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**Changing Foreign Relations of China:
The U.S. Pivot to Asia**

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Changing Foreign Relations of China:

The U.S. Pivot to Asia

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Foreword

I was delighted when I received a request from the editor-in-chief of the “*Changing Foreign Relations of China*” to write a brief foreword to this publication. It is already a fact for many years that China is one of the most important actors of the international community, hence, its role still keeps growing to become the largest economy of the world in the upcoming decade. Therefore it is inevitable to pay a very close attention to the international behaviour of the Middle Kingdom.

Napoleon allegedly said once that “*when China wakes up, the world will shake*”. Though this seems to be already trivial today, still, it is the duty of the scientific community to disseminate as much information and knowledge on China as possible, in order to make both decision makers and common people aware of the tectonic changes of our contemporary world. Thus, I am glad to present this book for those who are interested in the global shift of power and economic might, the role of China and her relations with other regions. In our globalized world it is impossible for any nation to isolate itself from the effects of the rise of China, therefore it is wise even to us to heed the advice of Deng Xiaoping: “*observe calmly; secure our position; cope with affairs calmly*”. I am convinced that the strong efforts we make to understand China will benefit our future, on personal and on national or European level as well.

This publication provides a deep insight into the constantly changing and evolving international relations of China, with a special emphasis on her perceptions of the US pivot to Asia, her involvement in Africa or on the Chinese interests in Iran. I truly believe that we have only begun our journey around the present and future of the Middle Kingdom, and the upcoming issues of this publication will provide even more knowledge on China or other major players of world affairs.

dr. jur. Tamás MATURA

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The V4-US relationship and the Western Balkans in light of the U.S. pivot to Asia

István BALOGH, Péter MARTON and Péter RADA¹

Abstract

Ongoing shifts in patterns of world economic interaction and prospective shifts in the balance of military power provide the backdrop to the US pivot to Asia. As a result of these contemporary developments, members of the Western Alliance, including EU countries in general, and Central and Eastern European countries in specific, need to rethink their fundamental approach to contemporary security challenges. One of the most pressing issues in this respect is how to maintain the stability of Europe's peripheries in the Western Balkans once the US further scales back its presence in these areas. This article argues that besides a clear road to European integration, continued financial assistance, and the credible Europeanization of the commitment to security assistance for the countries of the region, V4 countries have a meaningful role to play as well – a role for which they may be well positioned and which they clearly are required to play in a constructive and strategic division of labor with their partners.

Analysis

In line with the redoubled interest in Asian affairs it is reasonable from the American point of view that the US needs to keep only some troops in Europe, just enough to avoid encouraging Russia to become more animated towards Europe. In case Russia were to see Europe as abandoned it may suggest to Moscow for instance to seek to increase its leverage in the Balkans or in Central and Eastern Europe and to fill any real or perceived power vacuum there. On the other hand, NATO and the security of Europe is not a direct function of the physical presence of US troops on the continent. The latter stems much more from the Article 5 commitment underlying the Alliance which keeps the US in Europe regardless of its troop presence. At the same time, however, *both* a reiterated signal of this commitment and that of the Europeans' resolve to invest in their own security are needed for an effective response to

recent developments. Somewhat paradoxically, without the signal of European resolve even the signal of the transatlantic security commitment may wane in credibility over time.

European countries are obviously unprepared and unwilling to play a military role in any meaningful way in the Asia-Pacific. But Europe does not need to emulate the US pivot to Asia to remain a partner of the US. Firstly, US officials emphasize that the pivot to Asia need not necessarily be understood as a military move. It is, at least in part, a reflection of the obvious economic trends and the shift in patterns of economic growth and trade and investment towards the other hemisphere. Thus, even though the EU remains the most important trade and investment partner for the US to this day, the traditional focus on transatlantic space may, at superficial glance, seem to be overwhelmed by a tsunami of interest in Pacific affairs.

Having said that, the Pentagon's setting up of the AirSea Battle Office, supervising the development of its joint *AirSea Battle* concept, relevant as it is for the moment in hypothetical scenarios centered on China, clearly indicates that there are military considerations as well behind the declaration of the turn towards Asia, connected to uncertainties of what the future holds by implication of China's rise. This is also underlined by the deployment of the US marine contingent sent to Darwin, Australia during the Spring of 2012. Such preparation for future military conflict is one area where the EU cannot hope, and does not wish, to counter the unpleasant trends shaping its perceived importance on the world stage. Even though the EU as a whole is by far the second largest military spender in the world, reflecting the actual economic weight of Europe, the efficiency of its member countries' defense spending is low and from Washington it is felt to be little contribution to current US foreign policy goals. The European defense market is fragmented and suffers from protectionist trends in spite of recent efforts by the European Commission to remedy this problem. Defense spending in the case of most European countries simply does not correspond to a global notion of strategic change. In fact, many of them are fundamentally uncomfortable with such a grand strategic approach, as noted in a recent paper by the European Council on Foreign Relations.²

Thus European countries need in alternative ways to prove that they are still important allies. The strategic rationale for this is ambivalent and contradictory: the US will decrease its presence in Europe, Europe needs the US in maintaining its security, but for this purpose it needs to improve its military capabilities and to demonstrate that it is able to defend itself, eventually working against the need for the US to stay in Europe. Furthermore, decreasing US troop presence means that the US is less well positioned to influence European security and

defense affairs, hence it may risk losing its leverage over European security. Thus, the US approach to an independent European security identity has been somewhat ambiguous historically – Washington would have always liked to see a larger European commitment but historically it has also been skeptical of such projects as they risk decreasing US influence over European security.³ The arising contradiction can be resolved if EU countries consciously look to substitute the US in places that remain somewhat important to the US but where this may allow the US to shift some of the burden it carries to Europe, in a strategic transatlantic division of labor. The Western Balkans is the case in point as to where this may be necessary.

The US can withdraw from the Balkans (both its ground troops and by scaling back its development aid) only if the EU is ready to substitute it there with determined and constructive leadership. The EU can hardly assume that this should be someone else's problem. Clearly, Europe needs to take on greater responsibility for its security in its own neighborhood.

The change in US foreign policy thinking should not have come as particularly surprising given how in any realistic assessment Cold-War-era geopolitical calculations are outdated. The Warsaw Pact long since ceased to exist, many of its members now belong in NATO, and there is no longer a hundred-plus-divisions-strong Soviet Army ready to move across the North German Plain and the Fulda Gap. The new generation of strategic thinkers in the US is not "Berlin-focused" and even the Cold War strategists of old have come to emphasize that the new challenge is Asia. US administration officials whom Europeans seem to have expected to be members of an old guard somehow, with a stronger sense of personal attachment (read: one unaffected by current and future interests) to the transatlantic bond, Secretary of Defense Chuck Hagel or Secretary of State John Kerry, have proved no deniers of the need for said readjustment.

The shock of the economic and financial crisis and the resulting cuts in the US defense budget have worked as the final catalyst in bringing about the US determination to lessen its engagement globally, including and especially where it may no longer be warranted as much as it once used to be. Europe is the safest bet in this respect. Less money, coupled with the effect of the new focus has resulted in less attention to Europe. Thus the question is not how Europe can help in Asia, but how Europe can fill the vacuum in the wake of the US presence on the continent. European countries must prove they have a clear strategic vision regarding this and as to how they will contribute to NATO after 2014 and the end of the mission in

Afghanistan. This will certainly need to include plans concerning ways for the Europeans to relieve the US in places close to Europe (or in Europe proper). Smaller regional blocks such as the V4 can and ought to show leadership in this strategic adjustment, with particular regard to the Western Balkans.

NATO still has a role to play there, and the organization can and must remain active even if the US scales back its European commitment: in principle, this should only mean relying more on the Alliance's European component in the future. The planned shift of emphasis from operational engagement to operational readiness under the *NATO Forces 2020* vision should not be interpreted as a wild card for anyone to abandon all existing engagements. The stability and security of the Western Balkans will have to be maintained by the European NATO allies, working within the framework of the existing Berlin-Plus arrangement, perhaps under the aegis of the EU's CFSP and ESDP, thus giving clearer signal of a resolve to act on Europe's own.

This is where Visegrad countries enter the scene. The involvement of the V4 in the region is significant and this political leverage may be real added value to the above mentioned goals of selective retrenchment on the part of the US and the marginally important signal of resolve on the part of the EU, in line with common US, European and regional interests.

Central and Eastern European countries may be some of the best allies of the United States but in 2013 they are definitely not the most important ones. The pivot to Asia ought not inevitably translate into a pivot away from Europe but it certainly means significant change in the decades-long paradigmatic understanding of transatlantic arrangements. This may leave CEE countries in search of answers to important issues in their security policy where in the past seemingly much safer answers used to be found, such as is the need to maintain stability in their direct vicinity where US presence long functioned as a security anchor for them and for all of Europe.

In fact, the US willingness to lead in dealing with security issues in and around Europe has already come to an end. Since the inauguration of Barack Obama the clearly indicated global foreign policy intention of the US is to be present but not deeply involved in all global issues. The intervention in Libya in 2011 serves as the perfect example in this respect: a joint Anglo-French initiative executed with a decisive, even critically important, US contribution, eventually brought under the NATO framework. Here the US was content with less than leading from behind, making a point out of leaving key strategic decisions and the bulk of the

aerial bombing campaign against the Gaddafi regime to European and other allies even as it in many ways enabled Europeans to act in the first place.

We cannot expect change in this respect during President Obama's second term. The US is overstretched politically and economically. It is balancing on the edge of the fiscal cliff, with the effects of sequestration setting in, and it faces numerous global security challenges as several emerging competitors seem to challenge its global power and leadership, most notably China. It is exactly here, on the global level, that Russia by now is perhaps less important than China is for the United States. Due to this reason any Russian reanimation in its "extended near abroad", a possible concern for the CEE states, could be of secondary importance only for Washington.

Nevertheless, the US cannot altogether ignore such developments, either. This may put the V4 in a position to keep the US interested in providing marginally relevant, or in other words enabling, support in protecting the region, to thus prevent Eastern Europe from becoming a space for geopolitical contest once again.

After 2014 and the withdrawal from Afghanistan, there is a risk that V4 countries will become even less relevant both within NATO and for the US. Their contributions to allied operations will remain important in sustaining the transatlantic relationship as well as their ties to the US but the fulfillment of their basic obligations as allied countries within NATO will perhaps become even more important in the future. This is problematic as, with the exception of Poland, the other three V4 countries are far from meeting the desired GDP-proportionate ratio of defense spending. The US will be interested in making sure that security free-riding in the alliance is no longer an option. Thus the US commitment to Europe can be maintained only if the Europeans invest seriously in their own defense, redressing the balance within the currently lopsided burden-sharing arrangement within the Alliance. Apart from NATO, the only security guarantor for the CEE countries may be the European Union but for all intents and purposes even the EU cannot be reasonably expected to be effective without working in unison with the broader Western alliance. Some of the same countries that do not at this point do what this would take within NATO ought to do more for defense if they were to offer an alternative security guarantee in EU colors. As to V4 countries, they must in any case cooperate with each other just as they need be able to show to their partners a coherent strategic vision and real initiative in this respect.

Preferably, the relation with Washington needs to be improved from its present state. Today for the CEE countries the EU's gravitational pull may be stronger, and the position of "best

allies” of the US seems less enticing or rewarding to pursue. The V4 countries today are, however, EU insiders and in this capacity they also participate in shaping the foreign policy of the EU wherein lies both an opportunity and the need to act.

The US will not completely abandon interest in Europe but in a time of financial difficulties its motivations for engagement are rather modest and V4 countries need to show that they understand the quid pro quo principles of politics if they are to continue to enjoy the kind of enabling protection alluded to above. The US cannot invest more in Europe’s security than Europe itself, and the US strives to redefine the role of NATO to just this end. “Europe whole and free” has always been an idealist expression of US foreign policy objectives, and it is clear that CEE countries’ security cannot be taken for granted all by this stated commitment for eternity. Simply complaining about the decreasing attention will no longer pay dividends in Washington. V4 countries can, however, prove their willingness to participate in a mutually advantageous global division of labor if they take a constructive role in managing and solving problems that are also defined as such by Washington but where the US reasonably expects more of a readiness to act on their part.

