the American pre-eminence in global affairs, as well as of the Western-centric world, was in the offing.

Currently, large-scale transformations in the political architecture of Asia – from the Middle East to East Asia – are tak-

¹ В Азии создали крупнейшую в мире зону свободной торговли [В Азии создали крупнейшую в мире зону свободной торговли]. Asia has Created the World's Largest Free Trade Zone // Экономика, November 15, 2020. URL: <https://www.rbc.ru/economics/15/11/2020/5fb0bdb69a7947d5289e28e9> (date of access: 25.11.2020)

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ing place. Those events indicate that the world is turning from unipolar to multipolar, moreover, new regional centers of power are formed, and a competition between them is increasing. Most interestingly, Asia itself is becoming split in terms of its internal development processes and external positioning. For example, pro-Western ideas and stereotypes within the framework of modernization and globalization processes are much more deeply rooted in the countries of Greater East Asia than in those of Central Asia and the Middle East. Even though the United States withdrew from the TPP immediately after D. Trump came to power, Japan and the Southeast Asian countries concluded a free trade agreement in 2018.

Arguably, if D. Trump had continued the process of globalization according to the TPP rules, all the twelve countries that signed this agreement would have taken part in it. The only question is whether a second attempt will be made to establish a really high-quality and comprehensive FTA.

Despite J. Biden's victory in the US elections, it is far from clear that the US will resume the process of globalization. A fundamental reason for the US withdrawal from the TTP related not only to the position of D. Trump, but also with lack of the US resources to develop this initiative. By the end of B. Obama's presidency, serious imbalances in the US economy had become self-evident, as the industrial and technological production that had moved to the East Asian countries was replaced by significantly worse-paid jobs in the service sector².

² VVP SSHA v 2020-2021 godu [ВВП США в 2020-2021 году]. The US GDP in 2020-2021 // VisaSam, December 14, 2020. URL: <https://visasam.ru/emigration/canadausa/vvp-usa.html#i> (date of access: 20.12.2020).

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Another problem accounted for unemployment which remained very high for several years.

Even before the Trump administration came to power, many experts in the US and beyond saw perceived the country as getting weaker rather than stronger. Before the US withdrawal from the TPP, not only D. Trump, but also prominent Democrats, such as Senator E. Warren, strongly opposed the implementation of the TPP, no matter how politically beneficial it might be to America. From an economic perspective, the TPP was against the US interests and beneficial to the Asia-Pacific countries that aimed to receive the US investment and technologies. Since the Obama administration left office, little has changed, and all the afore-mentioned limitations remain relevant. Moreover, the success of the Trump administration effort to return capital and production to the United States creates a real alternative to the regional FTA projects.

At the same time, the current realities in Asia, specifically, those related to the Regional Comprehensive Economic Partnership (RCEP) incentivize Washington to offer a counter-project. Without active actions to restore the US pre-eminence in Asia, there will be real threats to "the US leadership role in the democratic world", which, according to President Biden, remains the most important American priority³. Paradoxically,

³ Obeshchaniya Bajdena: chto zhdet Rossiyu posle ego izbraniya prezidentom SSHA [Обещания Байдена: что ждет Россию после его избрания президентом США]. Biden's Promises: What Awaits Russia after his Election as the US President // MKRU, November 7, 2020. URL: <https://www.mk.ru/politics/2020/11/07/obeshhaniya-baydena-chto-zhdet-rossiyu-posle-ego-izbraniya-prezidentom-ssha.html> (date of access: 25.11.2020)

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without the "west wind", the entire system of global international security and stability may become extremely fragile.

Conclusion

A rejection of globalization, or a pause that the US has taken with regard to this process under the Trump administration, has affected the Asia-Pacific politics. In the absence of breakthrough ideas and the American civilizational pressure, the process of archaization of international politics started, when the Iranian, Turkish and Arab centers of power, traditional for the Middle Ages, emerged in the Near and the Middle East, and relations between them sharply deteriorated. As in the Middle Ages, Iran operates in Yemen, Turkey revives neo-Ottomanism and pan-Turkism, and the Arab world, at least, its most influential forces, even went so far as to recognize the existence of Israel.

One of the most convincing examples of the on-going geopolitical changes is the development of the Indo-Pacific initiative. The IPR can become an anti-Chinese block and a reincarnation of long-forgotten military blocks, SEATO and ANZUS, in the new geopolitical circumstances [Lebedeva, 2020. P. 325] This project is perceived by Asian experts and political leaders as a possible military threat to regional peace and stability. The IPR participants – the United States, Japan, Australia and India – which are developing strong military-technical and political ties, do not aim to integrate China [Mosyakov, 2019. P.174]. They also hope that the ASEAN countries, mainly Vietnam, would join the initiative. At the same time, if the SRV becomes part of the IPR project, it will do it together with other ASEAN

member states. The latter, however, insist on participating in the IPR initiative on their own terms [Mosyakov, Shpakovskaya, 2019]. A clash of various positions on the Indo-Pacific region is inevitable, which leads to an emergence of new dividing lines.

In light of this, cooperation between Russia and China is of special significance. According to the Minister of Foreign Affairs of China Wang Yi, relations between the two countries are now solid as a rock and we can see unbreakable mutual trust⁴. This is all the more important since Moscow and Beijing develop their own global projects. In Russia's case, this is the Greater Eurasia from the Atlantic to the Pacific. China is implementing the Belt and Road Initiative. Their synergy can become a solid foundation for a new global political architecture [Karaganov, 2017].

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⁴ Glava MID Kitaya zayavil, chto dvustoronnie otnosheniya RF i KNR «prochny kak skala» [Глава МИД Китая заявил, что двусторонние отношения РФ и КНР «прочны как скала»]. The Chinese Foreign Minister Says that the Bilateral Relations between Russia and China are "Strong as a Rock"// Federal News Agency, December 19, 2020. URL: <https://riafan.ru/1235691-glava-mid-kitaya-zayavil-chto-dvustoronnie-otnosheniya-rf-i-kr-prochny-kak-skala> (date of access: 25.12.2020)

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in the “Asian Century”
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The 1990s and the first two decades of the XXI century witnessed a rise of multilateral cooperation in East Asia and beyond. By the turn of the centuries, the region combined multilateral institutions originated from different epochs. ASEAN was born in the times of the Cold War and united the states, which opted for the capitalist development, adhered to the anticommunist principles and tried to unite the efforts of smaller and middle-range states of the region in order to bridge the regional divide in a way they saw it appropriate. The Asia-Pacific Economic Cooperation (APEC) started to function in 1989 when the bipolar confrontation was in decline. The 1990s brought new impetus to the regional multilateral organizations. ASEAN managed to engage the ex-ideological rivals in its activities and to proliferate functionally beyond its geographical borders creating the ASEAN-centered regional institutional network.

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At the turn of the centuries, the regional multilateral institutions were developing simultaneously “overlooking” the most painful regional security problems (the Korean nuclear problem, the unresolved issue of “two Chinas”, the unsettled territorial contradictions in the East China Sea and in the South China Sea). The trade and economic liberalization, expectations of the “Asian century” and the overall reduction of international tensions on the global arena after the end of the Cold War encouraged the development of the Asia-Pacific multilateralism. However, the second decade of the XXI century brought new challenges to the regional multilateral venues, primarily ASEAN.

As the chapter argues, these challenges are of different nature as compared to the lingering regional security issues and require different types of reaction from the multilateral institutions in order they could retain their agency.

Keywords: *multilateralism, East Asia, Southeast Asia, ASEAN, regionalism.*

Introduction

The 1990s and the first two decades of this century witnessed the rise of multilateral cooperation in East Asia and the Asia Pacific region. The area previously mired in the conflict dynamics suddenly found itself in a web of rapidly emerging institutions. This development was a step aside from the original specifics of regional strategic culture focused more on the

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bilateral approaches to security [Ball, 1993. P.46] and a step forward in reconciling the multilayered regional structure emerged because of the Cold War dynamics.

The overall positive economic changes and a deepening economic interconnection between the USA and China created conditions conducive to the regional multilateral institutions, which were driven primarily by the Association of Southeast Asian Nations (ASEAN). Even though the ASEAN member states did not represent political and economic heavyweights, the Association and its multilateral venues became convenient dialogue platform acceptable to the overwhelming majority of regional and extra-regional players¹.

However, the second decade of this century brought important challenges to the regional multilateral organizations. The rising Sino-US contradictions, China’s aspirations to reorganize the region by means of the Belt and Road Initiative (BRI), an emerging unilateralism, mostly, under the auspices of the Quadrilateral security dialogue of the USA, Australia, India and Japan (Quad), the general deglobalization trends and a disuniting impact of the COVID-19 pandemic – all those processes raised questions about the future of the regional multilateralism. Against this background, the chapter aims to assess an impact of those developments on the regional multilateral institutions and to define the elements of continuity and change in their functioning in the present circumstances.

¹ ASEAN External Relations. The Official Web Site of ASEAN. URL: <https://asean.org/our-communities/asean-political-security-community/outward-looking-community/external-relations/> (date of access: 05.12.2021)

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As the chapter argues, these challenges are of different nature as compared to the chronic regional security issues and require different types of reaction from the existing multilateral institutions so that they could retain their agency.

Methodology

Methodologically, the chapter proceeds from a differentiation of new challenges to the East Asian regionalism in two categories. They include those emanating from the great power politics (the Sino-American rivalry and the contending versions of regional reorganization) and the internal dynamics within ASEAN, which so far has been acting as the organizing force for the regional multilateral frameworks.

The chapter uses the term “East Asia” to indicate an area encompassing the People’s Republic of China (PRC), Japan, the DPRK, the ROK, Taiwan, Mongolia, and ten ASEAN member states. The Asia-Pacific region includes the countries mentioned above plus the US, Australia, and New Zealand. In certain aspects of the analysis, India is also taken into account as a dialogue partner of ASEAN and a member of many ASEAN-centered institutions. The chapter addresses the notion of the Indo-Pacific region in a critical way to indicate a potential of some of its versions to seriously erode the East Asian and the Asia-Pacific multilateralism.

**The East Asian Multilateralism:
Its Development and Nadir**

In his seminal publication “Great Powers in the Pacific Ocean”, Alexei Bogaturov characterized the regional structure

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of East Asia and the Asia-Pacific region as spatial with multiple layers of different kinds in contrast with the regional structure of Europe bearing strong elements of leadership [Bogaturov, 1997]. The multilayered regional structure included the USSR and the US as the most important military and strategic powers, the People’s Republic of China balancing between them since the 1970s, Japan as a rising economic powerhouse of the 1960s-1980s, and ASEAN as an amalgam of small and middle powers, which managed to consolidate themselves into a collective force.

Bogaturov’s observation is instrumental in explaining why, on the one hand, the end of the Cold War opened up a window of opportunity for a rise of regional institutions driven by ASEAN and for what reason, on the other hand, these institutions could not but have a very ambivalent nature reaching out to such a diverse constellation of powers. Another explanation presented in the academic literature proceeds from Hemmer and Katzenstein’s assumption that in case of Asia the United States after the end of World War II deliberately opted for bilateral security relations due to lack of common identity present in the US relations with Europe [Hemmer and Katzenstein, 2002. P.576]. Those multilateral structures like SEATO (existed in 1955-1977) proved to be unable to create a truly functional collective security system. The absence of strongly institutionalized Asian NATO after the end of the Cold War enabled ASEAN to start building inclusive regional frameworks including those in the security sphere like ASEAN Regional Forum (ARF) or ASEAN Defense Ministerial Meeting Plus (ADMM-

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Plus)². At the same time, they did not fully eliminate the regional security cleavages emanating from the Cold War era, as well as from the US system of bilateral security alliances.

Thus, by the turn of the centuries the regional multilateral institutions were developing simultaneously “overlooking” the most painful security challenges inherited from the previous period (the Korean and the Taiwan issue, unsettled territorial contradictions in the East China Sea and in the South China Sea). The processes of trade and economic liberalization, expectations of the “Asian century” (i.e. Asia’s continued rapid economic growth) and an overall reduction of confrontation in the region after the end of the Cold War let the regional multilateral processes flourish. As an ex-Secretary-General of ASEAN Rodolfo Severino once mentioned, many in the region perceived this situation as a chance to create “a stable regional environment that was not dominated by a single power or destabilized by great-power rivalries and Cold War-type confrontations” [Severino, 2009. P.6].

Proliferating multilateral activities in East Asia and the Asia-Pacific region even managed to combine regional institutions, which emerged in different historical periods. Thus, ASEAN was founded in 1967 yet back in the period of the Cold War and united the states, which opted for the capitalist de-

² About ARF. The Official Web Site of ASEAN Regional Forum. URL: <https://aseanregionalforum.asean.org/about-arf/> (date of access: 01.12.2021); About the ASEAN Defence Ministers’ Meeting Plus (ADMM-Plus). ASEAN Defense Ministers’ Meeting Official Web Site. URL: <https://admm.asean.org/index.php/about-admm/about-admm-plus.html> (date of access: 01.12.2021)

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velopment, adhered to the anticommunist principles and tried to unite the efforts of smaller and middle-range states of the region in order to bridge the regional divide in a way they saw it appropriate. The founding members of ASEAN included Indonesia, Malaysia, Thailand, the Philippines and Singapore. In 1984, Brunei joined the Association. At that time, Vietnam, Lao PDR, Cambodia and Burma/Myanmar remained outside ASEAN. The Asia-Pacific Economic Cooperation Forum (APEC) started to function in 1989, also in times of the bipolar confrontation, but in its decline. The 1990s brought a new impetus to the regional multilateral organizations. ASEAN managed to engage the ex-ideological rivals in its activities and to proliferate functionally beyond its geographic borders. Thus, the dialogue partnerships with the key regional players in the Asia-Pacific region, the ASEAN Regional Forum (established in 1994), the Asia-Europe Summit (established in 1996) and the East Asia Summit (launched in 2005) became the elements of the ASEAN-centered regional institutional network. APEC, being not an ASEAN offspring, nevertheless adopted ASEAN's normative culture embodied in a soft institutionalism and decision making through consultations and consensus, collectively known as the “ASEAN Way”.

The idea of dialogue partnerships with the most significant ASEAN partners dated back yet to the 1970s. In 1974, ASEAN established such relations with Australia, in 1977 – with the European community, the USA and Japan. In the 1990s, the number of dialogue partners included Russia, China, South Korea, India and others. In 1997, the mechanism ASEAN+3 (China, Japan, South Korea) started to function. Thus, smaller

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and middle-range countries of the region de facto assumed the leadership role in the process of organizing multilateral cooperation in the macro-regional framework. The expansion of the East Asian Summit to include Russia and the US in 2010 finalized this process³.

The past decade witnessed new institutional developments both within the framework of ASEAN itself and in its relations with the external partners. Vietnam's chairmanship in ASEAN in 2010 initiated a new dialogue venue, namely, the ADMM-Plus. In 2012, the Expanded ASEAN Maritime Forum (EAMF) started to operate and involved such Association's dialogue partners as Australia, China, India, Japan, New Zealand, Republic of Korea, the Russian Federation and the United States. In 2015, ASEAN declared the establishment of the ASEAN Community with three pillars (Political-Security, Economic, and Socio-Cultural)⁴. More broadly, in 2012 ASEAN got involved in negotiations on the Regional Comprehensive Economic Partnership (RCEP), a macro-regional trade block of ASEAN itself, China, Japan, South Korea, India, Australia and New Zealand. Negotiations on the RCEP came to their logical

³ Chairman's Statement of the East Asia Summit (EAS). Ha Noi, Viet Nam, 30 October 2010. URL: https://asean.org/wp-content/uploads/images/2015/January/east_asia_summit/Chairman_Statement_5th_EAS_2010.pdf (date of access: 01.12.2021)

⁴ Kuala Lumpur Declaration on the Establishment of the ASEAN Community. Kuala Lumpur, 22 November 2015. URL: <https://asean.org/wp-content/uploads/images/2015/November/KL-Declaration/KL%20Declaration%20on%20Establishment%20of%20ASEAN%20Community%202015.pdf> (date of access: 01.12.2021)

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end in 2020 with India opted to stay away from the agreement.

ASEAN's achievements in driving a wider regional cooperation became a source of multiple praises, specifically at its 50th anniversary in 2017. Kishore Mahbubani and Jeffery Sng argued that for the past fifty years ASEAN managed to create an ecosystem of peace [Mahbubani and Sng, 2017. P.48-49]. Indeed, as it was indicated above, ASEAN managed to pacify its own environment and to turn itself into a center of institutionalized cooperation for East Asia and the Asia-Pacific region. However, the ambivalence, which existed yet at the initial phase of a wider multilateral development (building multilateral cooperation simultaneously overlooking the most serious regional security cleavages) remained unresolved at later stages. By the end of the first quarter of this century, this ambivalence was amplified not only by a reemergence of great powers' contradictions, but also by the state of affairs within ASEAN itself.

New Challenges to the Multilateral Institutions

Against the background of the previous analysis, this section examines in more details two types of challenges to the regional multilateralism.

The Great Power Politics

The success of ASEAN-centered institutions in organizing dialogue on almost all important regional issues ranging from economy to security in the 1990s and early 2000s created a sense of far-reaching abilities of these institutions. However, as

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many scholars argue, this success became a result of the overall regional dynamics in which the US temporarily kept itself aloof while China was still at the initial stage of its economic rise. Thus, for some time great power relations turned out to be a positive factor in building the ASEAN centrality, i.e. a set of region-wide frameworks and institutions for which ASEAN served as an organizing force [Acharya 2017; Kanaev 2017]. In 2010, China turned into the second-largest economy in the world provoking the American “pivot to Asia’ under the Obama administration and a shift in Sino-American relations towards, first, a competitive and later on a more confrontational direction under Donald Trump’s and the initial period of Joseph Biden’s presidency.

Paying lip service to the ASEAN centrality, the US and China got involved in the rivalry that started to breed contesting versions of regional reorganization. The first wave of such new visions emanated from Obama’s project the Trans-Pacific Partnership agreement, which clearly divided ASEAN and East Asia into those willing and unwilling to join the TPP. In 2013, China proclaimed its BRI with two main branches stretching through Central Asia and Southeast Asia. Though China almost immediately started to emphasize voluntary and unbinding nature of the BRI, the reality turned it into a prospect for a radically different regional organization with China as its infrastructural, financial and quite probably technological hub [Hiebert 2020; Strangio 2020]. The reaction of the US and its allies to China’s economic clout via the BRI provoked another geopolitical construct, the Indo-Pacific region, a notion taken from Indian and Indonesian political discourses and transformed into an organi-

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zational framework of the US, Australia, Japan and India to counter China. Thus, other types of multilateralism (or it is better to call them minilateralism) started to develop beyond ASEAN. The military and strategic core of the American version of the Indo-Pacific, the Quad, witnessed a rapid institutionalization from low profile consultations in 2007 to a high-level meeting in March 2021. Another wave of the Quad development also included the Quad+ constructions aimed at selectively embracing Vietnam and New Zealand, but not ASEAN as a regional actor.

The new transregional initiatives of the US and China actually became a significant blow to a number of “older” multilateral institutions. Thus, the TPP almost nullified the relevance of APEC as the pan-regional focal point for trade and economic liberalization while Quad became a challenge for ASEAN and ASEAN-centered institutions. The BRI and China’s ambivalent advancement in such economically weak ASEAN member states as Cambodia, Laos and Myanmar, in its turn, caused serious discontent among ASEAN member states themselves.

The Intra-ASEAN dynamics

To date, ASEAN has acted as an important organizing force for many regional multilateral processes. Unable to influence the global dynamics, it nevertheless enjoys formally equal relations with many economically and politically stronger counterparts under the frameworks of dialogue partnerships. Also, ASEAN constructed a number of channels of formal and informal communication with the global governance institutions [Koldunova 2017; Efremova 2020]. This position gave ASEAN a

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sense and practical instruments of autonomy in international relations but did not precondition its full-fledged agency, i.e. ability to produce and, more importantly, implement its own vision of regional development [Emmerson 2020; Koldunova 2019].

The growing Sino-US contradictions mentioned above quickly started to resonate in the ASEAN-centered institutions. Divided in their loyalty between the US and China, ASEAN member states failed to negotiate a joint communique of the ASEAN ministerial meeting under Cambodia's chairmanship in 2012. It was repeated in a broader context in 2018: disorganized by the Sino-US tensions, APEC failed to produce its final document during the meeting itself and had to announce it later on withdrawing the most controversial points.

Another internal challenge, among others, emerged from a military takeover in Myanmar on February 1, 2021. In the 1980s and 1990s, ASEAN consolidated itself through coping with the Cambodian crisis and later on incorporated Cambodia into Association as its tenth member in 1999. ASEAN included Myanmar yet before Cambodia in 1997, and since then has carried out a strategy of engagement towards that state. In 2010, Myanmar witnessed a start of the power transition from the military to a quasi-civilian government. ASEAN considered that move as evidence that its choice of strategy towards Myanmar was more effective in contrast with a sanctions-based approach pursued by the USA and the EU [Mahbubani and Sng, 2017].