In the last years respect for NATO has shrunk in the Western Balkans, and so has, simultaneously, the popularity of the US. Keeping NATO relevant in the region in maintaining security and stability is an important goal for the US in order for it to be able to leave the region without losing face. Some room for maneuver for the V4 countries stems from this: they need to emphasize their already significant presence in the Western Balkans and their role in support of the European integration of the region. The stability of the Western Balkans is important both for the EU and the US. The continued enlargement of the EU towards this region would contribute to the general foreign policy goals of the US in maintaining stability in the Western Balkans at the time when Washington intends to decrease its engagement. The above logic is valid even if the Western Balkans has also become a source of contention among V4 countries as Slovakia does not recognize the independence of Kosovo. Thus, while a clear V4 interest can be established in the region, there is also considerable intra-V4 coordination that needs to be done in order to clarify each country’s approach to the region. Furthermore, the Western Balkans also directly pertains to V4 countries’ relations with Russia. However, despite the obvious difficulties involved in coordinating V4 policies via the Western Balkans, these efforts do represent an added value as all of them are interested in the region’s stability in general.

On the other hand, the US cannot leave the future development of the Balkans simply to the EU and the countries of the region. The US is present in the Western Balkans since the 1990s and the region for long used to be *the* symbol for Washington that Europeans are not capable of solving their own problems. The uneven enthusiasm of EU countries to be engaged there and the fatigue of even the larger project of European integration call for caution. EU accession may be the final destination on the road for the countries of the Western Balkans, but for this to be a viable perspective, a commitment to provide continued assistance is going to be necessary. Washington therefore still feels it has a responsibility in maintaining stability in case the EU cannot substitute it in providing for this. From Washington's vantage point an ideal process would be EU-led and US-supported. However, EU-US cooperation regarding the Balkans is less robust than in other areas. A fundamental source of divergence is that whereas the US prefers a clear map of integration, the EU today is more comfortable with ambiguity in this respect. The rhetoric as to the foremost foreign policy goal of the EU remains to expand its sphere of security, stability and prosperity in its neighborhood – what exact measures this eventually corresponds to remains an open question. This is where V4 interests are perhaps more aligned with those of the US than the EU: a clear road to integration with appropriate conditions serves regional stability in the wider CEE region as well.

Thus, the ambivalent approach of the EU may need to be revisited soon. As to why, it may suffice to point out prominent US voices' calls for the withdrawal of all US ground troops and development aid from the Western Balkans. The transfer of responsibility of peacekeeping from NATO, and thus per consequence the US, to the EU is already in progress. There is no denying the fact that the region is more important for the EU and that in a geopolitical and strategic sense US goals are rather marginal there. This is also evidenced by the fact that the Obama administration hardly expressed clear strategic statements on the Western Balkans. During the last years there have been several high level visits to the region on the part of the administration which, however, focused mostly on specific pragmatic issues rather than on the region as a whole, corresponding to the above indicated lack of interest in strategic leadership by the US. Only some voices have remained in Washington that refer to the US goal of containing growing Russian influence in the region. Obama's policy is in fact the direct continuation of the Bush administration's policy and its goal of stabilizing the region by supporting its European integration.

Despite the EU's internal problems and doubts, the EU is still popular in the Western Balkans, and this should give the EU decent prospects in substituting for the US leverage its own. Due to the diminishing US presence in the Western Balkans it is a strategic imperative for both the EU and the US that the EU fill the vacuum or else it may be filled by Russia and possibly, although less so, by China. Economically, the EU is already lagging behind as Russia has consolidated its positions in various markets of the Western Balkans. Thus, it is perhaps time to make up for this in the realm of security, which of course cannot entirely be separated from the realm of economy. In the midst of the financial crisis the level of financial support to the Western Balkan countries cannot match earlier amounts. Consequently, a permanent shift from development aid to more viable and effective technical assistance is needed that under the circumstances would allow for sufficient concentration of resources and the achievement of maximal effect.

Focusing on the Western Balkans is not a new idea for the Visegrad countries. The region is formally on the top of the common agenda since 2009, and V4 countries coordinate their positions before EU meetings regarding it. In October 2012, the foreign ministers of the V4 met in a V4+Balkans format and agreed to set up the Balkan Expert Network which will assist the European integration and the democratic transition of the countries of the region. The EU is supportive of this initiative, as evidenced by the fact that Stefan Füle, EU Commissioner for Enlargement, was present at the meeting. The EU as a whole is a respected mediator of the conflicts in the Western Balkans, and the V4 can provide leadership in utilizing this political capital in furtherance of common objectives.

Visegrad countries need to actively promote this role on the stage of EU and world politics, as they have recent and firsthand experience with parallel processes of European integration and democratic transition. The transfer of know-how remains added value for the stability and the progress of the Western Balkans at the various stages of their transitions. The Visegrad countries may consider engaging and partnering with other countries with similar experiences in some kind of V4+ format inviting Romania, Bulgaria, Croatia, Slovenia (and possibly non-NATO-member Austria). The aim of this idea is the formation of a significant informal group within NATO with a notion of clear new imperatives. This group could also reach out towards the Black Sea region which is considered strategically more important to the US.

There are several instances of how V4 countries can support the otherwise vague American goals in the Western Balkans. NATO expansion towards the Western Balkan countries slowed down, but the accession of Montenegro, Bosnia and Herzegovina and Macedonia remains

important for Washington. The process is supported by the V4 countries. A good example is that the Hungarian Embassy to Podgorica also functioned as official NATO contact point up till 2010. Poland is the largest provider of ground forces in the region from within the V4 and thus has considerable clout over the transformation process of KFOR and the management of the situation in the wake of the prospective withdrawal of US forces. Slovakia, for its part, has several top diplomats who have extensive experience working in or with the region.

Today the Balkans is becoming more a concern for CFSP than that of NATO. In case the V4 countries want to influence and shape the common foreign policy of the EU, which is obviously a goal especially in the case of Poland, and an interest especially in the case of Hungary, V4 countries together need to develop a clear position on the Western Balkans. On the other hand, NATO also needs to remain relevant there, which is the goal of the US even as it seeks to sacrifice marginally less for this purpose. From this stems that NATO's open door policy needs to be kept alive, especially considering the fact that NATO enlargement is only imaginable towards the Balkans now, in contrast to the perceived potential of the Eastern Partnership of the EU in terms of future EU enlargement.

In short: whereas the centre of gravity in European politics may be as hard to locate as ever, with Brussels as well as London, Paris and Berlin all playing a role in this respect, and although the European Union itself has expressed interest in becoming an actor on the world stage, the EU as well as V4 countries need a pivot to the Western Balkans first of all if they are to succeed in projecting security, stability and prosperity into their immediate neighborhood.

Conclusion: Recommendations

- Continue focusing on the Western Balkans. The Eastern Partnership countries are also important but the payoffs are more visible in the case of the former.
- Focus on issues where marginal contributions can be made by substituting US efforts.
- Demonstrate credible leadership capacity as a regional bloc.
- Intensify consultations for this purpose within the framework of the V4+Balkans format at the same time as the overarching EU and NATO framework of the initiative is also emphasized.
- The Visegrad Battle Group has to be a reflection of truly found interest in contributing to the future stability of the neighborhood in ways that may be necessary as other

countries may become less forthcoming in offering assistance in the security dimension.

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² Available at: http://ecfr.eu/page/-/ECFR77_SECURITY_BRIEF_AW.pdf

³ **Kay, Sean** [2013]: *No More Free Riding: The Political Economy of Military Power and the Transatlantic Relationship*. In: **Matlary, Janne Haaland ; Petersson, Magnus**: *NATO's European Allies: Military Capability and Political Will*. Palgrave Macmillan, Houndmills, 2013. p. 97.

‘Chimerican’ Interests, Africa Policies and Changing US–China Relations¹

István TARRÓSY²

“More than 150 years ago, Alexis de Tocqueville famously predicted that the relationship between Russia and America would shape the destiny of the world. I suspect, if he had returned to earth as the new millennium dawned, he wouldn’t ignore Russia, but he would write first about China.” (Madeleine Albright)

Abstract

The present-day international arena has been witnessing the rise of China as the leading emerging economy. This offers several policy-related challenges to the lone superpower, the United States of America. Recently, the “birth of a Pacific World Order” (Mendis, 2013) has been heralded, especially as the Chinese and American economies are heavily intertwined, forming a unique ‘Chimerican’ conglomerate of interests (Ferguson–Schularick, 2007). This study will analyze changing US–China relations in general, and compare their approaches, interests and involvement in African development, in particular. It will look at what the motives of the two powers are on African soil, and to what extent they have been acting differently in developing and managing bi- and multilateral relations. Is it merely their current foreign policy rhetoric that the US and China want to cooperate (also) in African development, or can we imagine a realistic scenario of their joint efforts and involvement resulting in positive and long-lasting “society-wide repercussions” (Hyden, 1989) across African countries? Related to this question, the paper focuses on US foreign policy towards China and Africa.

Introductory Theoretical Considerations – Realism Matters But the World Has Been Changing

John Mearsheimer's critical stance on the '(tragic) nature of international politics' has been underpinned by two factors: systemic anarchy and "uncertainty about the intentions of other states" (Mearsheimer, 2006: 121). In an age of global uncertainties it is not only the intention of others, but the nature of the global processes which overarch and intertwine all the various actors that contribute to even more uncertainties. Furthermore, it is not only the states that matter in terms of behavior, action and intent, but the abundance of non-state entities and their complex interactions with others that challenge the state system in the international arena. The world has been changing as far as relations of its players are concerned, and still, realism matters.

In an interconnected transnational system "globalization is transforming rather than superseding the state" (Lawson, 2012: 142). Although the 'network state' (Castells, 1997) differs from the nation-state of the Westphalian order as it needs to position itself in a setting with a multitude of various other types of power-holding entities (or those aspiring to gain power) – the international policy-making arena has become crowded –, its tasks "have not changed. [States] still have to manage, with respect to their domestic constituencies, the dual relationship between domination and legitimation, and between development and redistribution." (Stalder, 2006: 122) If survival is still the greatest task – though not in a purely 'self-help world' as thought by the realists but rather in a more complex and interdependent one – to be able to survive states "have no choice but to compete for power" (Mearsheimer, 2006: 232). Is it, however, only competition and seeking "to gain advantage at each other's expense" (Ibid), or is there any motivation to cooperate for the sake of the betterment of all parties involved in a 'collaborative project'? As "globalization makes us more vulnerable because we are more interdependent with one another" (Li et al, 2012: 104), and as – in particular – "great powers are rational actors" (Lieber, 2002: 321), collaboration is encoded in the world. Simply because in certain issues and instances there is no other way but to cooperate so that states do not 'get hurt', which is their ultimate national goal at the same time. Having said that, national survival, and consequently national interest, will determine state behavior, strategy and action – both for cooperation and competition.

In terms of power, in recent times, the rise of emerging actors has caught the attention of numerous scholars and policy-makers. Not as hegemon³ any longer, but the “United States is [still] by far the most powerful state on the face of the earth” (Mearsheimer, 2006: 113), and if we are cautious enough with “today’s multipolar mania”, as William Wohlforth (2007) warns us in his clear power analysis, we can profoundly relate the position of the ‘new actors’ to that of the US and foresee the potential redistribution of power in the international system in a gradually more multipolar environment. There are scholars who argue that in such an arena “many nations will possess military and economic might sufficient to be recognized as great-power states” (Yeisley, 2011: 75). Yet “multipolarity’s *rapid*⁴ return” (Wohlforth, 2007: 44) after the collapse of the Soviet Union, in the post-Cold War era, is not a realistic scenario in the short term, however, and time is needed before great power status is achieved by some of the emerging entities.

Different actors may possess different types of power, ranging from economic to military might, and cultural to political influence. “The United States [...] is the sole state with pre-eminence in every domain of power – economic, military, diplomatic, ideological, technological, and cultural – with the reach and capabilities to promote its interests in virtually every part of the world.” (Huntington, 1999: 35) However, from an economic-financial point of view, the US is certainly not the only ‘super influence’, as long as it is rivalled by the second largest economy of the world, continuously rising China. In addition, the European Union as a growing grouping of 28 member states (Croatia joined the Community in July 2013) with all its internal challenges as well as potential, too, together with Japan, Brazil and the BRICS⁵ states, possesses major capabilities and strengths. All of them “would prefer a multipolar system in which they could pursue their interests, unilaterally and collectively, without being subject to constraints, coercion, and pressure by the stronger superpower.” (Ibid: 36) A complex economic rivalry is inevitable, especially if we think of ‘Chimerica’, “the combination of the Chinese and American economies, which together had become the key driver of the global economy” (Ferguson, 2010). In this way may configure a new type of bipolarity between the West and the Far East. From other angles – except for American military dominance, which cannot at this point be superseded – major powers pierce into the center of gravity, and so the international system today may reflect “a mixture of both unipolar and multipolar

system in which [more] powers [...] dominate international affairs.” (Yilmaz, 2008: 46)

China is the likely the number one challenger of the ‘lonely superpower’. Since Deng Xiaoping’s policy of opening at the end of the 1970s China has become more assertive on the international stage. “Beijing has demonstrated an impressive capacity to learn and adapt” (Chin–Thakur, 2010: 119), and with her pragmatic foreign policy this “reflects a new flexibility and sophistication” (Medeiros–Fravel, 2003: 25) in the management of her relations across the globe. Reflecting her national interests (as in the case of any of the states in the system), China has been diligent in developing an understanding of both the external context and her internal set of issues to deal with in the long run. Strategic thinking about both has always been embedded in Chinese policy-making to “defend [Chinese] national development interests while also maintaining [sufficient] openness to the outside world” (Hu Jintao quoted in Chin–Thakur, 2010: 121). China wants to succeed in both dimensions, and therefore her objective is a relaxed geopolitical context – this has become its priority. As former US Secretary of State Madeline Albright pointed out, “Beijing’s leaders seek a stable international environment so that they can concentrate on addressing their domestic needs” (Albright, 2003: 435-36), and as a consequence of this ‘peaceful’ approach, but also deriving from how deeply the US and China are interconnected in the economic domain, a future military conflict between the two is highly unlikely. There is nevertheless potential for competition as well, especially for resources that can feed their respective national economies. At the heart of future competition “access to strategic resources rather than ideology” is more likely to lie, and “the new »great game« will most likely be played in Africa” (Yeisley, 2011: 83).

Pacific World Order Rising?

It is not surprising that “Asia’s economy is becoming ever more important for that of the United States and the world” (Kissinger, 2001: 111), as the American economy has become more interdependent. This may turn detrimental or at least disadvantageous for the sovereignty and ‘action independence’ of the US (Magyarics, 2012: 16). Drawing upon the work of Paul Kennedy (1993), it is of strategic importance for the US to understand what America’s strengths and weaknesses are, and how well the country is prepared to meet the global challenges, in general, and

the political ‘pressure’ from the emerging countries, coupled with the above-mentioned economic interconnectedness that ties the US to China, in particular. The ‘Chimeric symbiosis’ (Ferguson, 2010) also offers “an opportune moment for the two Pacific nations to initiate steps to frame a new »Pacific« order through trade and commerce” (Mendis, 2013: 24). Who is in need of this transformation more? If finding sufficient mutual interests in the formation of such an order, can the new global arena be accentuated along this Pacific alliance? How will other actors of regional weight in East Asia react upon such developments?

In a sharp analysis of the relations of a rising China and the West, John Ikenberry makes us think about the hardest issue: security; “as China’s military power grows – which is inevitably the most salient domain for the US and the rest of the world – it will better be able to contest the American security presence in the region. Countries in the region that are growing more economically dependent on China will discover incentives to tie their security to China” (Ikenberry, 2008: 107). From this perspective it re-affirms our view that it is not surprising at all that the US encourages a new “Pacific Century” with enhanced Sino–US relations in its center. In a short memo – as part of his article in *The Washington Post* – Ferguson urged the then President-elect Barack Obama not to “wait until April [2009] for the next G-20 summit [in London],” but to “call a meeting of the Chimeric G-2 for the day after [his] inaugural.” (Ferguson, 2008) As he continued with his warning, he addressed directly President Obama, “Don’t wait for China to call its own meeting of a new »G-1« in Beijing.” (Ibid) But what about Japan in this envisioned new setting? Can we think of an already frustrated Japan not reacting by getting her claws out? Both the US and China (or other states in the region) most probably underestimate the strength of Japanese frustration – not to mention the capability of her Self Defence Forces (SDF) which, as far as its equipment is concerned, may be the most modern military force in Asia.

“China is not rising in a vacuum. It is rising on a continent in which there are many, many competitors.” (Fareed Zakaria quoted in Griffiths – Luciani, 2011: 14) In a pragmatic and strategic way China fosters a “peaceful rise”, and her “economic integration into East Asia has [already] contributed to the shaping of an East Asian community that may rise in peace as a whole. And it would not be in China’s interest to exclude the United States from the process.” (Zheng, 2005: 24) From both sides of the Pacific Ocean there seems to be a mutually shared target: to jointly build a

peaceful (pacific in this respect, too) framework of collaborative behavior and relations. On the US side the preference is clearly not to see a rising China with her old-new allies from her direct vicinity (an important sphere of American influence at the same time) forming an alternative set of relations along an alternative set of values. We can agree with Ikenberry in saying that there are clear implications for the US, as “the more deeply institutionalized the Western order is, the greater the likelihood that China will rise up inside this order” (Ikenberry, 2008: 114). The US therefore needs to work along a strategy which attempts to avoid the rise of an ‘alternative or even rival order’ driven by China, and thus to “continue to uphold its multilateral commitments, maintain and even expand its alliance partnerships [...] to perpetuate the existing international order” (Ibid).

Together with many foreign policy experts and scholars, Zbigniew Brzezinski believes that the US “can find ways of living together [with China],” but much depends on how the US approaches the rising Asian giant; “how we deal with the Chinese,” says the former National Security Advisor of President Carter (Brzezinski – Scowcroft, 2008: 121). It cannot be a successful method to “lecture the Chinese about the Tibetans and tell them what to do” (Ibid), but to contribute to a shared “new focus on international relations in which China is looking for peace and collaboration” (David Li quoted in Griffiths – Luciani, 2011: 17), as much as the US herself. “As a global nation, the United States must be humble [...] and patient” (Mendis, 2013: 27), and learn more about the Chinese way of thinking and rise, especially because the US “has few precedents in its national experience of relating to a country of comparable size, self-confidence, economic achievement, and international scope and of such a different culture and political system as China.” (Kissinger, 2012: 539) The Middle Kingdom is also challenged greatly to be able to “accommodate itself to a world in which it is not hegemonial as it has been for eighteen of the last twenty centuries” (Henry Kissinger quoted in Griffiths – Luciani, 2011: 19), coupled with the ‘new’ situation in her ‘own’ region, in which there is a “fellow great power with a permanent presence [...] representing] a vision of universal ideals not geared toward Chinese conceptions and alliances with several of China’s neighbors.” (Kissinger, 2012: 540) How far can the reality of the concept of a “Pacific Community” or “Pacific World Order” be stretched in such a region and beyond? How can cooperation, or any closer form of coexistence, or at least – as mentioned by Kissinger (2012) – “coevolution of two societies progressing on parallel tracks” be

imagined during the coming decades of the twenty-first century? Is there a real likelihood of a ‘new bipolar international regime’, as suggested by Yeisley (2011), or the momentum arises so that the two great powers push the arena towards multipolarity with their leading positions secured? What is easy to recognize at present is that energy hunger and energy security are major driving forces behind geopolitico-strategic intentions. From this perspective one ought to direct one’s attention to the African continent, where both powers foster their respective plans to succeed. Collaboration may be a possibility, but seems to be improbable at the moment.

Africa in Policies Seen from the Two Sides of the Pacific Ocean – Any Chance for Cooperation?

Deriving from differences in philosophies, the United States and China have been articulating and communicating different approaches towards sub-Saharan Africa. However, regardless of how much they have “emphasized different policies for their engagement” (GAO, 2013), looking at the composition of trade figures, the basic underlying similarity is evident: in the case of both China and the U.S. it is all about natural resources.

According to a Report to Congressional Requesters by the United States Government Accountability Office, “petroleum imports constitute the majority of U.S. and Chinese imports from sub-Saharan Africa, [and] both the United States and China chiefly import natural resources from [the region]” (Ibid). Crude oil is certainly a ‘centerpiece’ of any relations with the continent in general terms. The rapidly increasing trade and investment trends from both great powers are indication of strategies that “have moved Africa to the center stage in global oil and security politics” (Carmody – Owusu, 2007: 505). Securing such resources has been a top priority issue for both countries: as part of national security considerations for the US and as the basis of energy security considerations for China. In his speech on national security on May 23, 2013, when talking about how foreign aid has been seen as “one of the least popular expenditures” by basically everybody in the US – even as it does not exceed 1 percent of the total federal budget – President Obama made it explicitly clear that “foreign assistance cannot be viewed as charity. It is fundamental to our national security, and it’s fundamental to any sensible long-term strategy [and so] *has*

to be part of our strategy.”⁶ (Obama, 2013) Any American engagement on the continent, therefore, needs to serve national security, and at the same time, promote global values America believes in.

The scholarly community seems to share the view that not only China pushes development in Africa along a strategy based on self-interest. “As far as the West was concerned, there was no sign that the politics of self-interest was going to give way to something more altruistic. In 2003, the administration of George W. Bush courted a number of governments in Africa with extremely poor track records, such as Cameroun and Equatorial Guinea, with a view to protecting American oil interests.” (Nugent, 2004: 433) China is explicit about mutually economic benefits, and the results of Chinese African projects and involvement in general have factually been contributing to African development. Ferguson is right, and I share this view myself, that “it’s a really big misrepresentation to suggest that [all] this is a rerun of 19th-century colonialism” (Niall Ferguson quoted in Griffiths – Luciani, 2011: 31). As far as the Chinese state has created a long-term geo-economic strategy for basically all corners of the world, it possesses a long-term vision, coupled with a concrete policy scheme along such lines for Africa separately. One of the major tools to execute her Africa policy is the Forum on China–Africa Cooperation (FOCAC) established in 2000 – most probably “encouraged by” the Tokyo International Conference on African Development (TICAD) of Japan first held in 1993 – and some additional decisive soft power ‘agents’, including frequent high-level visits, regular bi- and multilateral meetings, together with an efficient apparatus in the Ministry for Foreign Affairs in Beijing, in charge of a constant flow of information and coherent communication back and forth. In contrast to this highly successful ‘machinery’, having been built and continuously refined since the 1990s, for much of the same decade “the United States favored a policy of benign neglect towards Africa,” (Carmody – Owusu, 2007: 515). This changed with 9/11 which also brought along the “imperative [...] to find an alternative to Middle Eastern oil which was potentially at risk from so-called Muslim fundamentalism” (Nugent, 2004: 433). Since the first Clinton administration starting in 1993, Africa has been “important” for the US – exactly how much is something many experts have debated. The second Obama administration is “committed to Africa’s future” and “prioritized” Africa among the “top foreign policy concerns.” However, Nicolas van de Walle’s 2009 critical remarks do hold, as an “overall strategic framework for the region” still needs to be defined or

refined, together with sufficient and “significant organizational reform” in the administration to be able to “implement an effective strategy in Africa” (van de Walle, 2009: 18-19). This view was confirmed by the Center for Strategic and International Studies (CSIS) in Washington in its 2009 publication pointing out the “powerful legacy of the Bush era” in a number of domains and sectors, and suggesting to the Obama administration that to be successful “a strategic approach” will be required, and the administration “must give highest priority to selecting the very best, the most competent and respected policy leadership both in Washington and in U.S. missions in Africa” (Cooke – Morrison, 2009: 5). *The U.S. Strategy Toward Sub-Saharan Africa* document of June 14, 2012 intends to signal that the administration *has* a strategy needed for further steps.