The international dynamics of the early 2021 demonstrated that ASEAN can hardly manage the current authoritarian backlash in Myanmar in the same way as it addressed the

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crisis in Cambodia at the turn of the 1980s and the 1990s. Neither can Myanmar be approached as ASEAN used to do it in the previous period, namely, before the power transit in 2011. Arguably, the communication between the ASEAN member states' elites and the military in Myanmar became an object of double pressure – from the outside powers like the US, the EU and Japan and from the civil disobedience movement in that country. The situation grew even more problematic for ASEAN, as having established itself as the center of all regional processes, ASEAN consequently became the key focal point for dealing with crises like the one erupted in Myanmar.

Conclusion

Since the 1990s, the East Asian and the Asia-Pacific multilateralism has been perceived as primarily ASEAN-driven with all its positive aspects and flaws. The sound success of the ASEAN-centered regional institutions substantiates this assessment.

However, the developments of the past several years have made this assumption questionable. The internal challenges and the rising international pressure articulated the problems of path dependency in ASEAN operations, specifically, the confidence that the success of overcoming the challenges of the past can be instrumental in facing the challenges of the present. Equally problematic proved to be expectations for the already worked out tactics and strategies of balancing and hedging. A new wave of the US attempts to institutionalize the military and strategic cooperation between its allies within the Indo-Pacific framework, as well as China's further advance-

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ment, may well transform the nature of the regional multilateralism.

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**Japan:
in Search of a Proper Place
in East Asia after 2020**

Since the conclusion of the Japan-US Security Treaty in 1951, Japan has been one of the most loyal US allies in the Asia-Pacific region. Japan and the PRC established diplomatic relations in 1972, but they have been and remain within the limits of Tokyo's alliance with Washington. In light of this, attempts to outline the course and nature of Japan's relations with China after 2020 are timely and relevant.

The post-bipolar period has seen a plethora of economic and security initiatives, part of which has been proposed by Japan. To date, the remarkable outcome has been the success of the pan-regional multilateral trade initiative RCEP and the modest results of the much-discussed TPP, as the CPTPP will hardly be able to meet the initially over-optimistic expectations that existed with regard to TPP. This may signify a dramatic increase in China's economic possibilities in the Asia-Pacific region, with far-reaching implications for Japan.

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As a special emphasis, the chapter analyses the US dimension of Japan's foreign policy. In the author's view, for both domestic and international reasons, the American factor will not decrease in Tokyo's priorities

Arguably, while the XX century was organized around the US-centered economy, China's interests and possibilities will define an evolution of the XXI century. In light of this, the Japanese government is devoting considerable effort to carve its niche in the Asia-Pacific region, as well as to develop close ties with China simultaneously trying to balance the American and the Chinese tracks of its foreign policy. In theory, for Japan, the best solution would be having both China and the US in a regional framework of free trade and security dialogue. In reality, however, Tokyo will have to apply extraordinary diplomatic skills in order to successfully perform this task.

Keywords: Japan, US, China, economic regionalism, security cooperation.

Introduction

Since the flight of the Chinese Nationalist Party to Taiwan in 1949, the breakout of the Korean War in 1950, and the conclusion of the Japan-US Security Treaty in 1951, Japan has been one of major allies, if not the most important, for the US in East Asia. Japan and the PRC established diplomatic relations in 1972, but they were constrained by Japan's alliance with the

US. A relevant question is whether the Japan-US alliance will be affected by a formidable rise of the PRC after 2020.

The GDP of the People's Republic of China exceeded that of Japan in 2010. In 2019, China's GDP became nearly three times as large as Japan's GDP. The Chinese economy is growing faster than the economies of developed countries. By 2030, China's GDP is expected to catch up with that of the US'. Although the Chinese demography is rapidly aging, at least for a couple of decades after 2030, China will remain the largest economy in the world [Guillemette; Turner, 2018].

In this sense, the term "the Asian Century," is somewhat misleading. The question is about China's domination, not that of a vaguely defined Asia. While the 20th century was a period of the US-centered economy, the 21st century will be a time of China-centered economy. The Chinese century is the de-facto existing reality.

The trouble is that China's economic hegemony comes with its unpredictable political system. China is not yet a democracy. It is unclear whether it would ever adopt a democratic system, in which political leaders would be chosen by free elections. Even if it adopts an elective democracy in the future, it may fall into a pitfall of demagoguery.

Along with the rise of China, the Japanese government has been struggling how to find its proper place in East Asia, as well as to maintain an optimum distance in relations with the PRC. This question became real after the end of the Cold War. Most former communist countries adopted the system of Western democracy, but the Chinese attempt to democratize

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failed. Since then, the Japanese policy has been oscillating between the two poles of pro-US and pro-China strategies.

Methodology

Methodologically, the chapter distinguishes three dimensions of analysis: regions in context, regions as contexts and comparative area studies. The three levels are synergized in a seamless analytical paradigm. The author combines a chronological and, a multi-disciplinary and an issue-based approach to trace the specificity of Japan's policy towards and against the development of regional multilateral institutions amidst the global and intra-Japan processes.

The research is based on both primary sources and academic literature with an emphasis on Japanese publications. Coupled with the afore-mentioned research methods, this allows making the research fundamental and comprehensive.

**Japan after the Cold War:
a Multilateral Perspective**

After a successful creation of the common market in Europe with the 1985 Single European Act, two tracks of regionalism emerged in East Asia. The first accounted for Australia's proposal in 1989 to establish the Asia-Pacific Economic Cooperation (APEC) Forum. The second accounted for the Malaysian proposal for East Asian Economic Group (EAEG) made in 1990. Both they were about promoting free trade regimes in the region.

Japan, like Australia, was eager to keep the US presence in East Asia [Takashi, 1999. No. 295. P. 13]. After Australia's

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Prime Minister B.Hawke's speech in Seoul in January 1989, in which he called for an establishment of the Asia-Pacific venue of multilateral cooperation, the Japanese Ministry of International Trade and Industry sent missions to the Southeast Asian countries to mobilize support for the Australian proposal. In July 1989, some of the ASEAN members expressed their intention to join the first APEC meeting in Canberra four months later.

After the Clinton administration fully realized the importance of APEC, its representation was elevated from the ministerial level to the summit level. At its first summit-level meeting in Seattle, APEC adopted its vision to expand its mission from narrowly defined economic cooperation to "stability, security and prosperity for our peoples"¹. Since then, APEC has become a useful instrument to interconnect the two regions on the both sides of the Pacific Ocean, i.e. the East Asian nations on the one hand, and the US and its partners (Canada, Mexico and Peru) on the other, in the "Asia-Pacific" region. It was a "region" created by the political imagination. If it were truly a geographic region, the Pacific island nations would have been in the list of APEC's founding members. But none of them was in APEC in 1989. To date, only Papua New Guinea has joined APEC. Like the concept of North Atlantic, the concept of Asia-Pacific was invented to make a politically formed trans-regional US-centered coalition geographically substantiated.

¹ Seattle Declaration - APEC Leaders Economic Vision Statement // Blake Island, Seattle, 20 November 1993. URL: http://www.apec.org/Meeting-Papers/Leaders-Declarations/1993/1993_aelm.aspx (date of access: 15.01.2021)

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While the Asia-Pacific track developed rapidly in the early-mid 1990s, the framework of purely East Asian membership stagnated. In January 1992, the ASEAN summit adopted a statement that “consultations on issues of common concern among East Asian economies, as and when the need arises, could contribute to expanding cooperation among the region’s economies, and the promotion of an open and free global trading system.” The crucial component was “when the need arises.” Facing resistance from the US and its allies, especially from Japan, there seemed no need for such a potentially anti-US framework.

However, the Japanese attitude changed after the outbreak of the Asian financial crisis, which seriously disturbed Indonesian, South Korean and Thai economies. The Japanese Ministry of Finance took an initiative to create an Asian Monetary Fund. Although that proposal met strong opposition from the US, it was partially realized as the Chiang Mai Initiative (CMI).²

While the regional efforts for monetary cooperation in East Asia were restrained by the US opposition, the idea expressed earlier of East Asian regional cooperation got a second wind. Under the leadership of South Korean President Kim Dae Jung, the heads of ASEAN Plus Three (APT), agreed to set up an East Asia Vision Group (EAVG). In October 2001, the EAVG,

² The CMI was Expanded and Multilateralized in 2010 after the 2008 Lehman Shock (Sussangkarn C. The Chiang Mai Initiative Multilateralization: Origin, Development and Outlook // ADBI Working Paper 230, July 13, 2010. URL: <http://www.adbi.org/files/2010.07.13.wp230.chiang.mai.initiative.multilateralisation.pdf>) (date of access: 15.01.2021)

chaired by former South Korean Foreign Minister Han Sung-joo, submitted the final report, “Towards an East Asian Community: Region of Peace, Prosperity and Progress,” which recommended to establish an East Asian Free Trade Area (EAFTA) and an institution for a wider cooperation. After the East Asia Summit came into existence, this idea was further developed.

Another attempt to establish an East Asian group came from Japan with the victory of the Democratic Party of Japan (DPJ) at the general elections in 2009. During the election campaign, the DPJ presented the East Asian Community narrative.³

Just three weeks before the coming to power, DPJ President Hatoyama Yukio published an open editorial in *The New York Times*: “A New Path for Japan.” In that article, he called for an East Asian community and a common Asian currency. He wrote:

Of course, the Japan-U.S. security pact will continue to be the cornerstone of Japanese diplomatic policy. But at the same time, we must not forget our identity as a nation located in Asia. I believe that the East Asian region, which is showing increasing vitality, must be recognized as Japan’s basic sphere of being. So we must continue to build frameworks for stable economic cooperation and security across the region. The financial crisis has suggested to many that the era of U.S. uni-

³ DPJ. 2009 Change of Government – The Democratic Party of Japan’s Platform for Government. P. 28. URL: <http://www.dpj.or.jp/english/manifesto/manifesto2009.pdf> (date of access: 15.01.2021)

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lateralism may come to an end. It has also raised doubts about the permanence of the dollar as the key global currency.

Prime Minister Hatoyama was in office from 16 September 2009 to 2 June 2010 and continued to call for strengthening ties with China and South Korea.

Hatoyama's Policy was received with concern by the US [Leddy, October 22, 2009]. It did not elicit positive responses from Asian nations either. Beijing perceived the proposal as an attempt to dispute the leadership in East Asia. Seoul was also cautious about that idea, because, according to Korean observers, "[i]n order for Hatoyama's vision of an East Asian Community to succeed, however, he first needs to find the answer to why Japan has been unable to solidify its leadership in East Asia, despite the fact that it has developed strong regional ties from early on through its trade, investment, developmental aid, and environmental capabilities" [Lee; Lee, October 15, 2009]. In other words, Seoul and Beijing did not find enough reasons for promoting the regional integration with Japan, simultaneously overcoming long-standing diplomatic issues.

A noticeable outcome of Japan's Asia policy under the Hatoyama administration accounted for a weakening of the Japan-US security alliance. Hatoyama promised that he would reexamine the Japan-US agreement on the relocation of the American base in Okinawa, which angered Washington. Hatoyama appeared to be cautious about the US-Japan alliance and optimistic about cooperation with China, even though Hatoyama described cooperation with the US as "the corner of Japanese diplomatic policy." In April 2011, a Washington Post col-

umnist upset the Japanese government by qualifying Hatoyama “hapless and (in the opinion of some Obama administration officials) increasingly loopy”.⁴ It was not only the US government but also Japanese public opinion that felt concerned about the Hatoyama diplomacy. On June 8, a month before the Upper House elections held on July 11, he resigned in midst of his own tax evasion scandal and rising unpopularity. It became clear even to the DPJ politicians that Japan needs the US as the primary ally, and Tokyo cannot damage its military alliance with Washington. Any Japanese attempts to exclude the US from East Asia are unrealistic and destined to be unpopular.

After the Indo-Pacific narrative was reactivated in the early 2010s, in his "Japan is back" speech in February 2013, Prime Minister Abe, who came back to power after a break of five years, made reference to that concept [Shinzo, 2013].

The concept itself can be freely defined by political imagination and does not necessarily exclude China. In the beginning, it was indeed unclear whether China would be included or excluded from that seemingly geographic concept. But as a threat of China's assertiveness is felt increasingly stronger, the idea shifted to excluding China.

When Prime Minister Shinzo Abe made a speech to the heads of states and governments of African nations in Nairobi in 2016, he emphasized the importance of the Indo-Pacific region from a rule of law perspective:

⁴ Al Kamen Among Leaders at Summit, Hu's First // *Washington Post*, April 14, 2010. URL: <http://www.washingtonpost.com/wp-dyn/content/article/2010/04/13/AR2010041304461.html#> (date of access: 16.01.2021)

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"Japan bears the responsibility of fostering the confluence of the Pacific and Indian Oceans and of Asia and Africa into a place that values freedom, the rule of law, and the market economy, free from force or coercion, and making it prosperous."⁵

By the time the White House published the report titled "National Security Strategy of the United States of America" in December 2017, the concept had become markedly anti-Chinese. The report argued:

"A geopolitical competition between free and repressive visions of world order is taking place in the Indo-Pacific region. (...) Although the United States seeks to continue to cooperate with China, China is using economic inducements and penalties, influence operations, and implied military threats to persuade other states to heed its political and security agenda. China's infrastructure investments and trade strategies reinforce its geopolitical aspirations. Its efforts to build and militarize outposts in the South China Sea endanger the free flow of trade, threaten the sovereignty of other nations, and undermine regional stability. China has mounted a rapid military modernization campaign designed to limit U.S. access to the region and provide China a freer hand there. China presents its ambitions

⁵ Address by Prime Minister Shinzo Abe at the Opening Session of the Sixth Tokyo International Conference on African Development (TICAD VI). Kenyatta International Convention Centre, Nairobi, Kenya, August 27, 2016. URL: https://www.mofa.go.jp/af/af2/page4e_000496.html (date of access: 16.01.2021)

as mutually beneficial, but Chinese dominance risks diminishing the sovereignty of many states in the Indo-Pacific. States throughout the region are calling for sustained U.S. leadership in a collective response that upholds a regional order respectful of sovereignty and independence” [National Security Strategy of the United States of America, 2017].

It is especially important to Japan that "sustained US leadership in a collective response that upholds a regional order respectful of sovereignty and independence" was mentioned.

While the Japanese security interests are clearly in favor of taking side with the US, its economic priorities are more nuanced. After the US withdrawal from the TPP negotiations and a conclusion of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) or TPP-11, in which the US refused to take part, the Japanese government could not avoid coming closer to China for economic cooperation.

The outcome is a conclusion of the Regional Comprehensive Economic Partnership (RCEP). The US and India are conspicuously absent, while China is present. The RCEP has become the first free trade agreement to include China, Japan, and South Korea.

Do these trends mean for Japan an economic alliance with China and a weakening of its partnership with the US? This is an open-ended question.

Conclusion

Since the 1990s, the East Asian and the Asia-Pacific multilateralism has been perceived as primarily ASEAN-driven with all its positive aspects and flaws. The sound success of the ASEAN-centered regional institutions substantiates this assessment.

However, the developments of the past several years have made this assumption questionable. The internal challenges and the rising international pressure articulated the problems of path dependency in ASEAN operations, specifically, the confidence that the success of overcoming the challenges of the past can be instrumental in facing the challenges of the present. The expectations for the already elaborated on tactics and strategies of balancing and hedging proved to be equally problematic. A new wave of the US attempts to institutionalize the military and strategic cooperation between its allies within the Indo-Pacific framework, as well as China's further advancement, may well transform the nature of the regional multilateralism.

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*Vera Vishnyakova,
Kim Yong Woon*

**The Northern Policy
of the Republic of Korea:
a New Dimension**

The chapter explores the specificity of the Republic of Korea's (ROK) New Northern Policy, its origins, evolution and interim outcomes achieved to date. The authors scrutinize the on-going expansion of cooperation between the ROK and its neighbors, Russia's participation in the New Northern Policy, and new nuances in the formulation of national interests outlined in the Northeast Asia Plus Community of Responsibility program adopted by the Moon Jae-in administration. The paper distinguishes major factors behind the abandonment of the previous version of the Northern Policy, main amendments that were made to Moon Jae-in's initial New Policy vision, as well as the extent to which this policy succeeded.

As a separate track of analysis and for broader context, the ROK's international positioning as a middle power, and the specificity of its bilateral and multilateral cooperation are discussed.

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The authors put a historical retrospective on the issues under consideration, as it allows tracing the most important factors behind this foreign policy approach, as well as making insights into both the ROK's international image as a middle power and its relations with the United States.

Although initially the New Northern policy focused mostly on the ROK's relations with the DPRK, later on it acquired broader objectives. Few of them have been accomplished, as South Korea failed to enter the Eurasian markets. At the same time, as exemplified by the Central Asian vector of the ROK's policy, a pro-ROK effect manifested in a more clearly pronounced anti-DPRK component in the priorities of those states is gradually being accumulated.

***Keywords:** ROK, DPRK, USA, Northern Policy, New Northern Policy.*

Introduction

Encountering serious challenges, the Republic of Korea (ROK) is upgrading the substantial and instrumental dimension of its foreign policy. This is not an easy task since South Korea is a middle power whose potential to shape the international milieu has been and remains relatively limited. In light of this, to trace the specificity and the interim outcomes of the New Northern Policy implemented by the Moon Jae-in administration is a timely and relevant exercise.

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Methodology

Amidst an increasing uncertainty in global politics, an instrumental dimension of research and expertise comes to prominence. In line with this priority, the chapter is premised on the PESLED Plus analysis as a component of the International Regional Studies methodology developed by the School of International Regional Studies, HSE University. The model is a risk-qualification and risk-assessment technique aimed at distinguishing relevant risk-generating factors and synergizing them in a holistically integrated analytical process, which is in contrast with a traditional focus on standalone groups of factors. With a focus on the political dimension of the issues discussed, as in the present international circumstances it assumes special significance, the authors move beyond the political track per se, thoroughly exploring the nuances of the language used in the ROK's foreign policy sources. The holistic approach based upon an intra-factor and inter-factor interoperability responds to the tasks of the International Regional Studies as a research and teaching field with a distinct practical dimension.

Cooperation between the ROK and the US: Main Priorities

When naming its neighbors, South Korea always starts with the United States, despite its geographic remoteness. This position is reflected in the country's Diplomatic White Paper

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published in 2020¹. The Regional Overview in the chapter entitled “Developments in the International Political Landscape” begins with the United States. The ROK’s regional neighbors – China, Japan, and Russia – come appear after the US, followed, in the order or priority, by South Asia, Europe, Oceania, India, the Middle East, Latin America, and Africa.

The central position of the United States in South Korea’s foreign policy is determined both by the US occupation of the southern part of the Korean Peninsula in 1945-1949, and by the factors that developed immediately after the emergence of the ROK as an independent state in 1948: military, economic and ideological.

From the 1950s until the mid-1980s, the U.S. accounted for 75% of South Korea’s foreign trade turnover, and immediately after the Korean War of 1953, various forms of the US subsidies and direct assistance made up half of its budget². The American financial injections in South Korea at that time amounted to \$3.1 billion and exceeded the Marshall Plan aid to France (by 25%), Great Britain (by 11%), and Germany (by 150%). However, these were non-repayable grants rather than loans that had to be repaid with interest.

By developing close cooperation with the United States and following its foreign policy course, South Korea continues

¹ Diplomatic White Paper, 2021. URL: https://www.mofa.go.kr/eng/brd/m_5684/view.do?seq=317964&srchFr=&srchTo=&srchWord=&srchTp=&multi_itm_seq=0&itm_seq_1=0&itm_seq_2=0&company_cd=&company_nm=&page=1&titleNm (date of access: 28.05.2021)

² U.S. Department of Commerce, 2021. URL : <https://usatrade.census.gov/> (date of access: 18.05.2021)

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to get significant preferences, primarily in the economic sphere. For example, South Korea is immune against the US sanctions, enjoys recognition in many international organizations under significant American influence, and receives preferences in trade and economic expansion in various regions of the world. South Korea has strong positions in the American market, including in sectors like mobile phones, semiconductors, and car batteries. It enjoys these benefits in exchange for loyalty and support for the US military and political actions in Vietnam, Iraq, and Afghanistan. It includes a deployment of South Korean troops, a coordinated a voting in the UN Security Council on issues affecting the political and military situation in various parts of the world such as Syria, Libya, etc.

Throughout the ROK's history, its leaders have traditionally declared their commitment to an alliance with the United States as a guarantee of security not only on the Korean Peninsula and in Northeast Asia, but also in the world as a whole. Each newly elected president of South Korea always makes the first foreign trip to the United States. It signifies support offered the new administration by a world leader and allows the new South Korean head of state to pursue his foreign policy goals with confidence.

One of the latest examples proving close interaction between the two countries is the reception given a CSGK (Congressional Study Group on Korea) delegation consisting of fifty members of the House of Representatives and US Senate, led by Co-Chairman Ami Bera by President Moon Jae-in at the Blue House on July 9, 2021. Speaking there, Moon Jae-in again emphasized that the alliance of the two countries was a crucial

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factor of security and prosperity for the Korean Peninsula and the whole world³.

However, such close bilateral cooperation has its negative aspects as well. As the ROK follows the US policy, it is not viewed by its regional neighbors as an independent center of political power. Just like Japan, South Korea is considered a link in the Western world, a mouthpiece for Western political, economic, moral, and cultural values. This significantly complicates the country's economic expansion to foreign markets and incentivizes it to demonstrate its independence by making loud statements while announcing new foreign policy approaches.

**President Roh Tae-woo's Northern Policy:
an Assessment**

South Korea's intensive economic development and growing export potential at the end of the 20th century prompted it to look for new markets. In turn, this required that the country should demonstrate greater political and economic independence. It was reflected in President Roh Tae-woo's proposing his own foreign policy program. On July 7, 1988, he proclaimed his Northern Policy aimed at expanding cooperation with countries of the socialist camp, primarily, the Soviet Union and China [Lee, 2021. P. 132]. Under the new policy, so-

³ Lim Hyeong-seop, Mun Daetongryeong, miuihoe jihanpa jeopgyeon..."Han-Midongmaengeun segyepyeeonghwa haeksimchuk"(jonghap) [임형섭, 문대통령, 美의회 지한파 집권..."한미동맹은 세계평화 핵심축"(종합) // 연합뉴스. 2021년 7월9일]. Meeting with the Pro-Korean US-group. Korea-US Alliance is the Linchpin of the World's Peace. URL: <https://www.yna.co.kr/view/AKR20210709077751001?section> (date of access: 13.05.2021)

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cialist countries located north of South Korea were no longer considered enemies, and Seoul was willing to develop trade and economic partnership and establish diplomatic relations with them. Laws that envisaged criminal punishment for contacts with representatives of socialist countries without a permission of the South Korean National Intelligence Service lost force. Only unauthorized contacts with North Korean citizens were to be prosecuted. As President Lee Myung-bak explained later, the Northern Policy was a way to extend South Korea's influence on the DPRK: "Moscow and Beijing were just workarounds to get into North Korea" [Lee, 2009. P. 277]. In his memoirs published in 2011, Roh Tae-woo, the author of the Northern Policy, was even more frank about its purpose. He claimed that the Northern Policy was designed to reorient socialist countries towards the Republic of Korea, thus leaving North Korea in isolation [No, 2001, P. 345].

The Northern Policy was announced ahead of the 1988 Seoul Summer Olympics, in which where athletes from socialist countries participated. Realizing the political significance of the Olympic Games, the South Korean government sought to engage with as many countries as possible and establish diplomatic relations with them. Hungary became the first socialist country with which South Korea signed an agreement on the establishment of diplomatic relations in 1989. On September 30 of the following year, the Soviet Union signed an agreement on diplomatic cooperation with South Korea. By starting cooperation with the USSR, South Korea sought mainly to strengthen its political positions by concluding an agreement with the leader of the socialist camp. The Soviet Union, however, pur-

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sued a different goal, namely, development of trade and economic relations.

The establishment of diplomatic relations with socialist countries gave impetus to South Korea's efforts to pursue its own policy independently from the United States, and broke its almost forty-year semi-isolation. The ROK's first independent political steps secured its access to a new, and the second largest, market in the world. The Republic of Korea offered its neighbors what they needed the most. For example, South Korea had more efficient technologies than China which needed them badly. In addition, South Korea had strong investment possibilities and issued loans to new allies. For instance, after the visit of the ROK's President Roh Tae-woo, the Soviet Union received a \$1.5 billion loan.

At the same time, the Soviet Union's collapse strengthened South Korea's international position and seriously weakened its immediate competitor—North Korea, which had lost not only substantial support from its socialist allies, but also its status as a full-fledged political actor. So, the Republic of Korea seized the initiative in pushing for the unification of the two Koreas and security on the Korean Peninsula and in Northeast Asia, thus taking a leading position in the international arena and bringing the discussion of all related topics into its zone of influence.

South Korea's foreign policy achievements in the early 1990s demonstrated the success of its Northern Policy. South Korea not only proved to be an independent actor in the international arena, but it was also able to expand its markets and become a fully-fledged member of many multilateral initia-

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tives. From this point of view, one can say that the objectives of the Northern Policy were generally achieved five years after its announcement.

South Korea's Foreign Policy: a Middle Power Perspective

South Korea is rightfully considered a model of democratic development. Although its presidents change regularly, its political course towards international integration remains sustainable. Not only does the Republic of Korea adhere to democratic principles in its domestic policy, but it also serves as a vivid manifestation of the concept of middle power in the international arena.

Over the past twenty years, South Korea has actively developed its ties with both countries of South and Southeast Asia and with the West. South Korea ranks second in Asia and tenth in the world in terms of economic development, and actively participates in international organizations⁴. The ROK is the only country that has free trade agreements with the world's largest economies—the US, China, and India, and is also a member or partner of leading international unions and associations such as the G20, the EU, UNESCO, the IMF, APEC, the IAEA, ILO, the WHO, ASEAN, RCEP, OPEC, and others.

South Korean leaders conduct their dialogue with partners from the position of a middle power, acknowledging and promoting this status. Moreover, South Korea positions itself

⁴ Statistics Times, 2021. URL: <https://statisticstimes.com/economy/countries-by-gdp.php>; MIKTA <http://www.mikta.org/> (date of access: 15.05.2021)

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as the leader of a group of middle powers called MIKTA⁵. It was on behalf of this organization that President Moon Jae-in spoke at the 75th anniversary session of the UN General Assembly in 2020. The success of the chosen strategy is exemplified by the fact that South Korea was invited to the G7 summit in the UK in 2021 and took an active part in discussing its key issues.

Arguably, handling the issues of North Korean nuclear disarmament and security on the Korean Peninsula, South Korea manages to participate in many international commissions. This, in turn, allows it to maintain friendly relations with its neighbors, establish bilateral cooperation with other countries, thus weakening or even interrupting their ties with the DPRK, and solve economic tasks.

The ROK's Northern Policy Update: Reasons and Implications

The success of the Northern Policy adopted by Roh Tae-woo in 1988 served as the basis for its adjustment and renewal by the Moon Jae-in government, taking into account the contemporary international situation and the ROK's domestic realities. So, immediately after coming to power in 2017, Moon Jae-in announced the New Northern Policy. Its main goals include establishing peace on the Korean Peninsula, strengthening cooperation in Northeast Asia, and building an "axis of prosperity" outside the region. At the same time, however, the declared intention to resolve the Korean issue as a key vector of the New Northern Policy looks artificial.

⁵ MIKTA. URL: <http://www.mikta.org/> (date of access: 10.05.2021)

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First, a close military-political alliance between South Korea and the United States has been provoking the DPRK since its establishment to strengthen its independence by building up its military capabilities⁶. After North Korea demonstrated both its nuclear weapons and hydrogen warheads for intercontinental ballistic missiles, the US warships began to sail into South Korea's territorial waters less frequently. The scale and intensity of military exercises held jointly by the United States and South Korea also decreased. Nevertheless, they continue to be provocative: the purpose of joint maneuvers is to prepare for implementing the so-called OPLAN 5015 (Operations Plan), which aims to deploy the American and South Korean troops in North Korea under the pretext of preventing its nuclear devices from leaving the country and falling into the hands of terrorists or other countries unfriendly to America.

Secondly, South Korea's foreign policy goals declared in the New Northern Policy have an ideological shortcoming. On the one hand, the country seeks to develop cooperation with its immediate neighbors which account for more than 30% of its foreign trade turnover. On the other hand, it officially strives to establish peace on the Korean Peninsula, which, as it claims, can be achieved only by strengthening the military-political alliance with its "distant neighbor" – the United States that accounts for more than 8% of its foreign trade turnover.

⁶Hyeondaegyongjeyeonguwon. Sae jeongbuui gyeongje mit daebuk jeongchaek gidaehyogwa [현대경제연구원. 새 정부의 경제 및 대북 정책 기대효과]. Expected Effects of the New Government's Economic and North Korea Policies, 2017. URL: [http://hri.co.kr/upload/publication/201751011546\[1\].pdf](http://hri.co.kr/upload/publication/201751011546[1].pdf) (date of access: 10.05.2021)

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This balancing between a strong patron (the United States) and economically attractive partners (neighboring countries) incentivizes South Korea to look for non-trivial solutions that sometimes cause serious economic and reputational losses. Clearly, a decrease in trade with the United States and an increase in economic cooperation with China, the European Union, and ASEAN will force South Korea to reduce its military and political dependence on the United States. This is going to be a slow and difficult process, and as long as the United States remains the world's largest economic and military power, it is unlikely that South Korea will prefer to become a fully independent political actor.

In the New Northern Policy, Russia is declared a strategic partner. Specifically, South Korea considers Russia a principal partner in dealing with the North Korean nuclear issue. However, Russia has so far not become a true strategic partner for South Korea. Although the volume of trade between the two countries amounted to \$27 billion in 2018, \$22 billion in 2019, and less than \$20 billion in 2020, it is still only one-tenth of trade with China. South Korea prefers to invest in China rather than in Russia. There are at least three reasons why Russia lags behind other countries in terms of cooperation with South Korea.

First, the issue of Russia's debt for the loan provided to the Soviet Union in 1991 by a group of South Korean banks has not yet been resolved. Second, the owners of South Korean companies believe that the conditions for doing business in Russia are unfavorable for foreigners. Third, the ROK's long-term and close cooperation with the United States as part of

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their military-political alliance matters. Following the reunification of the Crimea with Russia in 2014, the US imposed sanctions on Russian organizations, companies and individuals. Although South Korea did not support that decision and did not officially announce its own sanctions, it has to comply with them in order to protect its business interests in the American market. In light of this, the economic vector of cooperation between the ROK and Russia lags behind the political dialogue.

Conclusion

The ROK's New Northern Policy was announced by the Moon Jae-in administration with a purpose to give a fresh impetus to its relations with the DPRK in order to enter the continental markets. However, the project reveals Seoul's attempt to eliminate the accumulated negative perception in the neighboring countries and boost the ROK's bilateral relations with them. Arguably, Moon Jae-in's New Northern Policy is not as successful as that of President Roh Tae-woo. As the declared tasks have not been fully solved, South Korea has failed to enter the continental markets, and its relations with partners are mostly stagnating. In the first year of his tenure, President Moon Jae-in pompously announced the Nine Bridges strategy as a core component of New Northern Policy. An institutionalization of the strategy started, accompanied by a creation of different bodies and even two investment funds.

Two years later, however, in documents related to the Secretariat of the Korea-Central Asia Cooperation Forum Central Asia was referred to as a key element of the New Northern

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Policy⁷. As South Korean diplomats and politicians traditionally describe nearly all their partners as key or main, such statements can be considered no more than a slogan of the day. This is all the more so since the influence of Russia and China is growing in Central Asia, and it will be difficult for South Korea to compete with them.

At the same time, South Korea is obviously making progress in consolidating its economic presence in Central Asia, especially since it has succeeded in politically squeezing the DPRK out of the region and getting its embassies closed in Central Asian countries. So the main political goal of South Korea's both "old" Northern Policy and New Northern Policy, namely, an isolation of the DPRK and its separation from its key partners, remains unchanged and is gradually being achieved.

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⁷Han-Jungangahyeopryeokporeomsamuguk [한-중앙아협력포럼사무국] Korea-Central Asia Cooperation Forum Office. URL: <https://www.centralasia-korea.org/korcen/cm/cntnts/cntntsView2.do?mi=1431> (date of access: 10.05.2021)

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*Evgeny Kanaev,
Irina Strelnikova*

**The ASEAN Economic Community
as an Area of Business Activity:
Upgrading Instruments
of Competitiveness**

Although numerous studies have explored the process and the interim results of the establishment of the ASEAN Economic Community (AEC), as well as its implications for Southeast Asia, they have fallen short in creating a comprehensive picture of the AEC from a doing business perspective. Consequently, they do not answer a fundamental question, namely, whether or not the AEC can incentivize both intra-ASEAN and extra-ASEAN companies to expand their activity across Southeast Asia and eventually contribute to the AEC objectives. Addressing that shortcoming, the chapter provides an interdisciplinary account of possibilities and limitations to strengthen business ties across Southeast Asia. As distinguished from the previous research, the study performs an interdisciplinary analysis of the AEC, which offers a new perspective on the long-existing puzzle of ASEAN's competitiveness and stands for the academic novelty of the paper. In the

authors' view, although ASEAN has impressive achievements, among which the AEC as a finalized project of economic cooperation in the Asia-Pacific region is of special note, the AEC has a long way to go to make Southeast Asia a truly attractive business area. To date, the key tasks, as pivotal directions of the AEC 2015 and the AEC 2025, have not been fulfilled. The multilateral venues of business cooperation operating under the auspices of ASEAN, namely, the ASEAN Business Advisory Council (ASEAN BAC) and the ASEAN Business Club (ABC), have been unable to move beyond the factors that constrain ASEAN's policy, while the legal instruments to stimulate trans-national business ties are not properly developed in the AEC framework. The authors' findings and their assessment from an interdisciplinary and multidisciplinary perspective stand for the originality of the paper.

***Keywords:** ASEAN Economic Community, ASEAN Business Advisory Council, ASEAN Business Club, international business law, competitiveness.*

Introduction

At present, the Association of Southeast Asian Nations (ASEAN) has to respond to tough challenges. Examples are numerous and range from an impact of the Fourth Industrial Revolution on Southeast Asia to a cumulative effect of the COVID-19 pandemic which has suspended much of the region-

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al trans-national economic activity. A short-term outlook for ASEAN is uncertain at best.

In these circumstances, for the association the task to raise its international competitiveness increases in urgency. It mostly relates to making Southeast Asia an attractive area of economic and business activity. In that respect, however, ASEAN's achievements have been rather modest.

Methodology

The chapter is based on the PESTLED Plus risk analysis model as part of a comprehensive International Regional Studies methodology developed by the School of International Regional Studies, HSE University. In the research, an interdependence and interoperability of the PESTLED Plus components are prioritized, which is exemplified by considering economic, political and legal issues in an interdisciplinary format. The holistic approach to analyzing the macro-factors makes the research comprehensive, helps government and business decision-makers to strategize on ways of raising competitiveness in the regional markets and, most importantly, allows forecasting about how companies can operate in the complex regional milieu that evolves along the PESTLED Plus tracks.

The ASEAN Economic Community: an Ambitious but Unfinished Project

The ASEAN Community is a laudable attempt made by the Association to achieve the maximum of the possible proceeding from its relatively modest possibilities. The project was launched in 2003, and to date, the association has been able to

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both achieve remarkable results and realize its inherent weaknesses [Ishikawa, 2020. P. 24-41].

The achievements are sufficiently evident. On the political-security front, the reality that the association coordinates the Asia-Pacific multilateral dialogue platforms the ARF, the ADMM+8 and the EAS strongly suggests that ASEAN is a respectful actor which makes its voice heard in the Asia-Pacific international arena. To the credit of the ASEAN Socio-Cultural Community, numerous academic, educational and other projects aimed to intensify people-to-people contacts are carried out even amidst the COVID-19 pandemic. However, ASEAN's most important achievement relates to the ASEAN Economic Community, as it is the only finalized framework of economic regionalism in the Asia-Pacific Region. Other initiatives, like, for instance, the FTAAP or TPP/CPTPP, either have collapsed or are markedly stagnating (although China's application to join the CPTPP¹, regardless the eventual outcome, may provide it with a new impetus).

Nevertheless, the ASEAN Community is beset with serious challenges, among which economic issues matter the most. If so, the ASEAN Economic Community (AEC) deserves special attention. Approaching it from the doing business perspective, the assessment that the association has been unable to make Southeast Asia a single market and a single production base, which is *the (emphasis added by the authors)* foundation for Southeast Asia's commercial attractiveness, is substantiated

¹ China Officially Applies to Join CPTPP. Xinhuanet. September 17, 2021. URL: http://www.news.cn/english/2021-09/17/c_1310192180.htm (date of access: 29.11.2021)

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by hard evidence [Pelkmans, 2019. P.619-636]. To date, the enterprises of the ASEAN member states have not developed a “pan-ASEAN” product that would be competitive in the regional and global market. If so, supply-production and product-processing chains spreading across Southeast Asia and managed by local enterprises are missing. In developing trans-national infrastructure as an essential prerequisite for reliable value chains, the association is dependent on its external partners, as exemplified by relations between ASEAN and the states of Northeast Asia. Discouragingly, ASEAN is hardly able to effectively coordinate cooperation in the framework of the Regional Comprehensive Economic Partnership (RCEP), as the association cannot provide large-scale economic initiatives with digital support [Kanaev, 2021. P.32-46]. In these circumstances, much will depend on the extent to which ASEAN will be able to improve its institutions of business dialogue and the available legal instruments to intensify trans-national commercial exchanges.

The AEC Business Institutions Perspective

In order to successfully cope with that task, the functioning institutional instruments are of special significance. In Southeast Asia, the ASEAN Business Advisory Council (ASEAN BAC) and the ASEAN Business Club (ABC) are the venues that streamline trans-national business processes.

The ASEAN BAC was established in April 2003², a month before the association declared its plans for the ASEAN Com-

² ASEAN Business Advisory Council. URL: [//https://www.asean-bac.org/](https://www.asean-bac.org/) (date of access: 29.11.2021)

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munity. Since then, the ASEAN BAC has gradually evolved but retained its key mission. Several points are noteworthy in this regard.

First, the ASEAN BAC provides the political role players in the ASEAN countries with advice on business-related issues, by means of this maintaining synergy between business and politics. Specifically, the ASEAN BAC prepares business analytics, including briefs for ASEAN leaders and Annual Economic Outlook Reports, on issues relevant to the AEC. In addition, it consults the government agencies on how business sees its mission in driving the AEC agenda, and what kind of feedback it expects to receive. Most importantly, the ASEAN BAC engages all the stakeholders, from industry champions and top officials to MSMEs, which facilitates the implementation of the AEC projects.

Second, the ASEAN BAC highlights distinguished achievements of industry champions. Of special note is the project ASEAN Business Awards (the nomination includes Green Enterprise, SMEs Excellence, Women Entrepreneurship etc.). In addition, the ASEAN Global Leadership Programme, which promotes intra-industry and cross-industry networking between companies in Southeast Asia, and the ASEAN Business and Investment Summit with a focus upon the regional value chains, digital transformation and connectivity, human empowerment and MSMEs, deserve mentioning.

Third, the ASEAN BAC's institutional pillar has been evolving. The ASEAN BAC has established ties with the respective councils of ASEAN external partners. Examples include China-ASEAN Business Council, the US-ASEAN Business Council, Aus-

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tralia-ASEAN Business Council, as well as other venues. By means of those dialogue platforms, the ASEAN BAC coordinates the business activity of ASEAN external partners with the AEC priorities [Kanaev, Akhmanaeva, Vaseneva, 2020. No. 1(46). P.13-28].

The ASEAN Business Club (ABC) as the association of Southeast Asia's industry champions is another case in point. This multilateral venue aims to encourage business dialogue across Southeast Asia by cementing ties between regional big companies. The ASEAN Business Club cooperates with business consulting agencies, including Frost & Sullivan, Ernst & Young, AT Kearney, and others. Remarkably, an engagement with influential global and regional companies is among the key priorities of the ABC.

The ABC carries out practically-oriented projects to the advantage of the ASEAN Economic Community. These include the Lifting-the-Barrier (LTB) initiative aimed to address major challenges the multilateral economic cooperation in Southeast Asia is encountering, as well as international business forums that inform extra-regional companies on commercial opportunities in Southeast Asia.

Arguably, the ASEAN Business Advisory Council and the ASEAN Business Club are notable venues that potentially may contribute to the AEC's success. At the same time, this contribution has been relatively modest to date. Irregular, or even sporadic, money allocations prevail over systematic financing; it is taken mostly from the public events organized by the ASEAN BAC and the ABC. The CEOs of big companies often find it burdensome to participate in the activities of the ASEAN BAC

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and the ABC, as it does not bring immediate financial feedback. Despite the ASEAN BAC's special emphasis on the MSMEs, they still lack understanding why these multilateral venues may be of help.

In sum, the institutions of business cooperation in Southeast Asia, despite their achievements, have never tried to punch above their weight. This is explicable, as neither the ASEAN BAC nor the ABC can overcome the limitations that ASEAN as a multilateral dialogue platform has to deal with. If so, much will depend on the extent to which the intra-ASEAN trans-national business activity can be strengthened by effective legal instruments.