To continue with our line of thoughts and be able to come to a summary of arguments, maybe it is better to reformulate our question posed in the title of this part of the study: instead of ‘chance’ perhaps we should ask if there is any *need* for cooperation? Who wants collaboration with the other on African soil bearing in mind the context of competition for agreements and contracts, and especially influence and presence? Is it China or rather the US that may wish to foster cooperation – perhaps in a triangular way, as the Japanese do, for instance in the case of the Nacala Corridor Project involving Brazil and Mozambique?

The word ‘competition’ in diplomatic rhetoric seems something to be avoided by both parties. However, former Secretary of State Hillary Clinton was strongly pointing out before the U.S. Senate Foreign Relations Committee that the United States is in “a competition for influence with China. Let’s put aside humanitarian, do-good side of what we believe in. Let’s just talk straight realpolitik. We are in competition with China.” As Matthew Pennington reported for the Associated Press on March 2, 2011, “Clinton [also] said that the U.S. would pursue »positive, cooperative, and comprehensive relationship,« and she welcomed China as a rising power” (Pennington, 2011). Some analysts in the US reject this approach. Morgan Roach, for instance, at the Heritage Foundation, said, “the Obama administration largely continued the Africa strategy of the past administration,” and stressed that “there is a common misperception that the US and China are in competition in Africa,” as that suggests “that they have the same interests.” “They don’t,” she stated firmly (Cheng – Tan, 2012). Others, such as Reginald Ntomba, were arguing for just the opposite, echoing what Mrs. Clinton said, namely that the US government did not

see “the Chinese interest as inherently incompatible” with the American interest. Ntomba underlines that the “real anxiety [for the US] is about economic supremacy.” The two powers are in a ‘fight’ (not competition) for such economic supremacy in Africa (Ntomba, 2011).

Given competition, which is intrinsically part of the system of power politics, the question arises: how to compete in a more creative way? Also, how to work together with your competitor? Hillary Clinton was clear about this, too: “We want to work more closely with China and other countries to make sure that, when we are engaged with Africa, we are doing it in a sustainable manner that will benefit the nations and people of Africa. And therefore we have begun a dialogue with China about its activities in Africa.” (Clinton quoted in Ntomba, 2011: 73)

There is no need to (over)emphasize how extensive strategic ambitions Beijing has for Africa – it is one of the most vivid phenomena in the global arena. Africa has become one of the focus areas of pragmatic Chinese foreign policy, opposed to which, as an editorial in *Allafrica.com* of January 16, 2013 points out, “US strategy for Africa has not changed as much as [newly-elected President Obama’s] rhetoric might have suggested” (*Allafrica.com*, 2013). Obviously, to stay fair in our analysis, former deputy assistant Secretary of State for African Affairs, Witney Schneidman got the point saying that “the environment Obama inherited – such as unwinding the wars in Afghanistan and Iraq and facing the worst financial situation since the Great Depression in the 1930s – mitigated against undertaking a lot of initiatives which were not first tier” (quoted in *Allafrica.com*, 2013). However, it still seems that Africa as a continent – an entity in political terms as a whole already for the European Union – has not grown in “weight” within the United States, as far as policies are concerned. China in the meantime has surpassed the US in trade terms, and “recently overtook America as the world’s largest net importer of oil” (*The Economist*, 2013) a huge part of which comes from Africa. But it is a myth to state that it is only about the natural resources that matter for China. “Sino-African links have broadened in the past years [and the] relationship is now almost as diverse as Africa itself.” (Ibid) Why the picture has been changing in such a dramatic way is not only to do with the “no-strings-attached policy” of the Chinese government when it comes to aid or any kind of assistance. China is less interested in the aid industry as policy approach, but rather focuses on business, which – if managed well enough, strategically speaking, on the African side – can be mutually productive. As Deborah

Brautigam underlines, first of all, the US needs to make an effort to get “behind the headlines and see what China is actually doing. [They] have six decades of experience with aid in Africa. They’ve spent time analyzing their own past failed aid projects, and they’ve come up with a different model of engagement, much of which does not actually involve official development aid” (Brautigam, 2011). This is the first step to be taken to be able to improve cooperation with China. This seems to be at least useful for the US, which has been “losing the economic ground” – “and not just to China” (Firsing, 2013). Other emerging actors, such as the other BRICS countries, and certainly Turkey and South Korea also push into the direction of a long-term refined American strategic approach toward Africa.

Can the US Also Launch a ‘Charm Offensive’?

The idea that the *president* pays a visit is undoubtedly an important element of any successful strategy toward Africa (or any other corner of the world) – be that the Chinese or the American first leader. The Chinese have been applying this ‘tool’ for decades in a very convincing way. The visit of President Obama at the end of June 2013 will be needed to catch up, and can turn out to affirm a re-emerging American engagement across the continent. It is definitely a “positive step in the right direction for America in Africa, [and] it is time for Obama to [...] set foot on the continent.” (Ibid) To be able to do this, the US can start thinking of how to develop innovative means of soft power to become more convincing. With her “economic miracle” “Beijing began to realize [at the right moment] that China has an image it can sell to the world. At the same time, America’s international image was slipping” (Kurlantzick, 2007: 32). Since the early 2000s China’s grand “charm strategy” has been decisively contributing to the country’s “Peaceful Rise” (Ibid: 37).

We can agree with Mearsheimer that “states seek to maximize their power” (Mearsheimer, 2006: 239), and we may argue that they do not only look for hard, but increasingly soft power strategies to become more sophisticated about how to behave more assertively in the system. It is always a privilege to meet the president of the United States, and we know that in diplomatic terms, an official lunch with the president is important; however, in such a competitive environment to dine with African leaders at the United Nations may not be sufficiently convincing. The presidential lunch held in September 2009 was “designed to broaden and expand the

vision for US partnership with the continent”, and was said to be a “start of a dialogue between [the first Obama] administration and African leaders.” (The Root, 2009) Then senior White House adviser for African Affairs Michelle Gavin said at a press briefing that the US was “trying to think about how to move this partnership forward and achieve some real transformation in terms of the nature of opportunity available to Africans.” (Ibid) A very intensive dialogue has been going on and managed basically on a daily basis on the Chinese side. FOCAC is not (only) a ‘diplomatic festival’, but rather a major soft power tool to maintain and develop Sino-African cooperation. China has done much more since 2000 to engage with Africa in a deep and continuous dialogue and in a Confucian pragmatic style has been achieving transformation all across Africa. How can the US catch up at all, especially when we talk about winning the ‘hearts and minds’ of the populations so that other policies are implemented?

The United States should also establish a summit, which it holds every three-four years. Japan has such a ‘tradition’ since the launch of TICAD in 1993, held every five years, India holds her Africa–India Forum, Singapore has her business summit with Africa, Turkey organizes the Turkey–Africa Cooperation Summit, and each and every emerging entity comes up with a similar method to “get hold of Africa”.⁷ Even Hungary, a middle-sized Central European country initiated such an event under the name “Budapest Africa Forum.” It may have been a one-time show, but worth an attempt to draw (more) attention to potentially competitive advantages of the host country. The United States has been lacking this foreign policy tool for a long time. Naturally, not only the event itself is important, but also what must come in the aftermath: follow-up meetings at ministerial/departmental level, civil society activities, business fora (for example, partnership building or investment opportunity workshops), and many more. The next (ninth in a row) biennial US–Africa Business Summit is scheduled between October 8 and 11, 2013 in Chicago, which is a good sign of commitment, but a strategic umbrella or framework is still desirable for long-term future purposes.

As part of this ‘charm offensive’ the range of activities can also be extended. Although China has taken enormous steps to come up with the best offer – in most of the cases as part of complex ‘packages’⁸ – the US “can compete with China in supporting higher education for Africans through scholarships and assistance to African universities. [America] can win friends at the grass roots by fulfilling [her]

promise to eliminate trade barriers [...], scale up legislative, technical and medical exchanges and support infrastructure projects where there would be direct benefit to Africa's poor" (Copson, 2006). In courting Africa these days by strengthening this soft 'package' of the strategy the US stands a better chance of regaining the momentum.

Conclusion

Perhaps, as Ferguson, the mastermind behind the concept, says, "the Chimeric era is drawing to a close," (Ferguson, 2010), and perhaps a new chapter of Sino-American relations is opening with the birth of a Pacific World Order (Mendis, 2013). The two actually seem to be closely connected. The Chinese in Africa are not worse than the Americans or the Europeans – they are different, and have a unique and seemingly highly successful approach toward the continent, which others, including the 'lonely superpower' can and should learn from. As managing director for Tata Africa, Raman Dhawan said in an interview, "the China model is appropriate because Africa needs investment" (quoted in Wonacott, 2011). The opportune moment for enhancing cooperation in Africa is there. Both the US and China needs a politically stable and economically reliable environment, and seeking more of this kind of stability can help achieve the goal of the 'collaborative project' (drawing upon Shinn, 2009). There are numerous areas for cooperation ranging from peacekeeping to agricultural development, climate change to the development of energy resources, to name but a few. What should be discussed and placed high on any potential joint agenda is that "the United States and China need to focus on identifying areas where they can [and really want to] cooperate in ways that will also benefit Africa. This is not part of the world where China and the United States find themselves in conflict or where competition should loom large in the relationship" (Shinn, 2009: 50). But, as Wickham underlines, "African nations would be wise to not let others have a heavy hand in defining what is in their best interest" (Wickham, 2013). African governments should stay mature enough in their decisions as to who to cooperate with, and for what purposes, for the sake of their own societies.

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³The Greek word *hegemon* means leader, paramount power, dominant actor. According to the realist 'hegemonic stability theory', "stability results not from a balance among the great powers, but from unipolarity, in which one state is clearly more powerful and able to act to ensure some degree of order in the system." (D'Anieri, 2010: 69) According to Huntington, the "hegemon in a unipolar system, lacking any major powers challenging it, is normally able to maintain its dominance [...] The United States would clearly prefer a unipolar system in which it would be the hegemon" (Huntington, 1999: 36). Mearsheimer, however, underlines that being the most powerful state in the world, the US is "not the only great power in the system, which is by definition what is necessary to have unipolarity or global hegemony." He thinks that "we live in a multipolar world that has three great powers – China, Russia, and the United States, the mightiest of them all." (Mearsheimer, 2006: 113) Today, there is a debate over if the US is a hegemonic superpower or not, or at least, a number of scholars still attribute hegemony to the US. I prefer Mearsheimer's stance on this.

⁴ Italics added by the author.

⁵ Acronym standing for the intercontinental group of Brazil, Russia, India, China and South Africa.

⁶ Italics added by the author.

⁷ Some American experts (for example, Scott Firsing – see in References) have already recognized the opportunity such an event may offer. However, not much of political discourse has been devoted to it – maybe because policy-makers do not think it is relevant for the US. At the time of writing this paper, the author has been conducting a series of interviews, and some questions he asks experts and scholars are focussed on the issue: "Can you imagine the relevance of an American-African Forum Summit, held every 3-4 years, similarly to Japan's TICAD, China's FOCAC? Does the US need such a diplomatic tool to strengthen its positions in Africa?"