The Legal Shortcomings

The basic documents on the establishment of the ASEAN Economic Community include measures related to encouraging business cooperation. It can be facilitated by the development of a convenient dispute resolution mechanism in the area of international business.

Law is one of the fundamental instruments that not only contribute to stability of international public and private relations, including those in the area of international business, but also have a significant impact on the regional integration. In light of this, a uniform law enforcement practice and the establishment of a special body – an institution that will provide this system with legal uniformity – may contribute to making Southeast Asia a business-friendly area. As an example of successful integration projects from a legal point of view, the European Union is worthy of note. The EU stable legal system has

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been operational for a long time, a uniformity of the rule application is monitored by the EU Court. Those factors are behind efficient legal support for the EU activity.

In the case of ASEAN, no EU-like jurisdictional body has been created. However, as economic cooperation expanded, a need to establish a viable mechanism for resolving disputes became compelling. In light of this, Protocol on Dispute Settlement Mechanism was signed in the Philippines in November 1996³. The Protocol applies to trans-national commercial disputes arising within the framework of ASEAN. However, the Protocol and the corresponding dispute resolution mechanism apply only to the settlement of disputes between governments, but not to those between business and government, or between businesses of the ASEAN member states [Do Thi Bao Yen, 2018. P. 213]. In this regard, a question arises about a pan-regional institution tasked to resolve international commercial disputes, which will level the law enforcement practices in the AEC framework. Arguably, the Singapore International Arbitration Center (SIAC) may perform this function.

The SIAC was established in 1991. It is an independent non-profit organization that is presented by specialists in the field of arbitration proceedings from the United States, Great Britain, Switzerland, India, the Republic of Korea, Singapore and other countries⁴. This factor makes the SIAC especially at-

³ Protocol on Dispute Settlement Mechanism. November, 20, 1996. URL: http://awsassets.wwfindia.org/downloads/protocol_on_dispute_settlement_mechanism_2.pdf (date of access: 29.11.2021)

⁴ Singapore International Arbitration Center. URL: <https://www.siac.org.sg/index.php> (date of access: 29.11.2021)

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tractive to international business. Every year, the SIAC's cases are increasing in number, and now the SIAC is the largest center for resolving international commercial disputes in Asia. To date, only the Hong Kong International Arbitration Center (HKIAC) has been a competitor for SIAC.

Both the SIAC and the HKIAC are truly international, as they are popular across the world. However, due to geographic reasons, the SIAC is used mostly by Indian companies, while the HKIAC is preferred by Chinese companies. Both Singapore and Hong Kong are the common law jurisdictions. However, while Singapore is surrounded by the common law states, China is a country where the continental law operates. Since Hong Kong has been dealing with Chinese companies for a long time, both the arbitration institute, the arbitrators, and the participants in the arbitration are well acquainted with the peculiarities of the countries with the continental law.

In addition to the international arbitration, Singapore also has a center of international mediation (Singapore International Mediation Center, SIMC), which became operational in November 2014⁵.

Finally, there is a special SIAC-SIMC procedure "Arbitration-Mediation-Arbitration" in Singapore⁶. It is another reason for choosing this institution as a unified mechanism for resolving international commercial disputes. It is possible to suspend the arbitration proceedings that have already started and pro-

⁵ Ibid.

⁶ Arb-Med-Arb. Singapore International Mediation Centre. URL: <https://simc.com.sg/dispute-resolution/arb-med-arb/> (date of access: 29.11.2021)

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ceed to the mediation of the dispute. In case the mediation is successful, and the parties come to an agreement, the arbitration procedure does not resume. The agreement reached due to the mediation of the dispute has the same force as a decision of the arbitrator. If the parties do not reach an agreement, the arbitration proceedings resume.

From a legal perspective, the development of e-commerce in the AEC framework, which will certainly make it more attractive to international business, should be considered by addressing the United Nations Convention on the Use of Electronic Communications in International Contracts (the New York Convention)⁷. Since the New York Convention is an international treaty, it is possible to eliminate formal obstacles by establishing equivalence between the electronic and the written forms of communications. Furthermore, the New York Convention serves extra purposes by facilitating electronic communications in international trade. Specifically, it aims to increase a degree of unification of rules related to electronic commerce by promoting uniformity in the incorporation of UNCITRAL Model legislative provisions on electronic commerce into domestic law, as well as by updating and supplementing individual model legislative provisions in the light of recent practice.

To date, however, few countries have ratified, adopted, approved, acceded to or succeeded to the Electronic Communications Convention: Azerbaijan, Bahrain, Benin, Cameroon,

⁷ The United Nations Convention on the Use of Electronic Communications in International Contracts. URL: https://uncitral.un.org/en/texts/e-commerce/conventions/electronic_communications (date of access: 29.11.2021)

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the Dominican Republic, Fiji, Montenegro, the Republic of the Congo, Honduras, Kiribati, Mongolia, Paraguay, Russia, Singapore (the only ASEAN member state), and Sri Lanka. The New York Convention has been signed, but not ratified, by the Philippines. Other ASEAN countries have not even signed this document. Arguably, the Convention must be formally adopted in order to receive a full force of international law, to the advantage of the ASEAN Economic Community.

Conclusion

To date, the association has had a relatively narrow range of possibilities for raising its commercial attractiveness. Amidst the COVID-19 pandemic, one thing became clear: in the years to come, both points of advantage and disadvantage will markedly increase. If so, the shortcomings of the ASEAN Economic Community will be more pronounced than they are at present.

The Southeast Asian institutions of business cooperation, namely, the ASEAN BAC and the ASEAN Business Club, mirror ASEAN's evolution with all its limitations. Unsurprisingly, neither the ASEAN BAC nor the ASEAN Business Club has been able to substantially strengthen business ties across Southeast Asia. Although the association can use the existing possibilities of Singapore as a globally renowned center for international commercial arbitration and mediation, this alone, even if successful, will not resolve all the tasks the AEC is encountering. Equally important are obstacles to developing e-commerce across Southeast Asia, mostly, due to obvious lack of legal clarity.

Arguably, the only realistic way for the association to increase its international business competitiveness is to integrate in China's prospective plans, as ASEAN has a very narrow range of its own instruments to resolve this task.

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Competitive Multipolarity in the Middle East and the Role of Turkey

The chapter analyzes major developments in Turkey's regional policy during the 2000s and 2010s in the context of the large-scale transformations in the Middle East.

Methodologically, the paper is premised on the concept of competitive multipolarity, which allows scrutinizing a simultaneous manifestation, mutual synergy and substantial opposition of the key trends in the development of the Middle East during the reviewed period. This approach clarifies how a relative decline of the American influence in the Middle East and a limited involvement of the EU, China and Russia in the regional processes contribute to a rising competitive interplay of the leading regional states.

The chapter explores the priorities, specific features and the dynamics of the policies implemented by major Middle Eastern actors. Arguably, a rising competitive activity of the regional powers primarily focuses on the states in deep political crises. In this respect, the

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case of Turkey is revealing. Ankara's foreign policy in the 2000s and 2010s experienced large-scale transformations. Having partly abandoned its previous posture of a state integrated in the Trans-Atlantic international structures, Turkey actively joined a struggle for regional influence in the 2000s.

Turkey's impressive economic growth and wide popular support both domestically and abroad facilitated its foreign policy activity. However, the end of the 2010s witnessed international contradictions arising from Turkey's ambitions for regional hegemony. As a result, Turkey has become a regional power that exacerbates destructive competitiveness for hegemony in the Middle East.

Keywords: Turkey, Middle East, competitive multipolarity, regionalism, security.

Introduction

The key drivers of the political transformation in the Middle East in the 2010s include an erosion of the Western influence, an intensifying competition between the leading regional states, and a deepening crisis of national statehood together with a collapse of political regimes that were stable until recently.

A mere combination of those factors does not constitute a new reality for the region. Competitive multipolarity per se

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has been a specific feature of the Middle Eastern political landscape since the mid of the 20th century.

A crisis of national statehood and state institutions is another feature of the contemporary history of many Middle Eastern countries [Baranovskiy, Naumkin (eds.), 2018. P. 14-53, 98-132, 102]. Even the Western dominance in the Middle East in the 20th century varied in scale and implementation. Each of these tendencies has a long history, but their simultaneous manifestations in the 2010s had a cumulative destabilizing effect on the Middle East.

Methodology

The paper uses the concept of competitive multipolarity, which allows scrutinizing a simultaneous manifestation, mutual entwinement and substantial opposition of the key trends in the development of the Middle East during the period under consideration.

This analytical approach allows exploring how a relative decline of the American influence in the Middle East and a limited involvement of the EU, China and Russia in the regional developments contributed to a rising competitive interplay of the leading regional states with regional leadership aspirations.

Throughout the 2010s, the Middle East has been witnessing a rapidly changing balance of power in terms of both extra-regional and regional powers involvement.

The US that had been the key determinant in defining the regional order in the Middle East for a long time started to demonstrate a downward dynamic.

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Alongside with this, extra-regional powers like Russia, China or the EU, on the contrary, increased their political and economic activity in the region.

The present decay of the American involvement in the Middle East combined with rather 'narrow' priorities of extra-regional actors (for example, the EU and China are focused mainly on their own economic projects, while Russia prioritizes its strategic and military presence in Syria) facilitated an escalation of competition between the regional states.

The three Middle Eastern 'superpowers' – namely Turkey, Iran, and Saudi Arabia – with commensurable military, financial, cultural, ideological authority and influence – considered a changing situation in the Middle East as a good opportunity for realizing their leadership ambitions. Iraq, Yemen or Syria, which slipped to civil war or 'near failed state' position after the 'Arab Spring', have become the main arena for competition between those 'regional hegemons'.

The Middle Eastern 'Superpowers'

Despite a relatively wide range of states with claims for regional leadership only three Muslim countries – Turkey, Iran and Saudi Arabia – together with the non-Muslim Israel can be considered as the Middle Eastern 'superpowers'.

From a historical perspective, three stages of the regional order transformation can be distinguished, which ultimately led to an emergence of the afore-mentioned powers as the most influential across the Middle East.

The late 1980s marked a starting point for this transformation. Although various powerful states simultaneously be-

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gan to compete for the regional dominance, none of them had sufficient military, political and economic power and resources to substantiate their ambitions [Hinnebusch, 2014. P. 51].

Across the 1990s, two tendencies gained traction in the Middle East. The first was a rise of Sunni states, namely Turkey, Egypt, Saudi Arabia and other Gulf States, which traditionally were considered as the 'Western allies'. The second accounted for a toughening political and economic containment of Iran and Iraq.

In the early 2000s, after the US-led international coalition invaded Afghanistan and Iraq, Iran temporarily ceased to be the main irritator for the West in the region, which allowed Tehran to broaden its influence on the regional processes.

Simultaneously, Egypt was mired in a deep domestic political crisis aggravated by grave economic problems, which resulted in a decline in its political influence at the regional level. The popular unrest of 2011, the short period of the Muslim Brotherhood's rule in 2012--2013 and the military coup d'état of 2013 resulted in a revision of Egypt's regional stance. Under the presidency of Abdel Fattah el-Sisi, Egypt generally followed Saudi Arabia's line in the regional affairs and virtually lost chances for the regional leadership, leaving the regional competition for Turkey, Iran, Saudi Arabia and Israel.

Each of those states meet the criteria of a regional power. They demonstrate ambitions for the regional leadership supported by appropriate military, political and financial resources, their governments pursue active foreign policies at the regional level, and, no less importantly, their authority and influence are generally accepted by other states of the region

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[Öniş, 2014. P. 204]. Each of them has its own vision of the optimal regional order.

Saudi Arabia adheres to a more conservative approaches and supports a preservation of the status-quo, as the ruling elite in Riyadh considers the regional order established in the mid-20th century with the US as a central power determining the regional sub-system of international relations as corresponding to Saudi's strategic interests.

Both **Turkey** and **Iran** demonstrate the opposite approaches and stand up for a fundamental transformation of the regional order, although their motives diverge.

Since the early 2000s, when the Justice and Development Party of Recep Erdoğan came to power, **Turkey** has pursued a more active policy in the Middle East, sometimes not completely congruent with the regional interests of Turkey's key Western allies. Some experts labeled such policy as 'Neo-Ottoman', i.e. Turkey's ambition to restore its influence within the borders of the Ottoman Empire of the 16th century.

However, a more precise characteristic of this shift in Ankara's foreign policy priorities is 'Turkey's turn Eastwards' coupled with a broadening of goals and limitations of its foreign policy¹.

¹ Bakan Çavuşoğlu, 'Yeniden Asya' açılımı duyurdu: Bugün ilan ediyoruz [Bakan Çavuşoğlu, 'Yeniden Asya' açılımı duyurdu: Bugün ilan ediyoruz]. Minister Çavuşoğlu Announced the 'Asia Again' Initiative: We are Announcing it Today // Milliyet, Aug 5, 2019. URL: <https://www.milliyet.com.tr/siyaset/son-dakika-bakan-cavusoglundan-dogu-akdeniz-aciklamasi-6011594> (date of access: 04.04.2021)

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Iran insists on a more 'just and fair regional order', as both the Western pressure and the US dominance undermine the present one.

Israel's status of a regional 'superpower' is premised on two major factors: first, its close relations with the US as its key regional ally; second, its de-facto possession of nuclear weapons.

Taken together these two facts allow Israel to pursue a relatively bellicose regional policy and practice preventive military operations against its opponents without fearing a rebuff from the neighbor states [Jones, 2014. P. 293].

In the early 2010s, following the first wave of the Arab Spring, Israel seemed to be losing its previous strategic positions within the new regional balance of power. In the following years, however, Israel managed not only to retrieve the lost stance, but also to strengthen its position as one of the leading regional powers due to its rapprochement with influential regional actors like Saudi Arabia and the United Arab Emirates.

An increasing cooperation between Tel Aviv and Riyadh synchronized with the negotiations for the Joint Comprehensive Plan of Action (JCPOA) between the Six-nation group and Iran, which the US at that time considered as a potential ally in its struggle against the Islamic State (ISIS)² [Rabinovich, 2015. P. 10].

Prospect for the US-Iran rapprochement at the regional level pushed both Israel and Saudi Arabia to create a sort of

² Forbidden in the Russian Federation.

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alliance between the regional 'moderate states' which supported the regional status-quo.

In **Saudi Arabia**, the negotiating process on the JCPOA was perceived as a decline in the US support for Riyadh. Saudi Arabia reacted to this changing environment by pursuing a more active regional policy in the field of security aimed at resisting Iran's activities in Syria, Lebanon, and Yemen where different regional groups and actors continued to struggle with one another.

Saudi Arabia's military potential is not sufficient for strategic dominance in the whole region. Nevertheless, it allows Riyadh to contain other regional powers and secure loyalty of small states such as Bahrain [Gause, 2014. P.189].

The Gulf Cooperation Council constitutes another important instrument for regional dominance, which Riyadh largely exploits for testing loyalty of small regional states. In the same vein, Riyadh utilizes its special position in the Arab League, as well as its image as the cultural and religious center of the Muslim world [Gause, 2014. P. 191-192].

The basic imperatives of Saudi foreign policy are twofold and include securing national sovereignty from a tentative invasion and domestic political stability [Gause, 2014. P. 185].

Stemming from those imperatives, during the last three decades Saudi Arabia has demonstrated a rising activity in the regional affairs. The starting point was the Gulf War (1990-1991), when Riyadh linked its main security challenges to Iraq's ambitions for regional leadership, as well as to the threatening policies of the neighboring Iran and Yemen [Kechichian, 1999. P. 232].

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For the most part of its republican history, **Turkey** has never positioned itself as a Middle Eastern country.

The ruling elite followed the line of Kemal Atatürk that had made a recognition of Turkey as a part of the Western world the utmost priority of its foreign and domestic policy. Furthermore, even when Turkish politicians started to refer to Turkey as a country with 'Middle Eastern identity' they always stressed its 'multiple regional identities' [Altunışık, 2014. P. 124].

This assessment is true, as from the geographical, cultural, political and religious points of view, Turkey is a country located at the intersection of Europe and Asia. The ruling elite of the Republican Turkey used to redistribute its foreign policy activity across different regions and never fully dominated one of them. It is hardly a coincidence that Ahmet Davutoğlu, the Turkish Foreign Minister in 2009-2014, in his conceptual characteristic of Turkey and its foreign policy aspirations defined Turkey as a 'center country' for a huge macro-region of Afro-Asia³. The latter is a super-continent that includes Africa and Eurasia. According to Davutoğlu's vision, the Middle East is Turkey's 'unavoidable hinterland' while Turkey itself belonged to several regions simultaneously [Davutoğlu, 2008. P. 78, 77-96].

³ Speech Delivered by the Minister of Foreign Affairs H.E. Ahmet Davutoğlu at the 28th Annual Conference on US-Turkish Relations Organized by ATC-DEIK (Washington DC, 2 June 2009) // Republic of Turkey. Ministry of Foreign Affairs. URL: http://www.mfa.gov.tr/minister_s-speechat-the-28th-annual-conference-on-us-turkish-relations.en.mfa (date of access: 04.04.2021)

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To realize its potential, in the 2000s Ankara abandoned the bystander posture based on the Kemalist formula of a noble-minded nonintervention ('peace at home, peace in the world') and assumed a more assertive role in the Middle Eastern affairs⁴.

Ankara's ambitions for playing a leading role in the Middle East in the 2000s and 2010s stemmed from a number of structural reasons. The favorable domestic political situation of the 2000s, high economic growth-rates, a smooth recovery from the financial crisis which broke out in the late 1990s, a tangible growth in living standards inevitably raised Turkey's attractiveness to the neighboring states. These factors were behind Turkey's image as a success story and stimulated Ankara's ambitions for a leading role in the Middle East [Shlykov, 2018. P. 34-59]. In the 2000s, Turkey, like the BRICS states, formed a 'zone of high economic growth-rates' that attracted both the West and the neighboring states [Bank, Karadağ, 2012. P. 5].

In the 2010s, a rising competition for influence over the situation in the Middle East facilitated a rapprochement between **Turkey and Iran**. Although those states have never been 'natural allies', they obviously have common interests and coinciding regional priorities. They partly share views on the optimal parameters of the regional order (at least, they have

⁴ Türkiye'nin Girişimci ve İnsani Dış Politikası [Türkiye'nin Girişimci ve İnsani Dış Politikası] Turkey's Enterprising and Humanitarian Foreign Policy // The Republic of Turkey. The Ministry of Foreign Affairs. URL: <http://www.mfa.gov.tr/genel-gorunum.tr.mfa> (date of access: 04.04.2021)

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much more in common than Turkey has with Saudi Arabia or Israel).

Ankara's preferred regional order is Turkey-centered, as the country sees itself as shaping this order and is pursuing its own interests regardless an extent of their congruence with those of global actors like the US, the EU, Russia or China.

In this respect, Turkey's vision of the regional order has apparent similarity with the concept of just regional order without external influence pursued by Iran.

As a result, in the 2010s Ankara's activism in the Middle East started to generate more irritation than support from other regional powers, which started to call Turkey a 'new imperialist'⁵. Saudi Arabia and the United Arab Emirates viewed Turkey's regional policy with growing suspicion [Pala, Aras, 2015. P. 286-302]. In 2017, during the Qatar crisis, Turkey unconditionally supported Doha and opened a line of food supply to Qatar. Turkey also increased its military presence in the Persian Gulf by establishing a military base on the territory of the emirate. The next year, Turkey agreed with Doha to establish another military base in the north of the country. By the end of the 2010s Turkey significantly expanded its military presence in the region by means of interventions to Iraq (2008, 2015) and Syria (2016, 2017, 2018, 2019), as well as an establishment of

⁵ Balfour Is History. The Middle East's New Imperialists are Turkey and Iran // Haaretz, November 1, 2017. URL: <https://www.haaretz.com/opinion/.premium-the-middle-east-s-new-imperialists-are-turkey-and-iran-1.5462045> (date of access: 04.04.2021)

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military bases in the Gulf and Africa⁶. Those developments strengthened an impression that a new 'Turkish model' was in the making, namely that Turkey was going to define the regional order in the Middle East by instruments other than its 'soft power' [Shlykov, 2018. P. 34-59].

Conclusion

During the past two decades, the Middle East has been witnessing a nascent competitive multipolar regional order. Against the background of the US relatively declining involvement in the Middle East, as well as an overall regional transformation, Turkey, Iran, Israel and Saudi Arabia are nurturing regional leadership ambitions. To date, however, the rising multipolarity has not resulted in a stable balance of power. The main reason is obvious, as the afore-mentioned regional actors started to compete for influence over the almost failed states. Moreover, they seriously diverged in their preferences for an appropriate regional order, and none of them managed to represent a model of political development that could have been unanimously accepted across the region.

Saudi Arabia and Israel, each in their own way and for their own reasons, support the regional status-quo, which they see as a continuation of the regional order established in the mid-20th century. Turkey and Iran prefer a profound transformation of the present regional order. Iran describes the exist-

⁶ Türkiye Osmanlı topraklarına geri donuyor [Türkiye Osmanlı topraklarına geri dönüyor]. Turkey returns to Ottoman lands // Yeni Şafak, Jan. 3, 2018. URL: <https://www.yenisafak.com/gundem/turkiye-osmanli-topraklarina-geri-donuyor-2951575> (date of access: 04.04.2021)

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ing regional order as unjust and imposed by the US. For this reason, Tehran demonstrates its ability to transform it through diplomatic and informal mechanisms, including its support for radical and opposition non-state actors in other Middle Eastern countries.

Turkey, which for the major part of its republican history positioned itself as a European country and a natural bridge between Europe and Asia, joined a struggle for the regional leadership in 2000s. With the Justice and Development Party advent to power, the Turkish foreign policy witnessed a profound revision. Turkey's economic rise at the turn of the centuries and its internationalized business activity were behind its expansion to the Middle East and Africa. Ankara's rising profile in global and regional organizations like the UN or OIC made Turkey a key platform for solving regional problems. By the 2010s, however, Turkey's Middle Eastern policy had brought ambivalent results, while a change in its domestic balance of power indicated the limitations of Turkey's regional ambitions. As a result, it has become another country that aggravates rather than mitigates a competitive nature of the Middle Eastern multipolarity.

Finally, but most importantly, the Middle East not only represents a remarkable example of the political and security outcomes a competitive multipolarity may bring, but also raises issues that should be answered by decision-makers in other regions.

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The Development of Arab Commercial Aviation in the Persian Gulf Monarchies

Commercial aviation has become one of the most notable examples of successful economic modernization in 21st century, and has brought the national air carriers of the Arab countries to leading positions in the global rankings, substantiated by prestigious professional awards.

The GCC countries contributed to the development of major infrastructure projects and an improvement of commercial aviation performance over the last two decades. Commercial aviation in the region is emerging as one of the centers of the sector worldwide. Investments provided by the royal families have allowed establishing world-famous national carriers in the GCC countries. Especially noteworthy are examples of the UAE (Emirates Airline, Etihad Airways) and Qatar (Qatar Airways).

The favorable geographic location of these countries opened up opportunities for developing international transport hubs (Dubai and Doha) on a global scale be-

tween the Eastern and the Western world, which successfully compete with traditional hubs like London, Amsterdam or Istanbul. The accelerated modernization of the Arab monarchies of the Persian Gulf supported by high profits from hydrocarbon sales provide their economic diversification policies with a strong impetus. That also implies an availability of cheap fuel, which is attracting international airlines to the airports of the Persian Gulf monarchies.

The chapter assesses an extent of the changes and highlights the dynamics of the respective indicators over the period under review. In particular, a majority of the GCC countries significantly increased their freight and passenger traffic using air transport because of the strategical location, advanced airport infrastructure and investments in efficiency of the management. The research also allows making assumptions about possible causes of increase and decrease in quantitative characteristics of freight and passenger traffic and the COVID-19 implications.

***Keywords:** Arab countries, airport hubs, air transport, passenger traffic, cargo traffic.*

Introduction

The Arab air carriers "Emirates" and "Qatar Airways" have repeatedly received awards and distinctions as the most prestigious and fastest growing airlines in the world. In addi-

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tion, in the 21st century Dubai and Doha have become the largest world air hubs. They became popular in the field of passenger transportation (due to the development of tourist routes) and cargo delivery.

At the same time, the industry was hit hard in 2019 due to a closure of borders and a suspension of commercial aviation flights. On the other hand, it was precisely because of the pandemic that an Emirati commercial aircraft with humanitarian aid intended for the Palestinian Authority first landed at the Israeli Ben Gurion airport, and a few months later an agreement was signed on the establishment of diplomatic relations between the UAE and Israel. This partly indicates a special and sensitive role of commercial aviation as a "litmus test" of relations between countries.

Methodology

The paper uses the thematic analysis method in order to assess textual and visual data collected from surveys, literature reviews, and other sources related to the history of air travel development and modern trends in this field. The author also used the statistical method, which involves collecting data from databases of the World Bank (World Development Indicators (WDI) database), the World Tourism Organization (UNWTO), and the International Air Transport Association (IATA) for assessments, interpretations and conclusions.

The main prerequisites for creating large infrastructure facilities in the region is an increase in the inflow of tourists. A special role in this process was also played by a growth in the

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number of Muslim pilgrims coming mainly to Saudi Arabia and its holiest cities in Islam: Makkah al-Mukarramah ('Makkah the Noble') and Al Madinah Al Munawwarah ('The enlightened city').

Efforts made by the Arab countries are aimed at developing economic sectors that do not depend on an extraction of natural resources. The fluctuations in prices for hydrocarbons become tangible in the Cooperation Council for the Arab States of the Persian Gulf (GCC) countries that occupy a special place in the world trade in oil and gas. During the period of high oil prices in the 1970s, the monarchies of the Persian Gulf accumulated huge financial resources. It allowed those countries with populations of no more than several million people to make a phenomenal leap in development; to enter the group of countries with "high income" according to the World Bank classification; to establish the GCC in 1981, which indicated their intention to pursue a coordinated regional policy in the economic, social and cultural field. Special attention was paid to the spheres of air transportation and tourism, in which the GCC countries have achieved significant success in diversifying their economies, as well as implemented ambitious infrastructure projects, including a construction of airports of world importance.

A Retrospective View

Commercial aviation is a type of civil aviation used to provide services such as air transportation of passengers, baggage, cargo and mail. In this area, two monarchies of the Persian Gulf, the UAE and Qatar. Their national carriers have succeeded more than others: the Emirates Company, founded in

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1985 and based in Dubai (UAE); Etihad Airways, founded in 2003 and based in Abu Dhabi, the UAE; Qatar Airways, established in 1993 and based in Doha, Qatar.

Although the airlines of the Arab countries are relatively young, they have made a breakthrough in the air travel industry. At present, the largest hubs of air travel in the Arab world are two airports in Dubai and Doha. In 2016, the passenger traffic through Dubai Airport was 83.7 million people (3rd in the world); the growth amounted to 7%, as compared with 2015. The Civil Aviation Department of this country aims to build the largest airport of the 21st century and increase its capacity to 100 million passengers by 2025. The key incentive for developing transport hubs in the UAE and Qatar accounts for a strong national air carrier with a diversified air fleet [Imamkulieva, 2020].

Since ancient times, the Middle East has been a land bridge between Europe and Asia, as well as between Europe and Africa. This led to the development of transport routes through the territories of the regional states. The analysis of the factors of economic development in the Arab countries, not related to their natural resource base, demonstrates that tourism, and passenger and cargo transportation contributed to strengthening regional economic cooperation. At the same time, the Arab countries, large oil exporters, have acquired remarkable development features due to their strong dependence on the situation on the hydrocarbon market. For example, in 2017 in the UAE a share of rent from the sale of natural re-

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sources in GDP was 15.3% in 2016 and 13.7%, of which 14.5% and 13.1% respectively accounted for oil sales¹.

In order to reduce risks and maintain sustainable economic development, those countries sought to diversify their economies. As priority and competitive directions of economic diversification, special attention was paid to air transportation and tourism. It also corresponds to SDG 9 “Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation”. One of the key themes addressed by this SDG is infrastructure investments and development².

Massive inflows of tourists and pilgrims to Arab countries contributed to the development of their air travel industries. The creation of two large air hubs (Dubai and Doha) of air transportation on the territory of the Arab monarchies of the Persian Gulf had a positive effect on an increase in tourists by regular flights, in contrast to other tourist destinations in the Arab world (Egypt and Tunisia), where charter flights are used.

Among the Arab countries, the leadership in attracting foreign tourists belongs to Saudi Arabia (19th in the world). In 2016, it hosted 18 million people. The main tourist flow to the Kingdom comes from the neighboring Middle Eastern countries and the states of South Asia (67%)³. This is due to the religious

¹ WDI database. The World Bank, 2020. URL: <https://databank.worldbank.org/source/world-development-indicators> (date of access: 14.12.2020)

² Resolution 70/1 «Transforming Our World: the 2030 Agenda for Sustainable Development». UN, 2015. URL: https://www.un.org/ga/search/view_doc.asp?symbol=A/RES/eth70/1&Lang=R. (date of access: 14.12.2020)

³ World Tourism Barometer. UNWTO, 2018. URL: http://mf.rmat.ru/wyswyg/file/2018%20news/UNWTO_Barom18_01_January_Statistical_Annex_ru.pdf. (date of access: 14.12.2020)

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orientation of tourism to the country in which the two main holy cities of Islam are located. The share of tourists and pilgrims arriving in the country using air transport is 76%. There are four international airports in the country⁴. The largest in terms of area occupied by the territory, not only among the Arab countries, but also in the world, is the airport named after King Fahd within the city of Dammam at 780 sq. km. It has a parking area for four thousand cars. There is a mosque on the territory of the complex (it can accommodate two thousand people). However, this air harbor uses only half of its possible resource⁵ due to its inconvenient location, long-term use as a military airfield and high competition from the neighboring countries.

The UAE is the second country among the Arab states and the 25th in the world in terms of tourist inflows (e.g., in 2016, 14.9 million people arrived there). The tourist interest, which has increased since 2005 by 9.1 million people, or 61%, is explained by an active policy of promoting the hospitality sector and the development of airport infrastructure.

The most important criterion for assessing international tourism accounts for the state revenues. The UAE leads the Arab world in this indicator (in 2016 \$ 19.5 billion 3), followed by Saudi Arabia with \$ 11.1 billion. Other Arab countries also entered the top 50 economies in terms of income from inter-

⁴ Saudi Arabia Airports Information. SAUDIA, 2019. URL: <https://www.saudia.com/travel-with-saudia/Where-we-fly/Airports-Worldwide/Saudi-Arabia-Airports-Information> (date of access: 14.12.2020)

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national tourism: Lebanon (6.8 billion dollars), Morocco (6.5 billion dollars) and Qatar (5.4 billion dollars)⁶. "An illustration of the importance of tourism as a branch of the economy can be the fact that for Egypt and Saudi Arabia, the largest food importers in the region, tourism revenues cover about half of the cost of food imports". [Baranovskiy, Naumkin, 2018, P. 89]

Challenges Brought by the COVID-19 Pandemic

Obviously, the sharp and unexpected decrease in tourist inflows due to the restrictive measures because of the spread of the COVID-19 virus and the subsequent closure of aviation space in several countries of the world has led to serious financial losses and staff reductions. It may even destroy the Emirati air carriers if they do not receive timely support from the royal family.

Both national air carriers, Emirates and Etihad Airways, are encountering difficulties. They are refusing to expand their fleet and canceling orders for new aircraft made before the pandemic. The Emirati airlines have delayed purchases of premium aircraft, as prospects for a recovery in demand remain poor. At the same time, medium-priced airlines are suffering more than others. "As one of the leading airlines not only from the Middle East, but also globally" Etihad Airways, has completely stopped passenger air travel since March 2020 [Bose, 2018. P.23]. It is the second largest national airline in the UAE.

⁶ World Tourism Barometer. UNWTO, 2018. URL: http://mf.rmat.ru/wyswyg/file/2018%20news/UNWTO_Barom18_01_January_Statistical_Annex_ru.pdf. (date of access: 14.12.2020)

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It started to experience financial problems back in 2017, and now it has \$ 1.2 billion debt to Emirati and international investors. However, due to the global economic downturn and the COVID-19 pandemic, the airline applied for a debt restructuring and an extension of its maturity for another three years. Notably, the financial problems of this air carrier impact on the European aviation market, as Etihad Airways became the first airline from the Persian Gulf countries to operate intra-European flights. Specifically, the company acquired shares of the German airline company Air Berlin (2011, 29.21%); Serbian Jet Airways (2013, 29%), which was renamed Air Serbia; Italian Alitalia (2014, 49%) [Al-Sayeh, 2014, P. 34]. The purchase of shares in the Italian air carrier can especially negatively affect Etihad Airways, which is facing a lawsuit, since the Arab company assumed the debt obligations of Alitalia in 2016. In the present circumstances, as financial difficulties arose, the company is unlikely to cope with the debt burden of the Italian air carrier. At the same time, the holders of the debt of Alitalia have the right to sue in the course of the bankruptcy of the Italian air carrier and involve Etihad Airways in it.

The first GCC country to report the initial case of COVID-19 on 29 January 2020 was UAE [Alshahrani, 2020. P.1]. In early February 2020, the first restrictive measures on air traffic in the UAE affected the Chinese direction, followed by a complete cessation of international flights. Initially, it was planned to stop international passenger traffic on March 26, 2020, but on March 24, the UAE canceled all passenger flights for two weeks with a possibility of prolongation. By that time, a little less than 200 cases of the new virus were registered in the country, but

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exactly at the beginning of the week, on March 23, the increase was 45 people (in relative terms, the growth exceeded 30%). Those indicators influenced on an early closure of borders for air passengers. As a result, a number of flights (including connecting flights) were urgently canceled, although the evacuation flights were operational.

Conclusion

The COVID-19 pandemic has changed the attitude to air travel as such and caused a phobia of traveling abroad. In fact, airlines faced both difficulties in providing services to passengers who had purchased tickets, and high uncertainty about the future demand trends. The recovery of the air transportation market to its previous size is closely related to a volume of tourist flow, which, regardless prospects for air traffic resumption in the UAE, is decreasing due to restrictions imposed in other countries from which tourists came, for example, Russia. According to a recent survey undertaken by the IATA survey, 45% of respondents are ready to consider a decision on air travel one or two months after the restrictions on flights are lifted, 30% – only after six months, while 10% of respondents are not planning to fly for more a year⁷.

The indicator of the current aircraft-mileage in the world is 12% of the previous year. This demonstrates serious losses incurred by the UAE aviation industry. The commercial aviation industry has received the biggest shock since the Second World

⁷ COVID-19 Passenger Survey. IATA, 2020. URL: <https://www.iata.org/en/iata-repository/publications/economic-reports/air-passenger-monthly-analysis---mar-2020/> (date of access: 14.12.2020)

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War⁸, and the Arab monarchies have to learn how to cope with it. As the crisis across the industry will last for a few years, it is likely to destroy the progress the Persian Gulf states have made in developing their air transportation companies.

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⁸ Annual review. IATA, 2020. P.4. URL: <https://www.iata.org/contentassets/c81222d96c9a4e0bb4ff6ced0126f0bb/iata-annual-review-2020.pdf>. (date of access: 14.12.2020)

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The chapter focuses on the African dimension of cooperation between China and Germany that are strengthening their ties. Arguably, cooperation between China and African states is a model for developing countries. The Sino-African dialogue has spread across many areas, including education, health and culture, maintains a good development momentum.

Chinese companies are actively investing in the infrastructure of African states, bringing advanced technologies there. In Africa, there are special free economic zones developed by China. The multilateral vector of China's policy deserves special attention, as summits of the Forum on China–Africa Cooperation, established in 2000, are held regularly.

In its turn, the German policy towards Africa stood for an important part of Merkel's diplomacy. Apart from cementing economic ties with African states, Germany pays close attention to security and stability in Africa as a precondition for its economic and political activity

there. In recent years, the European refugee crisis incentivized Germany to revise its policy towards Africa shifting from a fight against terrorism to combatting illegal migration. Energy remains another important issue in cooperation between Germany and the African states, as Germany is dependent on external supplies of oil and natural gas. Therefore, the energy resources from Africa are of special importance for Germany. If the present trends in Germany's energy and technological policies continue, energy supplies from Africa will retain their high rank in Germany's order of economic priority.

The chapter discusses both China-Africa and Germany-Africa perspective, analyses the African dimension in relations between China and Germany, as well as its implications for the African continent.

Keywords: Sino-African relations, Germany-Africa cooperation, multilateralism, development, security.

Introduction

Africa is a continent rich in natural resources. Since the XVI–XVII centuries, Africa has been a zone of confrontation between the geopolitical and economic interests of external actors, mainly, the UK, Germany, India, China, the United States and France. Brazil, Turkey and South Korea are gradually developing cooperation with the African states. Among the above-mentioned countries, India and China, which are most

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active on the continent, the United States, as well as some EU members, are trying to compete with them. The chapter focuses on the policy of Germany, because of which China's strategy will also be discussed. As China and Germany develop close bilateral relations, to explore their interaction in Africa is a timely exercise.

Methodology

The chapter examines the interests of China and Germany in Africa. The author analyzes the presence of China and Germany in the region in the political, economic and cultural spheres. Additionally, a special role of Africa in the bilateral Sino-German relations is highlighted. Based on a comparison of the policies of the two countries on the African continent, the author argues that the PRC is more actively pursuing its interests in Africa than Germany, including by means of multilateral instruments.

The methodological base of the research includes analysis, synthesis, deduction and comparison. The research is based on the materials of Russian, European and Chinese experts and scientists, in Russian, English and Chinese languages.

China's Policy in Africa: a Retrospect and Interim Results

The history of Sino-African relations dates back to 1959, when the PRC supported revolutionary regimes in Angola, led by the Maoist leader of the UNITA rebel organization Jonas Savimbi. Then China cooperated with Zimbabwe under R. Mugabe. China supported J. Nyerere by training guerrillas for rebel

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organizations. Presently, for China Africa is a platform for a realization of its economic interests. China performs this fundamental task by implementing large-scale infrastructure projects.

China's economic interests in Africa focus on oil imports. Africa is the second largest source of crude oil imports for China after the Middle East. In 2014, Africa accounted for 23% of total oil imports. The main suppliers are Angola, Congo and South Sudan. Apart from oil, the PRC imports copper, tin, bauxite and iron ores from Africa. China is the world's largest consumer of copper, accounting for 44% of the world's total. Concerning China's export nomenclature to the African continent, it accounts for mostly transport and communications equipment, as well as electronic machinery.

In 2019, trade between China and Africa exceeded \$200 billion. China's direct investment in Africa reached \$110 billion, and over 3,700 Chinese companies invested and set up businesses across the African continent. China is actively cooperating with African countries in the field of infrastructure, having built more than 6,000 kilometers of motorways and railways. About 20 ports and more than 80 major energy facilities have been built to date, including the Mombasa-Nairobi railway and a bridge over the Maputo Bay in Mozambique¹. According to expert estimates, "the Mombasa–Nairobi railway is the main

¹ Xinhua guoji shiping: fengyutongzhou 20zai, zhongfei guanxi chixu xiangqian [新华国际时评：风雨同舟20载，中非关系持续向前]. Xinhua International Review: 20 years in the Same Boat, China-Africa Relations Continue to Move Forward. URL: http://www.xinhuanet.com/2020-10/12/c_1126597767.htm (date of access: 15.12.2020)

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investment project of China's Belt and Road Initiative in East Africa" [Deich, 2020. P. 122].

China's special free economic zones in Africa are similar to the Chinese special economic zones (SEZs). There are dozens of Chinese factories in those zones, with both Chinese and African person-power. The Chinese strategy to establish SEZs in Africa may become a new phenomenon of globalization, as a unique evolutionary approach to transnational cooperation [Dannenberg, Yejoo, Schiller, 2013. P. 11].

Apart from economic interests, China is also spreading its culture across the continent. Sixty-one Confucius Institutes operate in Africa², nearly all of them are located in the eastern part of the continent. A large-scale project to open overseas centers for spreading the Chinese culture and the Chinese language was launched in 2004. Those cultural and educational centers are funded by the State Chancellery for the Spread of the Chinese Language (Hanban), which is a structural unit of the Ministry of Education of the People's Republic of China. In line with a "soft power" narrative, China uses another important instrument for promoting its own interests in Africa – The Forum on China–Africa Cooperation (FOCAC) [Galimzyanova, 2018. P. 165]. The Forum was founded in 2000 and is the official platform for China's interaction with African states. Its first meeting was organized in Beijing in October 2000³. The meeting was held at the ministerial level, and was attended by

² Ibid.

³ Beijing Declaration of the Forum on China-Africa Cooperation. URL: <http://www.china.org.cn/english/features/focac/185148.htm> (date of access: 05.11.2020)

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more than eighty representatives from forty-four countries and organizations. It adopted the Beijing Declaration and the Program for China–Africa Cooperation in Economic and Social Development.

China is implementing agricultural projects in Africa. The development of transport infrastructure, including motorways and railways, is rapidly progressing. This is coupled with cultural exchanges, anti-poverty measures, and cooperation on non-traditional security issues. This is beneficial to African countries, as China implements its infrastructure projects on more favorable terms, as compared to Western countries.

Africa in Germany’s Current Policy

Germany's national interests incentivized the Merkel administration to change its position of “ignoring” Africa after the end of the Cold War. In general, Germany’s national interests in Africa in the 21st century include three levels.