⁸ See more about this from the interview made by Péter Galambos for origo.hu with the author on July 1, 2011: <http://www.origo.hu/gazdasag/hirek/20110701-kinai-magyar-gazdasagi-kapcsolatok-parhuzamok-az-afrikai-terjeszkedessel.html>

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The Sino – Venezuelan relationship at the beginning of the post-chávez era

Luca KARAFIÁTH

Abstract:

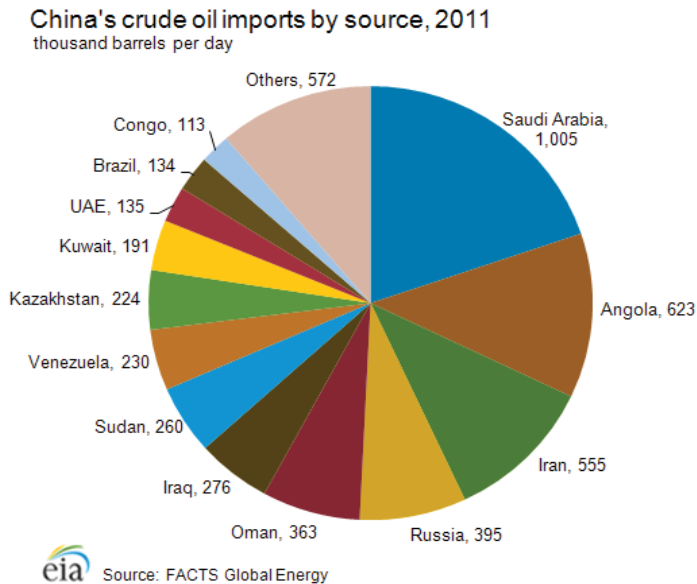
It has become clear in the past decade that the relationship between the People’s Republic of China and Venezuela has moved on from a formal diplomatic alliance towards a substantial strategic cooperation, as Venezuela has officially become one of China’s four “Strategic Partners” in Latin America¹. The strengthened economic ties have mutually benefitted both countries. For China, they resulted in an ensured access to Venezuela’s resources and markets, while Chinese investments were crucial for Venezuela to stabilize the populist regime’s position in the country. Accordingly, many analyses have been written in order to study the recently tightened relationship and its possible consequences on the two countries and the global economy. Nonetheless, all of these studies have been based on the assumption that Hugo Chávez’s unique form of hybrid regime in Venezuela will remain intact and continuous. The unexpected death of the charismatic leader and the turbulent transition of power leading to the victory of Nicolas Maduro have brought to the surface the multiple distortions of Venezuela’s political system, questioning its sustainability in the long term. This paper (1) briefly introduces the nature of the Sino-Venezuelan cooperation established during the Chávez regime, then (2) reveals the structural dysfunctions of the Venezuelan system that could undermine Maduro’s position in the fragile period of power transition, and finally (3) evaluates the probability of a systemic crisis in Venezuela through three possible scenarios and their expected effects on the two countries’ relationship. The three different scenarios are:

1. The state of affairs in Venezuela remains the same.
2. The Venezuelan government takes the path of further radicalization.
3. The Venezuelan government will be overthrown.

The dynamics of the Sino-Venezuelan relationship during Chávez:**The Chinese side:**

Since the end of the '70's China has been gradually integrated into the world economy, by now becoming the second largest economy in the world. While searching for non-traditional trading partners and political allies, China has turned towards Latin America, Venezuela in particular. Although the fact that the Chávez regime and the Chinese Communist Party share similar features in their political convictions might suggest that the reason for strengthened cooperation is of an ideological nature, indeed China's motivation for incentivizing the alliance is overwhelmingly pragmatic². During China's unprecedented economic boost in the last decades, it has become completely clear to the Chinese leadership that domestic resources will not be sufficient for sustaining the enormous economic expansion. Therefore, the search for economic allies with vast natural resources has become a priority in China's foreign policy³. It is therefore of no surprise that Venezuela, possessing the world's largest oil reserves,⁴ has drawn the attention of Chinese oil companies and investors. Consequently, from 1999 onward trade agreements and investment commitments have been radically increasing between the two countries. As a result, the two countries have signed more than 300 bilateral agreements and they have initiated over 80 major projects⁵. Evidently, China has been mainly focusing on the oil industry in the context of the Sino-Venezuelan relations, as in 1993 it became dependent on oil imports in order to keep pace with the rapid industrialization and technological development of its economy⁶. Chinese oil companies have been present in Venezuela since 1997⁷, and with the discovery of the extensive oil and natural gas reserves in the Orinoco Tar Belt, the number of joint ventures and other projects has multiplied and is expected to further increase. The US Geological Survey estimates that the Orinoco Tar Belt is underlain by a mean volume of 513 billion barrels of technically recoverable heavy oil⁸. China contributes to the extraction of Venezuelan oil in several different ways, from direct investments through oil-for-loan accords to joint ventures focusing on transport and refinement. In the Chinese province of Guangdong PetroChina Co. and Venezuela have started the construction of an \$8 billion refinery aimed mainly to process Venezuelan crude⁹. The reinforced trade between the two countries reached \$10 billion in 2009 and continues to steadily grow. Figure 1.1 shows that even though Venezuela is still lagging behind China's main oil

suppliers, such as Saudi Arabia or Iran, there has been a fivefold increase in oil deliveries within 6 years, from 39,000 bbl/d in 2005 to 230,000 bbl/d in 2011¹⁰.



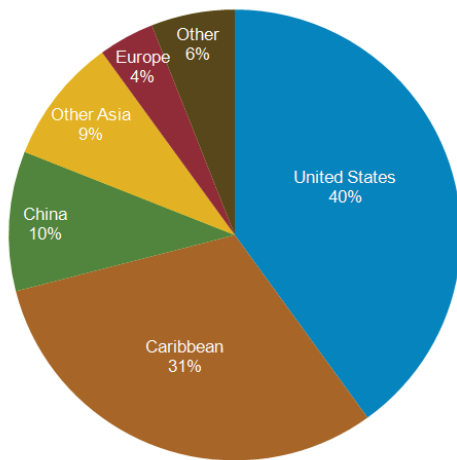
Apart from the oil agreements crucial to the Chinese economy, the significant market opportunities provided by the economic cooperation with Venezuela are also of high importance to China. In the fields of telecommunications, military goods and aircraft industry, the Venezuelan government under Chávez have conceded privileged positions and large subsidies to Chinese enterprises so that they could fill the gap left by the deterioration of the local manufacturing base. China's regional interest in Latin American markets, especially in the high value-added sectors, coincides with the intention of Venezuela to boost its non-oil trade between the members of the Bolivarian Alliance of the Americas (ALBA). In addition, Chinese companies have expanded their business into the service sector of Venezuela, including such infrastructural projects as the construction of 1159 kilometers of railroad by China Railway Engineering¹¹ and 2000 kilometers of fiber optic lines by Huawei¹²

The Venezuelan side:

When Hugo Chávez took office in 1999, he initiated a major reform program including radical economic and political changes. Chávez established a *hybrid regime*, that is, a political system with seemingly democratic institutions and norms – elections, division of power, etc. – which in

fact operates as an electoral autocracy, completely neglecting the principle of institutional checks and balances¹³. The so-called Bolivarian Revolution consolidating the power of the Chávez regime, while stemming from leftist ideology, has its unique characteristics, most importantly the intention to counter the United States' presence in Latin America and to drift away from western institutions. The term *chavismo* implies a certain kind of hybrid regime, with the main distinctive features being: the high representation of military personnel in the government and its related institutions, the outstandingly severe regulatory restrictions in the field of economic policy debilitating private business, and the already mentioned determination to decrease the country's dependence on the United States and to promote a quite radical anti-American political ideology across the region¹⁴. The political and economic transformation was only viable due to the broad electoral support, which can be understood through the lenses of populism. The powerful charisma of Chávez contributed enormously to the consolidation of the new regime and the feasibility of the reforms. The other main political instrument of the populist regime was the channeling of high incomes from oil into social policy programs, such as the Bolivarian Missions. The key factor in the growth and development of the Venezuelan economy, ensuring the extensive social policy, was undoubtedly oil. Venezuela owns the largest oil reserves in the world; however, production and export rates significantly declined during the Chávez regime¹⁵. Recent statistics show that Venezuela's petroleum export dropped by almost 50 percent, since peaking at 3.06 million bbl/d in 1997¹⁶. Nevertheless, the government could easily take on the role of the generous redistributor by taking total control over the country's national oil company, *Petróleos de Venezuela S.A. (PDVSA)* in 1992. In the name of *chavismo*, Venezuelan foreign policy concentrated on looking for alternative trading partners, other than the United States. Hence, China proved to be a perfect solution for the diversification of export markets. As figure 1.2 shows, by 2011 China absorbed 10% of Venezuelan oil exports, surpassed only by the Caribbean region and the United States¹⁷.

Venezuelan crude oil exports by destination (2011)



Source: U.S. Energy Information Administration, APEX, FACTS Global Energy, Global Trade Information Services

The tightened Sino-Venezuelan economic cooperation benefits Venezuela in numerous other ways. First, the huge amount of capital injections from China constitutes short-term funds indispensable for financing the revolutionary activities of the Chávez regime. With an estimated total of 1.359 \$ millions of FDI in 2011, China ranks as the seventh largest foreign investor in Venezuela¹⁸. Furthermore, the costly technology brought in by Chinese companies is essential for the extraction of Venezuela's own resources. In short, Chinese investments and joint projects in the country help the populist government maintain its electoral support and camouflage its deficiencies on a short-term basis. Nevertheless, the nature of the Sino-Venezuelan relations entails a high dependence of the Venezuelan leadership on China and an increasingly growing indebtedness, endangering the country's economic and political stability in the future.

Risks and Challenges for the new leadership:

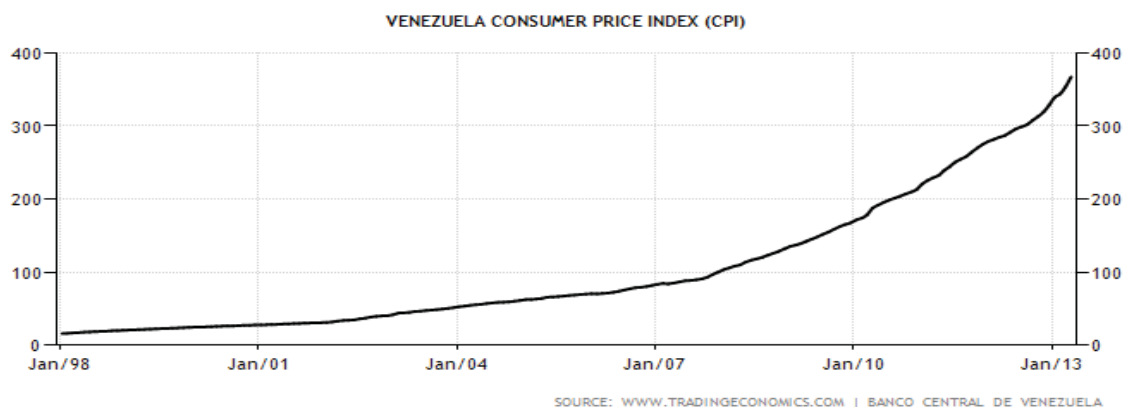
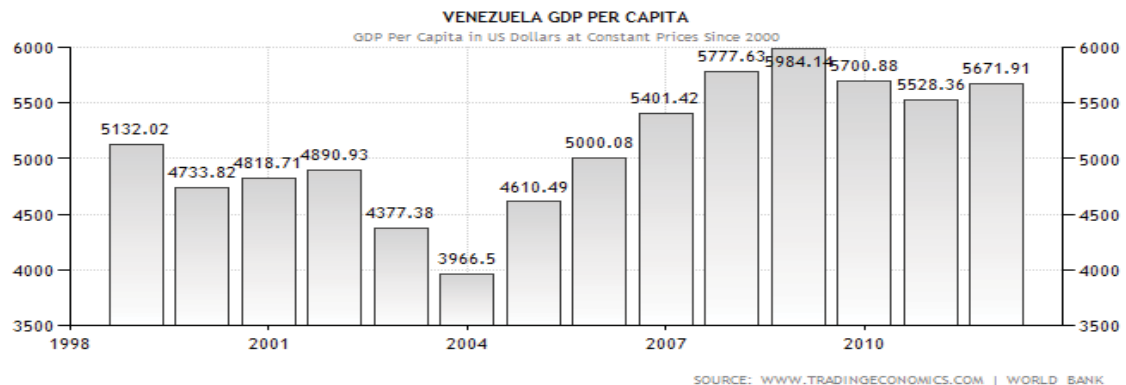
Destabilizing forces that Maduro will have to overcome in order to consolidate his power.

The balance established under Chávez can be easily offset in the turbulence of power transition combined with economic uncertainty and growing social discontent. The destabilizing factors, challenging the new leadership, derive from three different, although heavily interconnected fields: economic, social and political.

Economic:

The Venezuelan economy is suffering from a wide range of difficulties, from extreme poverty and inequality to one of the world's highest inflation rates¹⁹. While the Sino-Venezuelan bilateral agreements might bring great profits to a privileged group of people, the average population sees little benefit from Chinese investments. According to surveys conducted in 2011 by the Chilean non-profit organization Latinobarómetro, only 37% of the Venezuelan population thinks that the country has progressed over the last years, while 31% thinks that the redistribution of state revenues is righteous²⁰. The path of economic development chosen by the Chávez regime is inevitably leading towards a state of severe indebtedness and dependency, further deteriorating the situation. First of all, the country's overreliance on oil makes the whole economy exposed to the fluctuations in oil prices and causes the decline of essential economic sectors. The problem is stemming from the combination of the overreliance on oil and the strongly statist economic policy, including the fact that national oil production is controlled by the state-owned company *Petróleos de Venezuela S.A.* Consequently, when oil prices fall, the overall economy has to bear the negative consequences²¹. Second, the massive capital injections into the Venezuelan oil sector correspond to the expectation of similarly increased oil deliveries in the near future. The three main loans provided by the China Development Bank to the Venezuelan Heavy Investment Fund since 2007 include an \$8 billion agreement in June 2010²² and another \$20 billion contract signed in April 2010²³. The gradual decline of the oil industry and decreasing oil production, questioning the viability of future reimbursements, is one of the main challenges for the newly elected president to tackle²⁴. In order to secure the repayment of the Chinese loans, the economic policy pursued by the Chávez regime was disproportionally focused on the oil sector, while leaving other crucial economic sectors to decay. Some of the worst consequences of such a strongly biased economic strategy – amongst them the rising inflation and the crumbling infrastructure – have been transferred to the population. On top of that, electricity and food shortages have become more frequent, occasionally depriving thousands of people of their basic needs²⁵. The indebtedness towards China and the overreliance on oil are not the only aspects of the Sino-Venezuelan cooperation that contribute to the further decadence of the Venezuelan economy and the deepening social problems. The strong presence of Chinese companies in the high value-added sectors, especially in telecommunications, appliances, military supplies and the aircraft industry, together with their privileged market positions ensured by the Venezuelan government

further exacerbate the situation of local entrepreneurs. The ensured access to currency at favorable exchange rates, the direct subsidies and the promotion of certain items by Hugo Chávez himself are some of the instruments used to stimulate the purchase of Chinese products in the country. Furthermore, as a result of the policies pursued by Chávez, local manufacture in Venezuela has been almost completely wiped out, making the country dependent on imports of manufactured goods. The sharp rise in consumer prices stemming from increasing inflation combined with the exposure to import products affects negatively a substantial part of the population, questioning the credibility of the widely propagated economic indicators that show an increasing GDP rate and improving living standards since 1999²⁶. As the charts show below, the rising GDP per capita rates were accompanied by an exponentially increasing consumer price index²⁷.



Such economic strategy creates an impression that instead of providing support and impetus to national companies, the government prioritizes its strategic relations with Chinese businessmen, which is interpreted by many Venezuelans as “enriching Chinese companies instead of nationals” or as “selling out the country to the Chinese”²⁸.

Altogether, the overall perception of the Chinese presence in Venezuela is rather negative, therefore fueling the already rough sentiments of the opposition and its adherents towards the country's leadership.

Social:

Venezuela has outstandingly severe social problems, with a considerably high percentage of the population living in extreme poverty and one of the highest per capita homicide rates in the world being the most pressing issues. The high inequality amongst the country's population has engendered widespread aggression and a significant social tension. Although, the substantial decrease of poverty and unemployment rates under Chávez is an admittedly impressive achievement, a closer look to the actual data will prove that these improvements were counterbalanced by equally worsening social problems. According to calculations based on data from the World Bank, United Nations, US Department of Energy and the Venezuelan Violence Observatory, the percentage of the population above the poverty line has increased from 50.6% in 1999 to 70.5% in 2011, while the unemployment rate has fallen from 15.0% in 1999 to 8.6% in 2010. On the other hand, the homicide rate has radically increased from an initial 19.4 per 100 000 inhabitants in 1998 to an astonishing 73 per 100 000 inhabitants in 2010²⁹. With this figure, Venezuela ranks as one of the most violent countries of the western hemisphere³⁰. While widespread poverty and unemployment might be regarded as the principal social problem in most countries, the Venezuelan population has a distinct standpoint. According to the Latinobarometro surveys conducted in 2011, 82% of the population considers delinquency a more pressing issue than economic deficiencies, and 61% claims that elevated crime rates are the major problem of the country³¹. The main strategy of the Chávez regime to handle social threats was to camouflage economic inefficiencies and political distortions with high redistributions based on substantial profits from the oil industry³². One of the instruments of the populist regime to implement this type of social policy was the establishment of the Bolivarian Missions, a series of social programs operating in several fields from education to health care. The government's engagement in the Sino-Venezuelan bilateral agreements meant an ensured flow of capital from China that could be used to uninterruptedly pursue the extensive social policy. Apart from this, the high-visibility joint projects in the infrastructural sector served as symbolic initiatives asserting the regime's successful policies. Most importantly, both of China's main

telecommunication firms, Huawei and ZTE, have established cell phone manufacturing plants in Venezuela in 2009 and 2010³³, accompanied shortly by the Chinese appliance manufacturer, Haier³⁴. In addition, the two countries have signed an agreement in April 2010 ensuring that a new national airline, the “Línea Área Bolivariana Socialista”, would be financed with \$300 million by Chinese banks on the condition that the new aircrafts will be purchased from Chinese companies³⁵. Thus, the continuity of the economic cooperation with China is of crucial importance for the Venezuelan government in order to maintain its electoral support and legitimacy. Nevertheless, this populist “tactic” cannot be pursued forever, as the obvious dysfunctions of the unequal and imprudent economic policy and of the oppressive political system are becoming more and more visible, until they cannot be hidden anymore, not even by the fiercest populist rhetoric.

Political:

There is no need for better proof of the increasing dissatisfaction with the country’s leadership than the result of the disputed presidential election that has led to the victory of Nicolas Maduro. The outstandingly low margin of victory – 1.5% - clearly demonstrates how strongly polarized the Venezuelan population is. In the turbulent aftermath of the election, clashes broke out on the streets of Caracas and other parts of the country resulting in 7 casualties and at least 60 people injured³⁶. The considerable proportion of the Venezuelans demanding regime change and the establishment of more democratic institutions constitutes a great threat to the incumbent government. In addition, there are obvious signs of political factionalism and distrust within the government as can be concluded from the allegedly leaked recording between Chávez’s main propagandist, Mario Silva and a Cuban intelligence officer³⁷. It seems that the distorted political system infected by corruption and the discretionary decisions of the ruling party have provoked the indignation of the people, who have often been the victims of the government’s mismanagements. The growing discontent with the antidemocratic political behavior of the leadership and the unsustainable economic policies are fueled by a strong revulsion towards the Chinese presence in the country. Although, it appears to be highly unlikely that Venezuela would step on the path of democratic transition in the near future, the growing popularity of the opposition leader, Henrique Capriles, and the fact that democratic political culture is not at all

foreign to Venezuelan society, suggest that the probability of democratization is not a mere illusion. However, a deepening political turmoil and the loss of electoral support are more alerting threats to the leadership, especially in the fragile period of filling in the power vacuum left by the decease of Chávez.

The perspectives of the Sino-Venezuelan relations:

Depending on the outcome of the ongoing struggle for political power in Venezuela, there are three possible scenarios regarding the country's relationship with China and the future viability of the economic cooperation.

The status quo remains:

The most advantageous scenario for both countries is the one in which the political and economic system of Venezuela remains practically intact, in the name of preserving the Chávez legacy. For this, Maduro has to be able to efficiently tackle the destabilizing factors endangering the power transition process, while consolidating his political power and legitimacy. As a political leader, he has to gain trust and credibility by proving to be as charismatic as his predecessor. In order to do so, after managing the factionalism within his own government, he needs to ensure a firm electoral support while simultaneously weakening the opposition forces. Following in the footsteps of Chávez, he must make all efforts to complete one of the ultimate purposes of the Bolivarian Revolution, which is to isolate the country from the United States and instead make China the primary market of Venezuelan exports³⁸. Regarding the economy, the oil-centered economic strategy would be carried out without major changes so that the firm base of the revolutionary foreign policy remains ensured by the profit from Chinese investments. Thus, trade agreements and joint ventures would continue to increase in number, contributing to the further strengthening of the strategic cooperation between the two countries. As to the popular dissatisfaction and growing social tension, the ruling party would pursue the same populist tactic of high redistributions in the form of social programs and humanitarian aid. Undoubtedly, China would be highly pleased with this state of affairs, as oil deliveries would continue to flow into the country building a firm basis for the rapid economic expansion and industrialization, the main

priority of the Chinese government. However, even if despite all difficulties Maduro managed to stabilize the situation on the short term, the eventual collapse of the current system appears to be inevitable due to the “unsustainable cycle of indebtedness and dependency”³⁹.

The Venezuelan government takes the path of further radicalization:

Most likely, the several underlying controversies in the Venezuelan political system will engender some sort of alteration in the current status quo. The changes could point in two different directions: either the ruling party intends to consolidate its power through further radicalization, or the new leadership will be unable to sustain its position and will therefore be overthrown by strengthening opposition forces. In the former case, the political factionalism would be contested by further centralization of power in the hands of Maduro and his most loyal adherents. This would imply a reallocation of power positions within the government and the intensification of autocratic political measures so as to debilitate the opposition. Ensuring that all the key positions are occupied by loyalists of Maduro would facilitate the smoother functioning of the administration, while abolishing the last remains of democratic practices would undermine the power of social discontent. Hence, a shift from electoral autocracy towards unconcealed dictatorship based on the discretionary control over military forces could be a possible reaction to the present instability. As Anti-American ideology is one of the main causes of popularity of the regime, radicalization would be reflected not only in the internal affairs of the country but also in the rhetoric concerning foreign policy issues, implying an even more hostile attitude towards the United States and western institutions. China would probably take into account that strengthened ties with a country representing such a fierce anti-American rhetoric might have negative effects on its prioritized strategic relationship with the United States. The loss of trust of Chinese investors would have severe consequences for the Venezuelan regime, as it would negatively affect the inflow of capital, on which revolutionary activities are based. In addition, in case of a gravely deteriorating relationship with China, Venezuela would not even be capable of extracting its own natural resources. Hence, a much deeper crisis would become inevitable.

The Venezuelan government will be overthrown:

The other possible outcome of the uncertain power transition and political struggle is that the government of Maduro will be overthrown, which could be carried out in two different ways, either by the distrustful members of the cabinet or by the opposition forces. In the Latin-American region, coups d'état have a long tradition and they constitute a viable political instrument in regime change. According to the leaked recording, the national military forces – whose members had been designated to important political positions by Chávez – are now becoming divided and the control over them is slipping out of Maduro's hands. Therefore, if internal discord within the government continues to grow, it could easily reach the extent where the use of military power with the aim of executing a putsch becomes a feasible option. This would presumably provoke the development of a chaotic situation that could even escalate into a state of civil war in the country. The other possibility is that the opposition forces, led mainly by Henrique Capriles, manage to strengthen themselves enough in order to overthrow the chávista regime and take over control. A regime change without coercive elements would establish a firmer legitimacy for the new government. Nevertheless, due to the strongly polarized society, clashes amongst the supporters of Chávez and the opposition would probably be worsened by chaos and aggression. Although with a new right-wing government propagating democratic principles there would be major shifts in both the political and the economic attitude of the governance, the path to democratization would be a quite long and difficult one. Even taking into consideration that according to him, Capriles claims not to have the intention of changing the strategic relationship with China, the Sino-Venezuelan economic cooperation would be seriously endangered by the turbulence caused by the attempt of a democratic transition. The unpredictable and chaotic situation would definitely hinder the long-term investments made by Chinese companies. Consequently, it would be reasonable to expect the weakening of the economic cooperation. This scenario is the most unlikely and yet the most complicated one, given the fact that the democratization process would have to overcome more than a decade of autocratic practices and an ideology-based revolutionary foreign policy.

In short, any change in the current status quo would be contrary to the economic and political interests of both countries. Therefore, they are expected to make all efforts in order to preserve the present state of affairs.