First, Germany attaches great importance to a manifestation of its role as great power, of which Africa is an important testing ground. The fact is that there are fifty-four states in Africa, and African countries play an essential role in the UN voting and decision-making. Each time Germany is elected as a non-permanent member of the UN Security Council, support from African countries is very important. At the G20 summit in Hamburg in July 2017, Germany, as the G20 chair country, included African development issues as a main topic for discussion. Through Germany’s efforts, the Hamburg Summit launched the G20 Africa Partnership [Kukartseva, 2018. P. 155], which explicitly proposed developing the African infrastructure

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and investment and supporting the African Union's Agenda 2063.

Second, Germany is one of the largest and most stable economies in Europe. However, behind its stability it is easy to overlook a high degree of its external dependence on mineral resources. Germany's domestic mineral resources are depleted. Almost all German oil and 80% of natural gas are imported, and Africa has always been a source of resources for Germany [Hongmin, 2012, P. 117]. Since recently, Germany has been attaching great importance to establishing bilateral energy partnerships with North African countries such as Tunisia and Morocco, and has launched Africa's Consolidated Science and Technology Plan with those countries.

Third, Africa is geographically adjacent to Europe, and Germany has essential external security interests. In addition, the German government is concerned about an influx of refugees from Africa and the Middle East, as it deteriorates public security, is detrimental to the German economy and leads to a decrease in the political mobilization capacity of the German government in the EU.

During the Merkel administration, Germany participated in UN peacekeeping operations in Africa, sent its warships to the Horn of Africa for escort missions, and increased its security capacity in Africa through the EU, the African Union (AU) and other regional organizations.

German companies are determined to enter the African market. Apart from South Africa, Nigeria and North African countries, the current economic ties between Germany and

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other African countries are weak owing to political and security instability in many African states.

Recognizing a unique role of the African Union in promoting stability and development in Africa, Germany intensifies the multilateral vector of its policy. On July 11, 2013, on the 50th anniversary of the establishment of the Organization of African Unity, A.Merkel met with Nkosazana Dlamini-Zuma, the Chairperson of the African Union Commission, in Berlin, and stated that Germany attaches great importance to the development of multilateral international cooperation between Germany, the EU and the AU.

An emphasis on promoting soft power through cultural cooperation is also noticeable in Germany's policy towards Africa. As a role of cultural diplomacy is increasing, a new Goethe Institute was opened in Africa (the first African branches of the institute were opened back in 1961 in Ghana, Togo and Cameroon). In the report prepared by the German government on foreign cultural policy, it was emphasized that cultural exchanges, as well as trade and economic relations, are main pillars of Germany's foreign policy [Xiaowen, 2008. P. 54]. The promotion of the German language and research abroad plays a central role in the German foreign cultural policy. In sub-Saharan Africa, the German language has firmly established itself as second only to English. In the last decade, the popularity of the German language in French-speaking African countries and countries of Central Africa was high. German non-governmental organizations fund countless language training programs [Bauer, 2016].

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On October 10, 2016, Merkel paid a state visit to Niger and became the first German chancellor to visit the country. The main purpose of Merkel's visit was to highlight an important role of that country in controlling potential refugee flows. According to statistics, about 90% of refugees who entered Europe through Libya and the Mediterranean do so through Niger⁴. Thus, the German government views the Agadez region in Niger as a key link in curbing further refugee flows to Europe.

The German Federal Ministry for Economic Cooperation and Development drafted a document on cooperation in aid and development issues in Africa. The document, which the media refers to as the "Marshall Plan" for Africa, specifies that the main difficulties for the peoples of Africa are social unrest and poverty.

The Role of Africa in Sino-German Relations

Since A. Merkel became German Chancellor in 2005, Germany's approach to Sino-African relations has gone through two stages. The first stage began with the formation of the "Grand Coalition" government in 2005 and ended with a visit to China in October 2008. The German government, led by A.Merkel, is critical about China-Africa relations. The competition between the West and China for influence in Africa manifested itself mainly in the second half of the first decade of the 21st century [Hongming, 2014. P. 7]. Remarkably, this kind of

⁴ Merkel in Africa – Stemming the Migrant Flow. URL: <https://www.euro-news.com/2016/10/11/merkel-in-africa-stemmingthe-migrant-flow> (date of access: 05.11.2020)

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“competition” between Germany and other Western powers was not accidental, but a response to China's ongoing efforts to establish and expand its presence in Africa. Since the establishment of the Forum on China–Africa Cooperation (FOCAC) in 2000, China-Africa relations have enjoyed a period of comprehensive and rapid development. The Beijing Summit of the Forum on China–Africa Cooperation was successfully held in 2006. Its scale has further strengthened a sense of urgency for Western countries, including Germany, in developing relations with Africa. Germany also has significant differences with China regarding values, political systems and models of economic development. Due to its typical Western style of views and assessments, Germany will always be wary of China-Africa cooperation.

At the second stage, after Merkel's visit to China in October 2008, the Sino-German dialogue officially entered a period of friendly relations. A. Merkel visited China on several occasions and demonstrated positive attitude towards an active development of bilateral relations with China. On May 24, 2018, A. Merkel visited China for the eleventh time. During the negotiations with Xi Jinping, both sides stated that Sino-German relations entered a new era, and would continue to promote a comprehensive strategic partnership and raise bilateral cooperation to a new level⁵. In September 2019, Merkel paid her twelfth visit to China. As a result, Germany and China

⁵ Xijiping yu deguo zongli Mokeer juxing huiwu [《习近平与德国总理默克尔举行会晤》]. Xi Jinping meets with German Chancellor Merkel. URL: <http://www.fmprc.gov.cn/web/zyxw/t1562228.shtml> (date of access: 10.12.2020)

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signed eleven agreements on economic cooperation in various fields⁶.

On May 29, 2020, Dai Bing, Director-General of the Department of African Affairs of the Foreign Ministry of the PRC, and Robert Dolger, Special Representative for African Affairs of the German Foreign Ministry, held the Second round of Sino-German consultations on African affairs. The parties focused on their policy in Africa, held an in-depth exchange of views on the situation with the COVID-19 pandemic and other pressing problems in Africa. The prevailing sentiment was that Germany and China have many common points of contact in the concepts of African politics and have good prospects for cooperation⁷.

Conclusion

China's has more substantial presence in Africa than Germany. The PRC is increasing its participation in virtually every economic sector of African states. There are China's special free economic zones in Africa. For China, Africa is the second largest source of crude oil imports after the Middle East. In addition, China is constructing infrastructure, develops agriculture and trains person-power in African states. China is spread-

⁶ German Chancellor Merkel visits central China's Wuhan. URL: http://www.xinhuanet.com/english/2019-09/08/c_138374216.htm (date of access: 15.11.2020)

⁷ Zhongde juxing dierlun feizhou shiwu cuoshang [中德举行第二轮非洲事务磋商]. China and Germany hold the Second Round of Consultations on African affairs. URL: <http://de.china-embassy.org/chn/zdgx/t1784729.htm> (date of access: 17.12.2020)

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ing its culture across the continent by establishing Confucius Institutes. China is developing the multilateral vector of its policy, as exemplified by the Forum on China–Africa Cooperation.

For Germany, like for China, Africa is a principal source of natural resources. Since Germany’s domestic mineral resources are severely depleted, almost all oil and natural gas are imported. Africa is adjacent to Europe, so Germany attaches great importance to ensuring its domestic security, fearing an influx of African refugees. Germany uses the Goethe Institutes and the Humboldt Foundation as its “soft power” instruments. The presence of African countries in the UN is also important for Germany from the vote-counting perspective.

In 2020, the Second round of Sino-German consultations on African affairs took place. The parties exchanged views on their policies in Africa, as well as on the situation with the COVID-19 pandemic. Remarkably, China was among the first countries to help Africa in terms of anti-epidemic materials and medical personnel. All this suggests that China’s influence in Africa will grow in the years to come.

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The US-China Competition for Leadership in Africa

The chapter examines the policy of the United States and China in Africa at the beginning of the XXI century. The author argues that the United States is implementing a new African policy, as well as trying to partially regain its positions in the region. In addition, the analysis reveals that China is steadily increasing its presence in Africa across many policy directions.

Methodologically, the analysis is premised on the power transition theory. The analysis explores the PRC's and the US' official documents focusing on American-African and Sino-African relations. Specifically, it discusses the Trump administration's New Africa strategy, delivered by the national security adviser J. Bolton in November 2018. The author identifies major reasons for an increasing US attention to the African continent. Also, China's White Papers on African policy (published in 2006 and 2015 respectively) which emphasize both importance of expanding a multi-level and multi-directional interaction between the parties and common historical past, as well as the principles to

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on which further cooperation will be premised, are scrutinized.

Revealing the specificity of Washington's and Beijing's policy in Africa, the author highlights the role of the summit diplomacy, both official and expert track, in expanding interaction of the United States and China with the African states. Also, a specificity of the US and the PRC investments on the continent is under consideration. Special attention is paid to China's mega-strategy the Belt and Road initiative as a principal instrument that will inject new energies in cooperation between China and the African states. A degree of continuity and change in the US' and the PRC's policies towards the African continent is explored.

Keywords: US, China, Africa, summit diplomacy, Belt and Road Initiative.

Introduction

The last decade saw an increasing interest in Africa. However, as a "treasury" of natural resources, Africa has attracted considerable attention of various states for many decades. In the contemporary world, traditional and new players in Africa re-evaluate its potential, not only taking into account an abundance of mineral resources, but also through the prism of sustainable development narrative. Africa's attractiveness is also determined by its advantageous geographic location; a number of strategically important points and zones of interna-

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tional maritime communications are located on the continent, as exemplified by the Bab el-Mandeb Strait, the Cape of Good Hope, the Strait of Gibraltar, the Suez Canal, etc. The on-going competition for Africa was preceded by several stages with various participants, methods and forms. At present, China demonstrates special attention to Africa, competing with the United States. Apart from the US and China, Africa is an important foreign policy direction of other states, for instance, France, Russia, Japan, Turkey, Brazil and some others. The chapter focuses on trends in competition between the US and the PRC in Africa, which stems from the changing international milieu and domestic agendas, as well as a new positioning of African states in the international arena.

In expanding cooperation with African countries, both the US and the PRC pay much attention to their summit and investment diplomacy. Under the present circumstances, the PRC is also focusing on the mask diplomacy¹.

Methodology

This chapter is based on the power transition theory (PTT), which explores war and peace in the international system. According to the theory, the state is the central actor; a special emphasis is placed on the role of power. The PTT is often regarded as a branch of realism. Realism can be traced back to thinkers like Machiavelli and Hobbes and modern

¹ Keynote Speech by Chinese President Xi Jinping at Opening Ceremony of 8th FOCAC Ministerial Conference // Xinhua, Dec 02, 2021. URL: http://www.focac.org/eng/ttxsxy/202112/t20211202_10461079.htm (date of access: 05.12.2021)

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scholars like Hans Joachim Morgenthau (1954), Kenneth Waltz (1979) and John J. Mearsheimer (2001), and others. In its turn, the PTT can be traced back to A. F. K. Organski (1958) and has been further developed by J.Kugler and other scholars.

The core of the PTT is the argument that rising powers are often (but not always) dissatisfied with the international order, specifically, created by the dominant power [Lemke, 2004. P. 56–7]. The reason for such dissatisfaction in many ways is that the order benefits its creator along with its allies, while rising powers are at a disadvantage, or at least perceive themselves so [Tammen, 2000. P. 9]. In this chapter, the US is regarded as a dominant, while the PRC as a rising power. That is why, dissatisfied rising powers become challengers to the international order according to the PTT. Peaceful power transitions are possible if a rising power is satisfied with the status quo [Kim, Gates, 2015. P. 220; Tammen, 2000. P. 26].

US Policy in Africa: Main Directions

The peculiarity of the realization of US interests in Africa stands for a significant presence of the US Armed Forces on the continent. The US assistance to the African countries entails their adherence to a number of standards, including respect for human rights, democratization, anti-corruption, gender equality, freedom of the press, etc. Compliance with the above-mentioned requirements is not always achieved easily due to the specificity of the international milieu on the continent, donor-controlled elite groups etc. Arguably, the US adherence to double standards is evident, as Washington con-

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demons blocking social networks and instant messengers in Uganda immediately after blocking D. Trump's Twitter page.

Speaking about the US regulatory mechanisms with regard to cooperation with the African countries, the AGOA Law, adopted in 2000, deserves mentioning. The law complements the Generalized System of Preferences (GSP) which applies to shipments of goods from more than 120 countries to the United States. Although the initiative was planned for 15 years, in June 2015 the Obama administration extended it for another 10 years.

With the US turn towards self-sufficiency in energy resources, since 2011, African oil exports to the United States, as well as African exports in general, have been decreasing. Because of this, the US-African relations are deteriorating.

In November 2018, National Security Advisor J. Bolton presented the New Africa Strategy, which prioritizes enhancing the US economic ties with the region². Earlier in the 2012 strategy, an emphasis was placed on economic, trade, social development, security and effective management. At present, the US sees the African continent as an area of forthcoming competition with new and traditional actors in the African politics.

² Remarks by National Security Advisor Ambassador John R. Bolton on the Trump Administration's New Africa Strategy, December 13, 2018. URL: <https://www.whitehouse.gov/briefings-statements/remarks-national-security-advisor-ambassador-john-r-bolton-trump-administrations-new-africa-strategy/#:~:text=Under%20our%20new%20Africa%20strategy,nations%20move%20toward%20self%2Dreliance> (date of access: 15.01.2021)

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The main mechanisms of interaction between the United States and Africa include the United States Africa Command (AFRICOM), created in 2008. Its main objective is to increase the US military presence on the continent, as well as to intensify the US military assistance to the African states. Since 2017, the Millennium Corporation (US) has been developing a special project “Africa’s Promise” aimed at training a new generation (up to 35 years) of person-power. In 2018, the USA proposed the Prosper Africa initiative with an objective to increase the US-Africa bilateral trade and investment.

Regarding the US official visits and summit diplomacy, the following developments are worthy of note. In 2003, George W. Bush’s African tour to five African states – Senegal, South Africa, Uganda, Botswana and Nigeria – took place. George W. Bush’s predecessor, W. J. Clinton, visited the same countries during his African tour in 1998. The official purpose of George W. Bush’s visit was to help those states to fight poverty and implement democratic reforms. Meanwhile, the US was concerned mainly with preventing and combating international terrorism on the continent. Remarkably, near the capital of Dakar on Goree Island, from which millions of African slaves were sent overseas for hundreds of years in the colonial era, the US President delivered his first speech “Slavery and Democracy.”

B. Obama’s first visits to the African states included Egypt (June 2009) and Ghana (July 2011). His first long working visit to the continent took place in June-July 2013, when he visited Senegal, South Africa and Tanzania. The US President reached

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Kenya, his historical homeland, only in July 2015, at the end of his term in office.

In August 2014, the US-Africa Leaders Summit was held in Washington for the first time. Representatives of fifty countries of the continent, including thirty-seven heads of African states, attended it. Since 2017, the US policy in Africa has aimed to prevent the strengthening of the PRC. Although the US develops its summit diplomacy in Africa, a real breakthrough has not taken place.

The African Vector of the PRC's Policy: Changes and Continuity

The specificity of the PRC's foreign policy towards the African countries stems from the identity factor, as China, like African states, experienced a period of foreign occupation is a developing country³. In addition, China emphasizes its position "Africa for Africans", non-interference in the internal affairs of African states. China started its African policy in 1956, when diplomatic relations with Egypt were established. Then the emphasis shifted to cementing ties with states that were members of the Non-Aligned Movement. At present, promoting cooperation with the continent, Beijing aims to expand an access to the resources on the African countries in order to ensure its energy security. In addition, Africa is a large market for Chinese goods, vast farming lands, a destination for Chinese

³ At China-Africa Meeting, Ban Highlights Role of South-South Cooperation // Africanews, July 17, 2012. URL: <https://news.un.org/en/story/2012/07/415922-china-africa-meeting-ban-highlights-role-south-south-cooperation> (date of access: 10.01.2021)

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professionals. Political calculations also matter, as the African countries account for a large number of votes in the UN.

China pays significant attention to the development of its African policy. For the first time, the PRC made public its state policy towards Africa in the White Paper in 2006, and then in 2015. The white papers outline main areas of Sino-African cooperation. In 2013, China published the paper entitled “Sino-African Trade and Economic Cooperation” which focuses on the priority areas of trade and economic cooperation between the PRC and the African countries. In 2014, China published a “White Paper on China’s Foreign Aid”, highlighting African countries as aid recipients. In 2017, the PRC’s first military base was opened in Djibouti, although Beijing repeatedly stresses that it is a logistics center.

China develops relations with the African countries at the top level⁴. The PRC’s President Hu Jintao visited Africa in 2001, 2004, 2006 and 2007. President Xi Jinping made one of his first foreign visits to Africa; a year later, the premier of the State Council of the PRC Li Keqiang visited the continent. In 2018, Xi Jinping went to the continent again. This tradition to pay visits to the African states is maintained by the PRC’s top officials.

An important instrument of the PRC’s African policy is the Forum on China-Africa Cooperation (FOCAC), founded by Beijing in 2000. The Forum is viewed as a “mechanism for effective collective dialogue and multilateral cooperation” between China and the continent. In 2018, FOCAC was attended by fifty-

⁴ China-Africa Relations Enters ‘Golden age’ – Ramaphosa // Africanews, Sep.6, 2018. URL: <https://www.africanews.com/2018/09/06/china-africa-relations-enters-golden-age-ramaphosa/> (date of access: 10.01.2021)

The US-China Competition for Leadership in Africa

four countries, including forty presidents, ten prime ministers, the Chairman of the African Union Commission, and 249 African officials with the rank of minister. In 2019, the first China-Africa Peace and Security Forum was held. The meetings of the Forum are held every three years in China and African countries as summits with the participation of heads of state (in 2000 and 2006 – in Beijing, in 2015 – in Johannesburg, in 2018 – in Beijing) and ministerial conferences [Zabella, 2020. P. 36].

Apart from it, Beijing implements the African Talents program. Within the framework of the program, from 2012 to 2015, 30173 specialists were trained [Deytch, 2017. P. 52]. The Action Plan for 2019-2021 provides training for additional 50,000 professionals in various fields.

In 2019, China opened the China-Africa Institute, which became a new mechanism for interaction between Chinese and African experts. According to the Russian sinologist A.Lomanov, “now China is creating tools for international scientific interaction and the projection of its own ideas into the outside world” [Lomanov, 2019. P. 166].

In sum, China is successfully using political, economic and humanitarian instruments to deepen its cooperation with African partners and expand its presence in the region. Ample evidence suggests that this policy has been a success.

Conclusion

A competition between the United States and China in Africa, as the US-China relations as a whole, become increasingly complicated. Both Washington and Beijing strengthen incentives of African countries to cooperate by giving them fi-

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nancial assistance, implementing investment projects, strengthening cooperation in the academic and educational field.

As the Belt and Road Initiative further progresses, Africa will increasingly increase its rank in China's order of international priority⁵. The attention displayed by African countries to the BRI raises the US concerns, as Washington sees Beijing as its rival. In light of this factor, to substantiate their interest to the BRI with practically-oriented steps is advantageous to the states of the African continent.

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⁵ China's International Development Cooperation in the New Era // Xinhua, Jan 10, 2021. URL: http://english.www.gov.cn/archive/whitepaper/202101/10/content_WS5ffa6bbbc6d0f72576943922.html (date of access: 05.10.2021).

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*Mikhail Terskikh,
Ekaterina Narkhova,
Anastasia Gorbatko*

**The Transformation
of the South China Sea Issue
in the US Foreign Policy:
from Rebalancing
to the Indo-Pacific Narrative**

The chapter discusses the dynamics of the South China Sea issue through the prism of the US policy, a globalization of the controversy and its security implications. Arguably, the issue goes far beyond the regional framework, and its parameters are defined by the Sino-American geopolitical competition, including by the mega-projects developed by the United States and China respectively.

The central argument of the chapter is that a great power competition propagated by the Trump administration must be seen against the background of the intra-US debate that China's rise will inevitably challenge the present global power structure and a "rules-based international order" narrative. This scenario incentivized Washington to initiate a strategy aimed at

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countering China's maritime possibilities with the US-led "Indo-Pacific" format as a principal instrument.

As a special analytical focus, the implications of the Indo-Pacific region narrative for Southeast Asia are assessed and clarified. The dynamics of the international milieu in and around the South China Sea through the prism of ASEAN's priorities is explored. The authors argue that any scenario under which ASEAN or its member states may join the Quadrilateral Security Dialogue (Quad) will be detrimental to ASEAN's interests, as its international credentials will be seriously undermined.

Concerning a future evolution of the South China Sea issue, ample evidence suggests that it will be getting increasingly complicated and shaped by the US-China contradictions not necessarily related to the South China Sea imbroglio itself. As Washington mainly follow the approach developed by the previous administrations rather than completely revises it, a high degree of its continuity rather than radical changes can be expected.

Keywords: *US-China competition, Indo-Pacific Region, Southeast Asia, ASEAN, South China Sea.*

Introduction

The problem of territorial disputes in the Asia-Pacific region, in particular, in the South China Sea (SCS), as well as ways of making it less serious, is increasing in importance. An ex-

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traordinary economic and geographical role of the SCS is behind an increased interest displayed by not only the parties to the disputes. Nowadays, the United States is the most active non-regional power in territorial disputes in the SCS. This is all the more significant since before the 2010s, Washington favoured a rather soft approach to the issue, refraining from harsh statements and support for any party.

Methodology

The paper explains the South China Sea factor in evolution of the US foreign policy toward the PRC, identifying new challenges to the countries of the Asia-Pacific region, caused by a growing confrontation between Beijing and Washington. To explore this transformation in the US foreign policy, the authors used a combination of principles of historicism and the system-structural approach as a theoretical and methodological foundation.

The chapter is based on various primary sources, such as official government documents, national strategies and international agreements. Apart from it, the authors also explored research papers prepared by Russian and foreign specialists.

Obama's Pivot to Asia: Main Implications

On the cusp of the new millennium, the American foreign policy establishment came to a stronger understanding of high importance of the Asia-Pacific region to the US strategy in the coming decades, mostly, the China factor. At the same time, the South China Sea issue was not given any significant atten-

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tion – it was first mentioned in the 1996 National Security Strategy, along with other regional security challenges. The 2001 terrorist attacks markedly shifted the US foreign policy focus to the Middle East, a line followed by the Obama administration

On the whole, the Asia-Pacific policy implemented by the Obama administration was relatively successful [Manyin, 28.03.2012]. The United States avoided major conflicts in the region, cemented ties with Beijing and strengthened the US-led system of bilateral alliances. Starting from the first weeks of B.Obama's administration, however, a "return to the Asia-Pacific region" dominated the official foreign policy discourse. The idea of the afore-mentioned "return" was premised on not only potential economic benefits, but also the US' intention to distance itself from a turbulent Middle East [Campbell, 2016. P.3].

At the same time, however, the American strategy in the Asia-Pacific region did not envision any radical changes. According to G.Kissinger, the main goal of the United States in Asia had remained unchanged for more than a century – to prevent the emergence of a hegemon in the region [Kissinger, 2014. P. 233]. It is noteworthy that the US, of course, does not regard itself as a hegemon. In line with this logic, a special emphasis is naturally placed on China and the implications of its policy.

The idea of containing China became increasingly pronounced, the "Beijing's assertiveness in the South China Sea" narrative spearheaded Washington's diplomatic efforts. The PRC's claims approximately 80% of the maritime area, which is

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not substantiated legally. The year 2010 was landmark for an evolution of the South China Sea issue, as it saw H. Clinton's intervention at the Hanoi session of the ASEAN Regional Forum. The freedom of navigation in the South China Sea was classified as a "strong" national interest, and security and stability in the maritime area were also referred to in the "national interest" categories. In addition, she declared the United States' support for "diplomatic processes" to resolve disputes, offering its services in organizing multilateral negotiations (China insists on the bilateral track of dispute resolution). The speech drew an angry reaction from China, but encouraged the ASEAN member states. This rhetoric was substantiated by policy actions, as in few years, significant progress was made in the US relations with Vietnam and the Philippines.

The leitmotif of the US criticism of China during the second Obama administration related to China's reclamations in the South China Sea, because of which the islands were referred to as "stationary aircraft carriers". Since 2015, the United States began to conduct "Freedom of navigation operations" (FONOP), namely, calls of warships into the waters of the islands occupied by China. Beijing, as expected, criticized that activity. In response, Washington reiterated that the United States would "fly, sail and operate wherever international law allows"¹.

¹ Carter Says U.S. will Sail, Fly and Operate Wherever International Law Allows // Reuters, October 13, 2015. URL: <https://www.reuters.com/article/us-usa-australia-southchinasea-carter-idUSKCN0572MG20151013> (date of access: 15.01.2021)

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On the whole, the South China Sea direction was a central part of the US pivot to Asia. It helped to strengthen the existing alliances, as well as to establish partnerships with new like-minded countries on the anti-Chinese basis. In practical terms, the United States actively supported China's opponents, while simultaneously criticizing Beijing's actions. That approach strongly contributed to an internationalization of the South China Sea controversy.

Trump's Indo-Pacific Turn and Its Aftereffects

The Trump administration's approach to international politics understandably generated apprehensions among the US partners in Asia. The period of B.Obama's presidency with a declared focus on the Asia-Pacific region, from the point of view of Asian politicians, had been regarded as beneficial to many parties, as it meant a more active US involvement in the regional bilateral and multilateral initiatives.

D. Trump's odious statements during the US election campaign caused considerable alarm in the Asia-Pacific states. The apprehensions were not groundless, as, for instance, the US withdrew from the Trans-Pacific Partnership, which B. Obama had described as one of his main achievements.

At the same time, that episode was not more than an exception. The Trump administration largely continued what its predecessors had initiated without changing the main trends in the US relations with the Asia-Pacific countries. As the pivot gained traction, a change of the head of the White House did not make a profound impact on the US policy in Asia. At the

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same time, D. Trump introduced a concept of the Indo-Pacific Region into the international political lexicon, declaring a “free and open Indo-Pacific”. Revealingly, the boundaries of the new region are generally similar to the area of responsibility of the US Pacific Command (renamed in 2018 as Indo-Pacific). If so, the practice of dividing the world used in the military planning came into use in diplomacy.

In the National Security Strategy 2017², Indo-Pacific ranks first among the US regional priorities, and China is directly referred to as a strategic rival of the United States. This re-escalated the South China Sea controversies. In the unclassified part of the National Defense Strategy 2018³ the issue of China's militarization of the South China Sea maritime area is mentioned in the beginning, and Beijing is described as a "strategic competitor". The same term is used in the Pentagon's Indo-Pacific Strategy Report⁴, which accuses China of striving for the "regional hegemony" and the "global supremacy." The FONOPs were portrayed as a countermeasure, and their conduct intensified in the South China Sea.

² National Security Strategy of the United States of America 2017 // The White House, December 2017. URL: <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905-2.pdf> (date of access: 15.01.2021)

³ Summary of the 2018 National Defense Strategy of the United States of America // Department of Defense, January 2018. URL: <https://dod.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf> (date of access: 15.01.2021)

⁴ Indo-Pacific Strategy Report // Department of Defense, June 1, 2019. URL: <https://media.defense.gov/2019/Jul/01/2002152311/-1/-1/1/DEPARTMENT-OF-DEFENSE-INDO-PACIFIC-STRATEGY-REPORT-2019.PDF> (date of access: 15.01.2021)

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For the United States, the South China Sea issue remained one of the key instruments of pressure on the PRC, which logically brought Beijing's opponents closer to Washington. In this context, the "Quad" format between the United States, Japan, India and Australia is not a mere coincidence. In addition, a number of Southeast Asian countries are also displaying interest in participating in this format⁵. The official rhetoric of the Quad participants is attractive to the Southeast Asian countries, as, for instance, Washington portrays itself as a defender of small regional states.

Formally, the United States does not take any side on the issue of territorial disputes, as it does not support the claims of any party. At the same time, Washington is interested in maintaining tensions in the SCS at a high level, as the resulting anti-Chinese sentiments are beneficial to the US regional priorities. Moreover, the US interests include maintaining a certain "freedom of action", since under a hypothetical scenario of the armed confrontation between China and a party to the dispute, the United States aims to remain a neutral party.

The South China Sea Connection

The rise of China has a multi-dimensional impact upon other countries of the Asia-Pacific region. Since the PRC's relations with its southeast neighbors have a distinct security dimension, which involves territorial disputes, an increasing mili-

⁵ Indo-Pacific 'Quad' has Potential to Expand: Senior US Diplomat // Asia Nikkei Review, October 24, 2020. URL: <https://asia.nikkei.com/Politics/International-relations/Indo-Pacific-Quad-has-potential-to-expand-senior-US-diplomat> (date of access: 15.01.2021)

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tary component in China's national security and foreign policy raises apprehensions in Southeast Asia.

The South China Sea dispute is not only a narrow sovereignty-focused controversy, but also a significant part of regional traditional and nontraditional security agendas [Flockhart & Xing, 2010. P.2]. At the same time, the Sino-US contradictions are evident across many security issues. Among them, the South China Sea is not the most important point of disagreement.

In the context of the global transformation of the Asia-Pacific region, many countries have to specify their foreign policy priorities. At these complicated crossroads, the countries of Southeast Asia cannot but maintain a subtle balance between Washington and Beijing in a deteriorating regional milieu.

D. Trump's foreign policy became an important step in the evolution of the US approach to China, although a reassessment of the previous "optimistic" views had started long before his tenure. Although since the early 2010s the United States has been pursuing pivot or "rebalance" to Asia, a replacement of the Asia-Pacific concept with the Indo-Pacific Strategy accounted for Washington's intention to involve India into the system of deterring the PRC. This is in line with New Delhi's perception of China's policy in Southeast Asia. In broad terms, India sees itself as a stabilizing power in Asia, as a modern, democratic state that has no aspirations for hegemony. At the same time, India has important political, economic and security interests in Southeast Asia concerning, for instance, an expanded access to energy, technologies, markets and capital.

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The United States can be a regional counterbalance to China, which provides the regional countries with more space for maneuver [Glaser, 21.09.2016]. The same states, however, fear an exacerbation of contradictions between Beijing and Washington. For instance, Singapore's prime minister and foreign minister declared a need for the PRC and the US to realize the costs of permanent long-term confrontation [Medeiros, 2019. P. 112]. Australia, one of the traditional US allies, is also encountering a pressure stemming from a rising Sino-American competition⁶.

While the US increased its attention to ASEAN under the Obama administration, Trump's team adopted a restrained approach to the ASEAN-led multilateralism. Nevertheless, the US senior officials, including the Secretary of State and the Secretary of Defense, attend the ASEAN-led venues, which supports the ASEAN centrality in the ARF, the ADMM +8 and the EAS. Although ASEAN has been unable to develop an effective approach that could consolidate the interests of great powers and to cope with the external interference, it has not lost its role of a major regional negotiating platform. In the future, the "Quad" may become a threat to ASEAN if a "Quad Plus" scenario materializes.

In the US National Security Strategy, the ASEAN countries are granted a special privilege, specifically, to make a second wave of the "Indo-Pacific" cooperative scheme. This will turn

⁶ Morrison S. Where We Live // Asia link Bloomberg Address, Sydney, June 26, 2019. Retrieved October 19, 2020. URL: <https://www.pm.gov.au/media/where-we-live-asialink-bloomberg-address> (date of access: 15.01.2021)

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the Indo-Pacific initiative scheme into a full-fledged inter-regional bloc with ASEAN and APEC as pivotal component and eventually isolate China. In line with this logic, Washington promises to assist the Southeast Asian states in countering threats in the South China Sea, as well as in achieving future prosperity. In Indonesia, the efforts of the American “soft power” have not yet obtained tangible results, but in Vietnam, they are noticeable.

ASEAN's decision to join the Indo-Pacific narrative may have been expected, as that step opened up new economic and political prospects⁷. At the same time, a growing instability in Southeast Asia and its rising militarization may result in an unstable and even vulnerable position held by small and medium-sized regional actors. The milieu around the South China Sea issue is increasingly shaped by factors with a diminishing relevance to its geographical scope per se, which will almost certainly intensify in the years to come.

Conclusion

In the past decade, the South China Sea issue came to the forefront of the US priorities in the Asia-Pacific region. The administrations of both presidents of that period – B. Obama and D. Trump – based their policies on the approaches developed by their predecessors, consistently increasing the US activity in that maritime area. The main reason for that was a growing confrontation with China. The military and political

⁷ ASEAN Outlook on the Indo-Pacific // ASEAN Secretariat, June 23, 2019. URL: <https://asean.org/asean-outlook-indo-pacific/> (date of access: 15.01.2021)

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concepts and alliances developed by Washington during that period, such as the concept of the Indo-Pacific Region and the Quad, despite a seeming novelty of their names, are a function of the earlier declared policy aimed at containing Beijing. In light of this, the US approach to the South China Sea controversies will not undergo significant changes under the new White House administration.

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**Australia's Foreign Policy
in the Asian Century:
Balancing between China
and the United States**

Although the year 2020 was challenging for the contemporary world, the COVID-19 pandemic did not produce a strong unifying effect upon the global agenda of cooperation. On the contrary, since the COVID-19 outbreak, a window of opportunity to collectively combat the pandemic has become relatively narrow. Specifically, the pandemic has aggravated contradictions between various states, including those between Australia's principal partners – China and the United States – across many spheres.

The author focuses on selective developments in relations between Australia and China, and between Australia and the United States. Arguably, the US is gradually recapturing the previously lost regional positions. The main reasons include, but are not limited to, changes in the foreign policy behavior of the American partners in the Pacific Ocean and the Indian Ocean, namely, the establishment of Quadrilateral Security Dialogue (Quad), as well as a huge impact of Beijing's

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policy amidst the COVID-19 on its bilateral relations with Canberra.

Specifically, since the outbreak of the COVID-19 pandemic, relations between Australia and China have dramatically deteriorated, and the initial questions about a responsibility for the emergence of the virus have grown into an ideological controversy over the problem of Hong Kong, the situation in Xinjiang and other issues. Although the present crisis in Canberra's relations with Beijing is unlikely to aggravate to the disadvantage of both countries, the Australian government faces a difficult choice between the economic priorities and the security interests. In the present international circumstances, for Australia "a tyranny of distance" may be fading into irrelevance, while "a peril of proximity", namely, to the US-China controversies, is becoming increasingly serious.

***Keywords:** Australia, US, China, hedging policy, COVID-19 pandemic.*

Introduction

Amidst a growing global competition between China and the United States, Australia has been forced to adapt its foreign policy to the new realities. The "hedging policy" pursued by the Australian government since the early 2000s has recently become an increasingly complex challenge.

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In the 2000s – 2010s, two parallel processes were worthy of note. On the one hand, Australia was developing close economic and political relations with China. By the mid-2000s, China had become Australia’s largest trading partner. Due to a growing demand from the Chinese economy, as well as strong interest demonstrated by Chinese investors, the Australian economy, unlike the economies of other Western countries, did not suffer much from the global financial crisis of 2008–2009. On the other hand, Australia had to pay close attention to the issues of its national security. Over the past 20 years, Canberra has significantly strengthened the Australian-American alliance, as well as cemented its ties with other states that are members of the US hub-and-spoke system in the Asia-Pacific Region. In particular, Australia was one of the founders of the Trans-Pacific Partnership and the Quadrilateral Security Dialogue (Quad) along with Japan, India and the United States. Moreover, Australia supported Japan and India in developing the “Free and Open Indo-Pacific region” narrative.

Economic and security issues have an equal impact on the foreign and domestic political decision-making in Canberra. Fearing economic sanctions from China, Australia stopped deepening and expanding its security and defense ties with Japan in the mid 2010, which did not allow the Australia-Japan relations to rise to the level of an “alliance”.

At the same time, aware of growing China’s influence, the Australian government tightened the domestic legislation. Following concerns displayed by the Australian society about the Chinese investment, the government tightened requirements for evaluating applications from foreign state-owned

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corporations. Since 2008, there have been a number of high-profile cases involving a rejection of large Chinese investment projects by the Treasurer on the recommendation of the Foreign Investment Review Board. The biggest scandal erupted in 2008-2009, when Australia did not approve a purchase of the Australian-British mining and metallurgical company "Rio Tinto" by the Chinese metallurgical aluminum company "Chinalco". In response, four executives were arrested at Rio Tinto's Shanghai office in 2009 and charged with bribery and espionage. The Chinese authorities filed charges against Rio Tinto, claiming that the company had won the tenders in breach of the law, which caused huge damage to China's security and economy.

In the second half of the 2010s, due to an increase in the US interest in Asia, Australia modified its relations with China. On the one hand, Canberra began to strengthen its ties with Japan, India and other democracies in the region. On the other hand, it softened its position on many issues sensitive to China. Additionally, Australia joined the Asian Infrastructure Investment Bank (AIIB) in 2015. Since 2017, the Australian government and business have been considering a possibility to participate in China's Belt and Road Initiative (BRI).

However, over the past two years, following the US return to Asia, relations between Australia and China have deteriorated. It seems that the United States started to regain its previously lost positions in Asia. The on-going confrontation between the US and China is seriously damaging the Australian interests. In 2020, relations between Australia and China

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reached their nadir¹. Australia accused China of human rights violations and initiated a WHO investigation into the origins of COVID-19. China, in turn, imposed economic sanctions against Australia.

Methodology

In the chapter, constructivism is used as a theoretical method to determine Australia's contemporary foreign policy towards the United States and China, two of its most important partners in the field of defense and economy. A constructivist approach to the study of international relations emphasizes the importance of "ideas" and "identity" in the foreign policy decision-making process. At the same time, constructivists emphasize that changing norms and the international situation, as well as an establishment of new ties between countries, can transform identity. So, over time, irreconcilable enemies can become allies, for example, the United States and Great Britain, Australia and Japan, the countries of the European Union, etc.

According to A. Wendt, another element that has great importance to the foreign policy formulation is the concept of "collective self-esteem", which refers to one of the four components of "national interests" [Wendt, 2003. P. 236-237]. In the context of world politics, this determines how states posi-

¹ Wang Yi. Xiwang Aodaliya renzhen sikao zhongfang daodi shi weixie haishi huoban [王毅：希望澳大利亚认真思考中方到底是威胁还是伙伴]. Wang Yi: I Hope Australia will Seriously Consider whether China is a Threat or a Partner, December 19, 2020. URL: <https://www.fmprc.gov.cn/web/wjbzhd/t1841329.shtml> (date of access: 16.01.2021)

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tion themselves in the system of international relations. For example, an identification with a group of “great powers” or “middle powers” has a great impact on international behavior of various countries’ and their leaders.

As for Australia, it identifies itself as a middle power [Wilkins, 2016. P. 121], geographically located in Asia, but belonging to the Anglo-Saxon world. Since the last quarter of the 20th century, the leaders’ efforts have been aimed at including Australia in the economic and political processes in Asia, because of which its “identity” has been transformed. Australia continues to identify itself as an Anglo-Saxon rather than an Asian state in terms of its cultural and security priorities. The geographic remoteness from its strategic allies led to an emergence of fear of the “yellow peril” at the beginning of the 20th century, as well as of fear of being captured by “Asia”. However, the transformations that started in Asia at the end of the 20th century made it possible to consider the Asian countries as a “source of prosperity”².

On the other hand, Australia’s economy and foreign policy are closely intertwined with a “rise of China”, which is often analyzed using the power transition theory. According to it, when a strong power that can challenge the current superpower emerges, the international system experiences turbulence that can destroy the existing order. Australia has always considered its security to be inextricably linked with international order and stability [Carr, 2015. P. 2]. As a middle power,

² Morrison S. Address to Asialink “Where We Live”. URL: <https://asialink.unimelb.edu.au/stories/australia-and-the-indo-pacific-an-address-by-prime-minister-scott-morrison> (date of access: 05.12.2021)

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it actively participates in the activities of international organizations through which it promotes its interests, and also participated in a large number of military operations, including those in cooperation with the United States, in Afghanistan, Iraq, Syria, East Timor, etc. The British geopolitical strategist J.Till classifies Australia as a “post-modern” state acting in defense of the existing globalized, interconnected society [Till, 2009. P. 1].

Australia’s Foreign Policy Transformation

In recent years, following an increasing competition between China and the United States, it has become increasingly difficult for Australia to structure its foreign policy in line with its economic and security interests. The “hedging policy” that has been successfully performed since the end of the last century seems to have stopped working. Economic benefits resulting from Sino-Australian cooperation, which allowed Australia to painlessly survive the 2008-09 global financial crisis and make huge profits throughout the 2010s, are now giving way to security interests.

In the 2000s and 2010s, Australia managed to avoid situations that could damage its relations with China. Although the political dialogue between the countries not always problem-free, economic indicators demonstrated stable growth. It is also worth noting that the Australian government tried to avoid getting involved in situations that are sensitive to China’s interest. In 2008, Australia refused to develop the Quad after the Chinese authorities criticized this initiative [Nicholson, 2007]. Apart from it, Australia’s leaders shunned high-profile statements regarding territorial disputes in which China is involved.

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The election of Donald Trump as the US President and his policy of “focusing” on domestic problems contributed to an improvement of relations between the American partners in Asia – Japan, Australia, India, and South Korea. At the same time, Sino-Australian relations also experienced a rapid rise. The situation changed in 2018, when relations between the United States and China escalated, and Washington stepped up its policy in Asia. Specifically, several issues over the past three years have led to a noticeable chill in relations between Australia and China.