Conclusion:

Since the first election of Chávez, Venezuela has been a country of controversies, radicalism and polarization. The peculiar hybrid regime, operating with autocratic practices regarding internal affairs while representing an aggressive anti-American rhetoric in its foreign policy, divided the Venezuelan population into two antagonistic blocks. The thriving of the Sino-Venezuelan bilateral agreements can be associated with the emergence of the new political ideology. By now, the strategic cooperation between China and Venezuela has become a crucial element of both countries' economic policy; however, the harmful effects of the prioritized Chinese investments in Venezuela have provoked strong dissatisfaction amongst its population. Nevertheless, the charismatic personality of General Hugo Chávez as the leader of the revolutionary movement was able to keep the system from falling apart. His decease and his succession by Nicolas Maduro, the former vice-president, struck the Venezuelan system and questioned its sustainability in the future. Maduro will hardly be capable of taking over the role of Chávez and overcome the destabilizing forces with the same efficiency. Apart from the already existing complications, he now has to face an increasingly popular opposition leader, Henrique Capriles, along with the gradual loss of his party's electoral support. Furthermore, according to a leaked recording, it is to be suspected that members of his own government have turned their back against him. The government, generating great tension amongst the population, has not yet solved the political turmoil caused by the possibly illegitimate presidential election and its repercussions in the Venezuelan society. The current situation might easily be interpreted by China as a phase of instability taking over the Venezuelan political system, which would constitute an immense threat to the Chinese investments and loans. Nevertheless, since both countries' leaderships are highly interested in preserving the strong economic cooperation with its main focus on the oil sector, they would most likely further enhance the tightening of the Sino-Venezuelan relations. If Venezuela will experience a transition process in the near future due to the highly polarized society and the growing social discontent from the supporters of the opposition, the consequences on the Sino-Venezuelan relations, and also on the world economy, would be determining. In any of the three scenarios detailed above, the long-term perspectives of the economic cooperation point to a dead end.

Either way the situation in Venezuela is going to become more and more unstable until the critical point where crisis is inevitable. Even if the status quo remains for now, it is only a matter of time until the bubble will burst and then China will find itself in the middle of an extremely complex situation.

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Aspects of Sino-Iranian relations

By Daniel Joos

Introduction

Sino-Iranian relations played a significant role in world history over the past two thousand years, either as points of origin or pillars of the cross-cultural trade along the old and the modern form of the Silk Road.

The energy agenda of the two countries are well-matched. The People's Republic of China, the new-old great power, has an insatiable hunger for energy to match its economic growth, this being its major motivation for involvement in the economic affairs of the Persian Gulf. The Islamic Republic of Iran, isolated by sanctions and crippled by an outdated infrastructure, has no choice but to sell its crude oil to a willing buyer.

Considering that neither of these two states can be called democracies, it is yet to be determined if the recent changes in government on both sides will affect their current relations. With the tensions and the sanctions over its nuclear program, Iran has decided to follow its own path, and the question of whether China will act to ease the tensions between the West and Iran remains open. Likewise, it remains to be seen whether the change of leadership in the People's Republic of China will cause any change in policies regarding China's policy toward Iran, the Gulf Region and the Middle East.

These important aspects, which provide the foundation of Sino-Iranian relations, are discussed below.

Historical ties between China and Iran

The first contact was made in 138-115 BC when Han China sought allies against the nomad tribes, commonly known as the Huns. Later, the key role of Persia in trade can be traced back as far as 166 AD, when the Chinese imperial diplomat, Hou Han Shu, first submitted a report about contact with the Emperor of Rome. He named the empire "Great China", as he found the Roman lifestyle to be similar to that of the Han Chinese. Through this report, we can understand how significant the role of the Parthian, and later the Sassanid (New Persian) Empires were in the interaction between China and the Western territories.

During the Arabian expansion, the key ally of Sassanid Persia was the new Chinese imperial dynasty, the Tang. Although Tang China did not actually send military aid to the Sassanid dynasty, the key forts and commercial checkpoints that were established throughout the Silk-Road created a basis for the relations that continued over the following centuries. Practical Chinese technologies, such as the early paper industry and the issuance of paper money, were hereby transferred to the West. In return, the Persians relayed the knowledge of classical – primarily Greek - mathematics, geometry, philosophy and medicine.

After the Islamic conquest of Sassanid Persia, Tang China offered asylum to the Sassanid prince and his court, and was able to retain a part of the former Persian empire, known as the Anxiⁱ Protectorate, where the famous four garrisons of Anxi were established to secure Chinese regional, political and economic interests.ⁱⁱ With this action, Tang China was able to maintain relations with the Persian population even after the Arabian conquest and thus kept a major part of Central-Asia under the Chinese sphere of influence. Aside from the trading partnerships, even Buddhist missions played a significant role during this time in cross-cultural development, which had settled on the remnants of the former Zoroastrian culture.

This transition era of Chinese influence ended with the defeat of the Tang Chinese forces at the battle of Talas in 751 by the forces of the Arabian Abbasid dynasty. Some historians refer to this confrontation as the first real clash of civilizations, because this battle determined the fate of the Central-Asian cultural traditions.ⁱⁱⁱ Although Central-Asia continues to exist under the Muslim cultural sphere, the Chinese historical ties with the region persist to this day.

The relations following the battle remained reasonably good and it remained that way even during the Arabian “Golden Age”. The cross-cultural trade along the Silk Road had become more active, regardless of the often rapid power shifts. Settlements appeared on both sides, which provided the significant cultural, commercial and technological exchange, fueling rapid advancement in the region.

During the 13th century, the Mongolian conquest erased the traditional sovereign empires in the region and established a unique, loose state between China to Europe. The Mongolian era signified important advancement to the region, because the trade routes of the Silk Road were relatively safe, thus further improving trade and interaction. From either direction, Persia formed a pillar, as it was a gateway to the Middle-East or Central-Asia.

After the Mongol era, Ming China's Grand Armada was led by the eunuch admiral, Zheng, who made several visits to Iran. A few decades later, the Ming court decided to burn the fleet and reduce foreign ties. The connections still remained along the Silk Road, even if the activity decreased for political reasons. By the 19th century, the majority of the world's precious metal flowed into Qing China. This economic process slowly started to drain the precious metal out of the Western, colonialist countries, leading to the Opium wars. Thereafter, the former Imperial China was reduced to a semi-colonial state and the so-called "Chinese cake"^{iv} was shared between various colonial powers until the Chinese revolution in 1911. Complete independence, however, was only gained after the foundation of the communist Chinese state, the People's Republic of China in 1949.

The Persian state also fell into a semi-colonial status after the Second World War, with American influence dominant until the Islamic revolution in 1979. Considering both countries' almost common colonial and post-colonial experiences and syndromes, they were able to find common ground to renew diplomatic relations in the 1980s.

Sino-Iranian relations during the Cold War

The cold war itself had a critical impact on Sino-Iranian relations. When the communist People's Liberation Army (PLA) won the civil war over the Kuomintang in 1949, the Iranian Shah, Mohamed Reza Pahlavi immediately cut ties with the newly founded People's Republic of China due to the extreme anti-communist sentiment and American influence. After the death of Stalin in 1953, however, the Shah immediately stepped in, backing the People's Republic of China in the face of emerging tensions between China and the Soviet Union and reestablishing diplomatic relations.

The increasingly aggressive secularization program of the Shah led to his overthrow in 1979 by the Muslim supporters of the Ayatollah Khomeini. The explicit anti-American stance of the new government and the subsequent hostage crisis resulted in a freezing out of Iran by the U.S. through a number of strict trade sanctions, which exist to this day. The U.S. ceased to become the supplier of weapons to Iran (notwithstanding "Irangate"), prohibited the purchase of crude oil from Iranian oil fields and froze Iranian assets held in foreign banks.

Although the relations with the PRC were still not very significant before the Islamic revolution, the Soviet-Iranian tensions dating back to WWII created common ground to

initiate the first steps of a greater cooperation in order to reduce the Soviet sphere of influence in Central and Eastern Asia. Once the Islamic revolution had overthrown the Shah, the relations between the two countries started to improve even though Islamist sentiment did not support the communist ideology. Regardless, the PRC did not interfere when the Islamic Republic hunted down the Iranian communist party, nor did the Islamic Republic interfere when the PRC army used violent measures against the Islamic minorities in China.^v

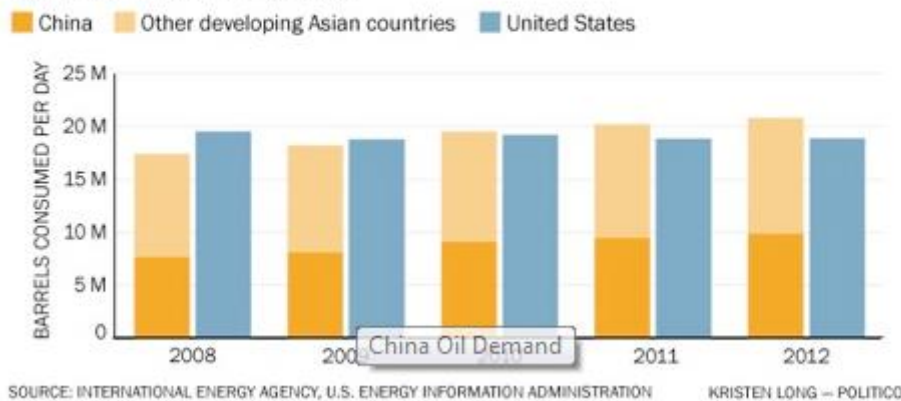
The relations between the two countries were based, first of all, on anti-Western sentiment. The economic and military ties had become closer during the Iraq-Iranian war of 1980-1988, when the PRC provided weapon shipments to Iran. In 1985, the bilateral negotiations had begun to restart the Iranian nuclear program, which had been interrupted by the revolution. Ironically, the PRC also provided weapons to Saddam Hussein's Iraq, as it wished to maintain an "open doors" doctrine, similar to that used by the Colonialist powers vis-a-vis both China and Japan during the 19th century. By the end of the war, the PRC declared its intention to play a major part in reconstruction of the Iranian economy. Obviously, the fact that the PRC had become a "pariah state" for a short time after the events of Tiananmen Square allowed the ties to grow even stronger.^{vi}

Chinese investments in the Iranian economy and energy sector

By the early 1990s, China ceased to be a net oil exporter as its economy expanded and began to rely on imported sources, creating a greater potential partnership with the Joint Commissions.^{vii} Iran, on the other hand, seemed to be the desperate provider, since it holds almost 7% of the world's fossil fuel sources and was economically isolated via sanctions. By 1993, China had already invested over 300 million dollars in the Iranian energy sector and by the beginning of the 21st century; the value of investments had increased to over 5 billion dollars.^{viii} Today, Iran is China's third largest energy provider, after Saudi Arabia and Angola.^{ix}

DEMAND FOR OIL

For the first time, more oil was consumed daily in 2010 by China and other developing Asian countries than by the United States.



Source: <http://www.instituteforenergyresearch.org/2012/04/05/china-oil-strategy-more-supply-low-prices-economic-growth/>

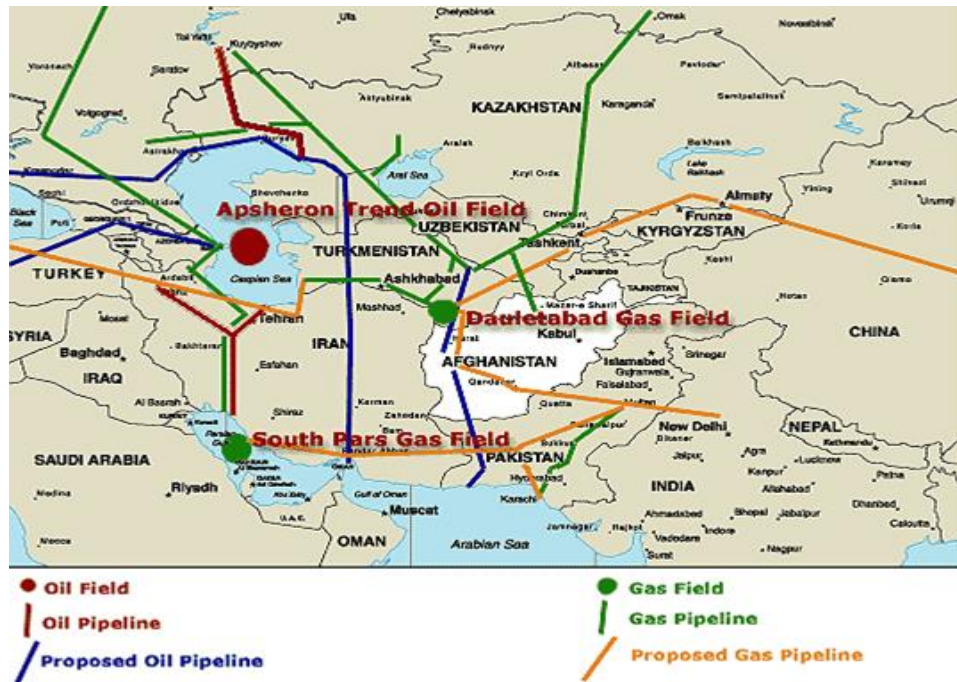
However, considering the reduced amount of domestic coal production, however, China is desperate to renew its infrastructure and to steer its economic development towards oil and natural gas. Also, considering the increasing consumption, the transition to new raw materials will be necessary to maintain reasonable economic growth.