First, the human rights issue in China matters. It arose in Sino-Australian relations in 1989 and at present negatively impacts on the dynamics of relations between the two countries. This topic occasionally hits the media agenda and entails a wide public response in Australia. In particular, the human rights issue was actively discussed after K. Rudd's speech to the students of Peking University in 2008 (during his first visit to China as Australia's Prime Minister). In recent years, this issue again came under the media spotlight in connection with the protests in Hong Kong in 2018–2019, as well as with the overall situation in Xinjiang Uygur Autonomous Region (XUAR).

During 2018-2019, Australian officials did not openly criticize China and expressed just “deep concern”. The only exception was a collective letter of 23 countries to the UN against the repressions by the Chinese authorities in the XUAR. Privately, however, Australia pulled back on drastic action even after rallies in major Australian cities in defense of Hong Kongers and the Uyghurs. However, Australia could have provided Hong

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Kong with assistance, as the Bob Hawke government did by granting asylum to 40,000 Chinese students in 1989.

The situation changed dramatically in 2020. Responding to renewed protests, S. Morrison announced that Australia would extend visas for students and workers from Hong Kong for another 5 years, and after a one more year they could apply for citizenship. In addition, Australia suspended the extradition agreement with Hong Kong. In September 2020, Australia's Foreign Minister M. Payne, in her speech to the UN Human Rights Council, criticized the Chinese government for using "repressive measures" against minorities in Xinjiang province and for violating rights and freedoms in Hong Kong [Hurst, 2020]. Moreover, in December 2020 Senator R. Patrick tabled a bill in the Australian Parliament to enact a ban on importing goods produced by Uyghur forced labour into Australia³.

The second issue accounts for prospects for Australia's participation in China's Belt and Road Initiative. Back in 2014, Xi Jinping invited Australia to join the BRI and become one of the founders of the AIIB. Although A. Abbott initially refused to participate, but when the BRI potential benefits became clear, Australia joined the AIIB in 2015. At the same time, Australia's politicians were very cautious about the BRI. In 2018, the government of Victoria signed a MoU with China on the BRI. This decision is still a matter for heated debate in Australia. D. Andrews, Prime Minister of Victoria and the initiator of the

³ Customs Amendment (Banning Goods Produced by Uyghur Forced Labour) Bill 2020. URL: https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Foreign_Affairs_Defence_and_Trade/UyghurForcedLabourBill. (date of access: 16.01.2021)

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deal with China, insists on potential benefits to the residents of the state. However, doubts among experts and pressure from the United States, exemplified by the US Secretary of State Mike Pompeo's speech on Sky News Outsiders about Australia's possible exclusion from the US security treaties if China had access to the Australian key infrastructure⁴, forced Canberra to abandon the idea of the Australian participation in the BRI. At present, while D. Andrews emphasizes his readiness to sign another deal with China, Prime Minister Scott Morrison is trying to cancel all the related agreements by gaining veto power over the autonomy of foreign policy decisions made by the local authorities. Ultimately, on December 3, 2020, both Houses of Parliament passed a Bill that allowed the central government to reverse the deal between China and the state of Victoria⁵.

Conclusion

A blatant pro-American bias in Australia's foreign policy has a high price. Following a deterioration of political relations, Sino-Australian economic cooperation has suffered for the first time in many years. China imposed restrictive measures that hit major sectors of the Australian economy, in particular, a massive 80 per cent tariff on the export of Australian barley

⁴ Secretary Michael R. Pompeo with Rowan Dean of Sky News Australia. May 21, 2020. URL: <https://www.state.gov/secretary-michael-r-pompeo-with-rowan-dean-of-sky-news-australia/> (date of access: 16.01.2021)

⁵ Australia's Foreign Relations (State and Territory Arrangements) Bill 2020, December 10, 2020. URL: https://parlinfo.aph.gov.au/parlInfo/download/legislation/bills/r6596_aspassed/toc_pdf/20119b01.pdf;fileType=application%2Fpdf (date of access: 05.12.2021)

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and a ban on beef imports of four major Australian abattoirs. In addition, the Australian service sector was affected after the Ministry of Education and the Ministry of Culture and Tourism of China issued a warning on the risks associated with COVID-19 and an increasing discrimination against the Asians in Australia.

However, the present crisis in Sino-Australian relations will last long. China repeatedly made it clear that it is ready for dialogue if Australia stops viewing the PRC as a threat and returns to partnership relations. In addition, Chinese analysts expect adjustments in Australian policy in the next 6 months and a normalization of relations within a year [Yuanyuan, Bei, 2020. P. 181].

In general, the events of 2018–2020 demonstrate that it is increasingly difficult for Australia to pursue a policy of balancing between the United States and China. If so, Australia may face a difficult choice that it has been able to avoid for many years.

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CONCLUSION

*Evgeny Kanaev,
Vera Vishnyakova*

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The foregoing analysis reveals that the world, as we knew it a short time ago, has changed dramatically. In these circumstances, the assessment of what it means from a practical perspective is a timely and relevant exercise. Approaching the issue from the priorities of International Regional Studies as a self-sufficient academic and teaching area, three factors are worthy of note.

First, the emerging new role of education is of particular relevance. The changes brought by the COVID-19 pandemic range from on-line teaching and learning as a new reality of education of all sorts to much stronger practical component in the university curricular. Arguably, EdTech startups with personalized educational trajectories and even edutainment (a mix of education and entertainment) technologies are becoming increasingly widespread owing to the cloud VDI (Virtual Desktop Infrastructure) and BYOD (Bring Your Own Device). In the learning process, the link between universities and corporations has strengthened. Business technologies like agile solutions and services, dispersed teams and the like are entering the field of education. In teaching, the stronger projective

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component is evident: companies, researchers and educators synergize efforts to develop a comprehensive intellectual value chain, from idea to result. This suggests that education is becoming more flexible and personalized, but simultaneously needs practical applicability and fundamentality both in STEM (science, technology, engineering, and mathematics) and HASS (humanities, arts, and social sciences) academic disciplines.

Second, the pandemic has affected the employment in the Asia-Pacific region. Many employees have moved to the legal “grey zone”, while MSMS are hit the hardest. As wages and salaries are stagnating, for many people even low-status jobs with more or less stable incomes are unaffordable luxury. Consequently, people will be eager to develop crisis avoidance mechanisms to cope with the uncertainties of globalization. As more occupational transitions are likely, employees of all sorts will have to take reeducation and retraining courses several times more often than in the recent past.

Third, amidst the COVID-19 pandemic, international cooperation becomes more selective and practically-oriented. As the countries across the world are trying to increase their competitiveness, and resources of all sorts are much more precious than they used to be, international cooperation will be focused mostly on directions responding to this key priority. The trends that have been shaping the oil, gas and semiconductor market throughout 2020 and 2021 amply substantiate this point.

The factors outlined above suggest a rising demand for “evidence-based education” (similar to evidence-based medicine) which aims to resolve practical tasks before they become

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major challenges. In light of this, a revised approach to the International Regional Studies (IRS) as a research and teaching field comes to prominence.

To date, the IRS methodology has focused mainly on the factors that determine the “region-making” process – which countries and for what reasons may and may not be included in various regions. The approach stems from the assumption that a region must be a homogeneous entity (or, at least, it must share common features like the historical background or identity), while the terms “territory” and “region” are different from a substantial point of view. So far, the IRS mainstream studies mostly depict a region-building process, and the undertaken research predominantly focuses on the boundaries of specific regions. Arguably, this approach has serious shortcomings.

The first fundamental flaw is obvious: in the contemporary world, no region can be homogeneous. For instance, Southeast Asia is a constellation of different religions, political regimes, economic models, levels of infrastructure development etc., which undermines the very idea of homogeneity as a unifying component. Northeast Asia and South Asia are other cases in point, as, for instance, Japan and North Korea, or Afghanistan and the Maldives, do not share substantive features.

To aggravate the problem, the afore-mentioned substantive dimension may differ along the political, security, socio-cultural etc. lines. For instance, North Korea is part of East Asia from a political-security perspective (as Pyongyang’s influence on the security situation across the region is strong), but it may

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well be missing from East Asia when it comes to economic cooperation. As a result, an absurd assessment, namely, North Korea is part of the political East Asia, but is not part of the economic East Asia, looks correct. It would not be that bad except for a complete loss of the seamless approach to the region as the IRS key analytical instrument.

Second, common features as a major region-building criterion may be vague. Take, for instance, a common history or a shared vision of security challenges. In the former case, strict logic suggests that former colonies and metropolises like, for instance, Vietnam and France, may well belong to the same region. In the latter, it is doubtful that, for instance, Vanuatu and South Korea as countries of the Asia-Pacific region share the same degree of concern about the DPRK's nuclear tests. No less importantly, the common identity as a region-building criterion is baseless, as it hardly exists in usual political practice.

Third and perhaps most importantly, the issue-based approach, by its very nature, implies resolving common tasks and responding to common challenges. If so, a politicization of region-building discourses and narratives will not take long to appear. The shift from Pacific Asia to the Asia-Pacific Region and eventually to the Indo-Pacific Region is a case in point. In the 1960s and the 1970s, the terms Pacific Asia and East Asia were used, as they focused on the development of Japan's supply-production chains (the so-called "flying geese model") as a key process around which the region-building was organized. In the mid and late 1980s, however, the term Asia-Pacific Region gained prominence. The US was considering possibilities to re-organize the East Asian economic milieu by

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establishing APEC as a trans-Pacific institution of multilateral economic cooperation and, by means of this, to legitimize its status as a natural regional economic and institution-building gravity center. In the late 2010s, the US re-activated the previously suspended Indo-Pacific Region narrative whose mission is to contain the PRC's maritime ambitions in the Pacific Ocean and the Indian Ocean.

More to the point, the recently signed Regional Comprehensive Economic Partnership (RCEP) presents a remarkable phenomenon from a region-building perspective. Initially, the RCEP was supposed to include ASEAN's six partners within the framework of the East Asia Summit. After India's exit, the RCEP did not change its name. As the RCEP is open to other ASEAN FTA partners, the adjective "regional" in its name may eventually become irrelevant.

This brief outline demonstrates serious methodological weaknesses that limit the IRS potential. The shortcomings of the IRS methodology became evident before the COVID-19 pandemic. Since it broke out, the need to upgrade the IRS methodological instruments has become more compelling. Discouragingly, although the demand from government agencies, the corporate sector and multilateral dialogue platforms for highly qualified IRS specialists with region-specific competences is rising, universities still stick to the traditional approach to the IRS, specifically, regarding it as part of International Relations or Political Science.

At the same time, universities cannot afford supporting disciplines whose practical relevance is not evident. In their turn, students prefer fundamental training and reliable profes-

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sions to navigate in the current unstable world. In light of this, the basic positions of the IRS methodology need a fundamental reassessment.

Aware of those shortcomings and trying to overcome them, the School of International Regional Studies (SIRS), HSE University, aims to develop a new – practically-oriented – approach to the IRS as an academic and teaching field. Arguably, it is expedient to get rid of the afore-presented “region-making” approach since it will never be completely correct from an academic point of view. Instead, the following question should be raised: what can the IRS expertise give the Russian Federation from a practical perspective? Proceeding with this approach, three points bear relevance.

First, a link between fundamental and applied competences should be built and developed. Discouragingly, there is still a systemic skill mismatch, as fundamental training lags behind practical needs. If so, academic training and special practical skills focused upon grass-root tasks must be synergized. A good option to fill this gap is to invite lecturers from the government and the corporate sector, as well as to organize internships for students in federal ministries, regional government agencies and private firms. For obvious reasons, this synergy must be supplemented by advanced teaching and learning digital instruments.

Second, professional networking must become part of the IRS training. Such networking based on associations and expert venues of all sorts is of assistance to researchers, practitioners and students. This is exemplified by the web-portal *Orientalia Rossica*, the all-Russian association of the Oriental Stud-

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ies specialists, launched at the World Economy and International Affairs faculty. A similar project – the platform for linking researchers from Russia and its partners from the Eurasian Economic Union – is awaiting implementation.

Third, a synergy between academic studies and industry expertise requires strengthening. The emphasis must be placed on the project activity undertaken by students under joint supervision of academic mentors and industry experts. As part of the SIRS activity, to date, numerous student projects have been undertaken in cooperation with universities of many countries: Japan, Iran, Pakistan, the Czech Republic, Belgium, Poland and others. Those projects include theoretical and practical exercises aimed at developing advanced professional skills. This is especially important, as in the near future, the role of corporate universities, based on cooperation between the academic and the corporate sector, will probably increase.

Most notably, the SIRS develops the International Regional Studies methodological framework. The approach to the IRS must be seamless and multi-dimensional, since advanced knowledge of history, geography, socio-cultural specificity of countries and regions, as well as many other aspects of their development, must be integrated in the university curriculum. General scientific methods must be in synergy with specific scientific and disciplinary methods. In other words, an IRS specialist must have comprehensive understanding of long-term regional trends synergized with major global and country-specific processes.

According to the SIRS approach, the International Regional Studies is a field of knowledge with a focus on the eco-

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conomic, political and cultural milieu in and around individual regions, as well as on the specificity of consumer sentiments, legal regimes and corporate governance patterns in those regions, in order to promote Russia's interests there.

This understanding should pursue a practically-oriented goal, namely, to advance Russia's interests in respective regions. This means exploring their markets, supply-production and product-processing chains, supporting Russia's export of technologically-advanced products and Russia's import of leading-edge technologies, attracting their investments to Russia's economy.

Undertaking Russia's educational initiatives, a special emphasis should be placed on attracting students from those regions to Russia's universities, which eventually will lead to creating pro-Russian lobby groups among the local decision-makers. The IRS specialists must know cultural aspects of performing specific tasks, mainly, doing business, in the countries and regions of their specialization.

The IRS methodology should develop an integrated approach to studying countries and regions. Specifically, a set of bilateral and multilateral instruments to promote Russia's interests should penetrate through regional politics, security, economy, culture etc. For instance, of special importance is deep understanding of state-business relations and venues of corporate lobbying, taxation issues, as well as of main patterns of corporate governance and human resource management in different jurisdictions. E-commerce platforms and digital cloud instruments, as extraterritorial factors that support state policies

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and business strategies, as well as shape consumer sentiments and retail practices, must be studied on a permanent basis.

Since the “new normal” of the world economy, politics and security is a high incidence of uncertainty as the COVID-19 main outcome, the IRS methodology should concentrate on three major tasks.

First, the IRS must contribute to a decrease in uncertainty in relations between Russia and other countries. While it is impossible to completely eliminate it, nevertheless, the IRS vision must be based on the assumption that knowledge, digital data and information are the most valuable assets in the contemporary world. If so, the IRS must prioritize a long-term and sustainable process of gaining knowledge and conceptualizing it rather than be a function of other disciplines, for instance, political science, contemporary history or world economy. As the IRS core advantage is detailed knowledge of region-specific and country-specific processes, it has clear advantages that other fields of science lack, most importantly, flexibility and a quick response to changes.

Second, the IRS must forecast events and developments with a high destabilizing potential. These forecasts must include scenarios stemming from an evaluation of opportunities, challenges, strengths and weaknesses, as well as outline strategic priorities and most important problems in exploring foreign markets. The IRS field of study should involve international rating agencies reports, financial analytics, marketing data and other elements of multidisciplinary expertise. Ideally, the IRS specialists must consult top national government and business

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decision-makers on how to shape the situation in different regions across the world rather than react on one-off events.

Third and finally, the ultimate objective of the IRS methodology is to enable the IRS specialists to produce well-substantiated strategic decisions. This means developing a comprehensive “early-warning system” of making correct assessments of the on-going and prospective developments, as well as creating risk-management mechanisms in order to quickly and efficiently respond to situational changes of the external milieu. An emerging task for the IRS accounts for analyzing an environmental dimension of regional processes, specifically, green growth, emission control mechanisms and regulations, etc. As a result, an organization that employs the IRS specialists will be able to stay ahead of its competitors in advancing its interests in foreign markets.

As a separate track of its activity, the SIRS elaborates on re-training courses of all sorts, aimed at developing specialized competences and upgrading practical skills. Encouragingly, the courses generate growing interest among Russia’s government agencies and big companies.

In sum, in developing a comprehensive IRS methodology, the School of International Regional Studies uses a large toolkit that prioritizes an evidence-based, problem-solving and risk-eliminating approach focusing on efficient and workable instruments to break into and eventually capture foreign markets. Since in the present realities it is in high demand, the IRS is an academic and teaching field whose time has come.

THE CONTRIBUTORS

Albina GALIMZYANOVA

Lecturer, Department of Oriental Languages, Diplomatic Academy of the Russian Ministry of Foreign Affairs, Moscow, Russia
Galaktika735@mail.ru

Anastasia GORBATKO

Ph.D. Student (History), Doctoral School of International Relations and Regional Studies, the National Research University Higher School of Economics (HSE University), Moscow, Russia
angorag96@gmail.com

Elizaveta DAVYDENKO

Ph. D. (Economics), Associate Professor, the Department of International Business, Saint-Petersburg State University of Aerospace Instrumentation, Saint-Petersburg, Russia
davvas@mail.ru

Elmira IMAMKULIEVA

Senior lecturer, the School of International Regional Studies, the National Research University Higher School of Economics (HSE University), Moscow, Russia; Junior Research Fellow, the Department of Economic Studies, the Institute of Oriental Studies, the Russian Academy of Sciences, Moscow, Russia
eimamkulieva@hse.ru

Evgeny KANAEV

Dr. Sc. (History), Professor, the School of International Regional Studies, the National Research University Higher School of Economics (HSE University), Moscow, Russia
ekanaev@hse.ru

Evgeniya KATKOVA

Ph. D. (History), Senior Lecturer, the Department of Theory and History of International Relations, Peoples' Friendship University of Russia (RUDN University), Moscow, Russia
katkova-eyu@rudn.ru

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KIM Yong Woon

Ph. D. (Philosophy), Senior Research Fellow, the Center for Korean Studies, Institute of Far Eastern Studies, the Russian Academy of Sciences; Associate Professor, the School of International Regional Studies, the National Research University Higher School of Economics (HSE University), Moscow, Russia
ekim@hse.ru

Ekaterina KOLDUNOVA

Ph.D. (Political Science), Acting Director, ASEAN Centre, and Associate Professor, Department of Asian and African Studies, Moscow State Institute of International Relations (University), the MFA of Russia
e.koldunova@inno.mgimo.ru

Tatiana KOLESNIKOVA

Ph. D. (Economics), Associate Professor, the Department of International Business, Saint-Petersburg State University of Aerospace Instrumentation, Saint-Petersburg, Russia
kolesnikova-tv@mail.ru

Sergey LUZYANIN

Dr. Sc. (History), Professor, the School of International Regional Studies, the National Research University Higher School of Economics (HSE University)
sluzyanin@hse.ru

Dmitry MOSYAKOV

Dr. Sc. (History), Professor, Head of the Center for Southeast Asia, Australia and Oceania, the Institute of Oriental Studies, the Russian Academy of Sciences, Moscow, Russia
mosyakov.d@gmail.com

Ekaterina NARKHOVA

Ph. D. (Political Science), Third secretary, Department on International Information Security, the Ministry of Foreign Affairs of the Russian Federation, Moscow, Russia
kati_narkhova@bk.ru

THE CONTRIBUTORS

Pavel SHLYKOV

Ph.D. (History), Associate Professor, the Department of History of the Middle East, Institute of Asian and African Studies, Lomonosov Moscow State University, Moscow, Russia

shlykov@iaas.msu.ru

Marina SHPAKOVSKAYA

Dr. Sc. (History), Professor, the Department of Theory and History of International Relations, Peoples' Friendship University of Russia (RUDN University), Moscow, Russia

shpakovskaya_ma@rudn.ru

Irina STRELNIKOVA

Ph. D. (Law), Associate Professor, Research Fellow, the School of International Regional Studies, the National Research University Higher School of Economics (HSE University), Moscow, Russia

istrelnikova@hse.ru

Mikhail TERSKIKH

Ph.D. (Political Science), Research Fellow, Center for Asia Pacific Studies, the Institute of World Economy and International Relations of the Russian Academy of Sciences (IMEMO RAS), Moscow, Russia.

mikhail.terskikh@gmail.com

Tetsuya TOYODA

Director, the AIU Institute for Asian Studies and Regional Collaboration, Associate Professor, Akita International University, Akita, Japan.

toyoda@aiu.ac.jp

Vera VISHNYAKOVA

Ph.D. (Philology), Associate Professor, the School of International Regional Studies, the National Research University Higher School of Economics (HSE University), Moscow, Russia

vishnyakova@hse.ru

Anastasia ZABELLA

Ph. D. (History), Department of Theory and History of International Relations, Peoples' Friendship University of Russia (RUDN University), Moscow, Russia

zab.olga2001@gmail.com

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