China's involvement in Iranian infrastructural development is motivated by both short-term and long-term goals. In the short-term, this activity is linked to an opportunity to source oil and gas at a discount. In the long-term, China is positioning itself as a quasi-monopolistic buyer in Iran, in order to secure oil and gas sources for the future. To achieve this goal, further investments are crucial to modernize the crumbling infrastructure of the Shah era.

In 2004, a state-owned Chinese company, the Zhuai Zhengrong Corporation, bought 110 million tons of liquid natural gas from Iran as part of an investment-linked transaction. Similarly, Sinopec, another big state-owned energy corporation offered to invest in the Yadaravan oil field to increase crude oil production, in return for 150 thousand barrels of oil for 25 years.^x Further agreements were concluded with CNPC, the Chinese National Petrol Company since 2006, which made China Iran's main energy export destination, despite the sanctions imposed on the Islamic Republic. By the year 2010, as a result of further investments in the Iranian mining sector, bilateral trade had already reached 30 billion dollars in this sector alone, and is planned to increase to 100 billion dollars by 2016.^{xi}

China also has a major interest in building new pipelines through Kazakhstan to avoid the calculated risk of sea energy transportation in the event of a naval conflict in the Persian Gulf. Thus, in 2005, China concluded an agreement with PetroKazakhstan, a Canadian-owned

company to make the greatest foreign investment of the PRC, in order to establish a safe and stable pipeline between Iran and Western-China.^{xii}



Source: Maleki A, *Iran and China: Dialogue on Energy*

Like many of the developing countries whose economy is based mostly on crude material export, Iran lacked capability to refine its crude oil. Thus, paradoxically, 40 percent of its fuel needs came from import, which caused a dangerous dependency, considering the enacted sanctions. The Iranian government was desperate to increase its refining capacities throughout the country. In 2006, the National Iranian Oil Refining and Distribution Company (NIORDC) initiated an expansion attempt; however, the expansion had to be delayed due to the enacted sanctions. Iran sought Chinese aid, which was manifested in Sinopec's offer in 2009 to sign a memorandum of understanding with NIORDC.^{xiii} These attempts were apparently successful, since the Iranian government proclaimed in the summer of 2011 that Iran was then capable exporting fuel.

The economic cooperation between Iran and China, however, is not restricted strictly to energy resources but extends also to infrastructural developments throughout the country. These infrastructural developments are located in the Tehran area or along the main transportation lines around the country. An example of such an investment was the building of the Tehran metro system within six years between 2000 and 2006. Other investments, such as

water dams or long-range railroad systems, which might connect China with Turkey and thus to Europe are also among the possibilities.^{xiv}

Having considering the benefits of the mutual cooperation between China and Iran on a macro level, the cheap Chinese wares appearing on the Iranian markets cause problems for many Iranian merchants, as they can hardly compete with the low priced Chinese merchandise. The appearance of Chinese goods on Iranian markets has already drawn the attention of the Iranian media and some negative sentiment among the population.

Weapons and arms dealings

The newly founded Islamic Republic of Iran was cut off from Western, mostly American weapon shipments following the Islamic revolution. During the Iraq-Iranian war, it soon found itself lacking proper supply lines, especially as Iraq was directly armed by the Soviet Union. Iran is desperate to improve its military capabilities and China seems to have been a good partner since the 1980's. During the war, the Chinese leadership refused to interfere directly, finding it acceptable to sell weapons to the Islamic republic through resellers and dealers only. China's first contribution was a shipment of 200 HY-2 anti-ship missiles, commonly known as "Silkworms", through North-Korea in 1986.

After a few years, through reverse engineering and Chinese technological assistance, the Islamic Republic announced that the country possesses the capacity to produce missiles, similar in class to the "Silkworm" missiles, on its own. This is a very significant development, especially because any sort of Western-made military capability was almost certainly depleted during the almost decade-long war against Iraq.

During the 1990's, the dealings between the two countries increased rapidly. This extended to the sale of conventional weapons to the Islamic republic, as well as M11 and M9 class short- and mid-range ground-to-ground missiles. There were also several initiatives to sell C801 and C802 category of anti-ship missiles, which are capable of underwater launch. The PRC was subjected to intense pressure by the Clinton administration for violating the ILSA and the Iraq-Iran Non-proliferation Treaty. Chinese-US relations were already strained at that time due to the Chinese attitude on the matter of the Taiwan straits.^{xv}

The sanctions that were imposed during the first decade of the 21st century did not hamper Chinese involvement in improving the military capabilities of Iran. It is suspected that dealer states, such as Syria and North Korea, are continuing to provide the shipments. Sharp

criticism from the West is to be expected, especially if China is suspected of transferring far-range or even ballistic missile technology through rogue states, as defined by the US and the NATO member states. Similar reactions would be understandable if there would be evidence of the PRC's possible covert involvement in Iran's chemical weapon development.

The PRC and the Russian Federation offered an observer position to Iran in the Shanghai Cooperation Organization (SCO), which covers the major part of the Eurasian supercontinent. The SCO exists since 2001, but it had more of a symbolic value in keeping NATO influences out of the region. In 2005, along with Syria, Pakistan and India, the SCO decided to extend the invitation to Iran. In the case of Pakistan and India, a common membership in a regional organization would serve the purpose to initiate peace talks, while in the case of Syria, it was a means for the Russian navy to acquire a foothold in the Mediterranean Sea. Although it is the hope of the SCO to help ease tensions regarding the Iranian nuclear standpoint, others might only see it as an initiative to expand the sphere of influence of two great powers.^{xvi}

The nuclear issue

It is unclear to this day what exact former and current role China has in Iran's nuclear program, but many suspect that this role is very significant. Since Iran is such an important target country for China's energy needs, it is not known what other resources China makes available to Iran's leadership.

Although the exact date when cooperation began is not known, it is certain that China provided Iran with experimental reactors sometime during the Iran-Iraq war, in order to be able to commence its own experimental trials to split the uranium isotope. Cooperation continued into the 1990's, when several bilateral agreements were signed with the Islamic Republic of Iran.^{xvii}

The Chinese-Iranian programs were suspended due to pressure exerted by the Clinton administration with reference to the ILSA law of 1996, which sanctions all companies that provide Iran with any form of assistance in continuing its nuclear program.^{xviii} The only exception is the Russian designed Buseri atomic energy plant, since the Russians agreed to supply ready-made, enriched uranium to the power plant.^{xix}

Nevertheless, it is possible that China is continuing to support Iran's atomic program, since China had earlier stated that it does not recognize the sanctions and would rather place Iran's atomic program under the supervision of the Atomic Energy Commission. We must also take into consideration the fact that China never provided any guarantee to the Islamic Republic of Iran that it would exercise its veto right in the Security Council sessions; the simple reason is that China's trade with the US is almost 100 times that which it generates with Iran. Iran cannot, therefore, rely on receiving support from China before the UN. Nevertheless, the cooperation in the field of energy reduced the negative effect of the ILSA sanctions and China's presence in the region and its assistance to Iran are clear signals to Washington that it is capable of countering the will of the US and reducing American influence in the region.^{xx}

Conclusion

Sino-Iranian relations will continue in the future due to the important economic ties. The Islamic Republic of Iran will need China for its own economic survival, considering the amount of equity investment flowing into the country and the foreign support against the sanctions. Despite the theocratic system of the Islamic Republic of Iran, there is a chance for a change of policy in the future, due to the more liberal approach. In the case of the future cooperation the attitude of the Iranian population towards the Chinese investors might determine the future relations as well.

China will likely consider Iran one of its greatest investments, if not the greatest. There is also a high likelihood that China, due to its growing economic influence, will be able to establish an economic as well as a military foothold in the region. This is a realistic threat to the West and surely the United States will continue to initiate dialogue with the PRC. In order to convince China to reduce its presence in the region, the United States will most likely give up something from among its foreign policy priorities, such as the release of Taiwan from the American protecting influence. However, there is little chance that the PRC will give up its energy policy agenda in the region. In fact, further investments can be expected in Pakistan and probably in India to establish the new energy Silk Road.

ⁱ Anxi is the ancient Chinese name for the Parthian region.

ⁱⁱ This is based on the fact that the official name of the Anxi Protectorate was also known as the Grand Protectorate General to Pacify the West.

ⁱⁱⁱ William van Kemenade: Iran's relations with China and the West, Cooperation and confrontation in Asia; Netherlands institute for international relations, November 2009

^{iv} A French magazine, the *Le Petit Journal* named China the "Cake of Kings, Queens and Emperors" in 1898, symbolizing the colonial powers' and Japan's aim to divide China among themselves.

^v Brandon Gentry, *The Dragon and the Magi*, *The China and Eurasia Forum Quarterly*, Nov. 2005 p. 2-3

^{vi} Brandon Gentry, *The Dragon and the Magi*, *The China and Eurasia Forum Quarterly*, Nov. 2005 p. 4-5

^{vii} Brandon Gentry, *The Dragon and the Magi*, *The China and Eurasia Forum Quarterly*, Nov. 2005 p. 4

^{viii} Lounnias Djallil: China and the Iranian nuclear crisis, *European Journal of East Asian studies*, 2011/10 p. 11

^{ix} Scott Harold, Alireza Nadel, *China and Iran: Economic, political and military relations*, Rand Corporation: Center of Middle East and Public Policy, 2012 p. 39-40

^x Yu Guoqing, *The Focus: China and EU Energy Security: China's Foreign Energy Policy towards Iran*, International Institute of Asian Studies, Winter 2012, p. 27

^{xi} Scott Harold, Alireza Nadel, *China and Iran: Economic, political and military relations*, Rand Corporation: Center of Middle East and Public Policy, 2012 p. 24

^{xii} Brandon Gentry, *The Dragon and the Magi*, *The China and Eurasia Forum Quarterly*, Nov. 2005 p. 7

^{xiii} *China-Iran a limited partnership*, US-China Economy and Security Review Commission, October 2012 p 16

^{xiv} Fan Hongada, *China's Policy options towards Iran*, *Journal of Middle Eastern and Asia Studies (in Asia)* Vol. 5. No 1. 2011 p. 9

^{xv} Scott Harold, Alireza Nadel, *China and Iran: Economic, political and military relations*, Rand Corporation: Center of Middle East and Public Policy, 2012

^{xvi} Weitz R, *Growing Pains: The State of the Shanghai Cooperation Organization*, *The Journal of International Security Affairs*, Number 17, Fall, 2009, pp. 83-89

^{xvii} Scott Harold, Alireza Nadel, *China and Iran: Economic, political and military relations*, Rand Corporation: Center of Middle East and Public Policy, 2012 p. 22

^{xviii} Brandon Gentry, *The Dragon and the Magi*, *The China and Eurasia Forum Quarterly*, Nov. 2005 p 118

^{xix} Anthony H. Kordesman, Khalid R. Al-Rodhan: *Iran's Weapons of Mass Destruction: The Real and Potential Threat*, *Significant Issues Series Vol. 28/3* 2006

^{xx} Brandon Gentry, *The Dragon and the Magi*, *The China and Eurasia Forum Quarterly*, Nov. 2005 p 118