

The Future of America



As no.1
Superpower

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Preface

The United States of America is the most prominent nation in the world, arguably the most prominent in the history of mankind. Through modern technologies, American influence can cross any border and is present in virtually all corners of the planet. America is the wealthiest country with the largest, best equipped army. And under George W. Bush, America showed an unnerving willingness to use these assets as it pleased.

If a mainstream notion of 'superpower' would be applied, only America could pass as one. But America's power is not supreme, nor is it the only one on the international stage. And judging by recent developments, one would be tempted to conclude that America's power will not be everlasting either. Because currently, the most powerful nation in the world is confronted with not only the most severe economic crisis since the 1930's, but an extensive crisis of wavering trust and support of the international community in American leadership and values. In the meantime, the world is moving on.

This paper will focus on the main contemporary powers that dominate and shape our world. It will become clear that, in response to American dominance, rivaling nations use economic- and political power in order to serve their own intentions and to undermine America's position. Can the fast rising China challenge American hegemony? Or perhaps the European Union, wealthy and hungry for respect, will take on the role of hegemon. And what influence can America's former nemesis Russia still exert? In short, what is the future of America as no.1 superpower?



Chapter 1

Russia



1: Putin's New Russia

1.1: Introduction

Russia was America's main antagonist during a conflict that lasted for almost half a century. As the dominant and most prominent communist nation of the Soviet Union, Russia kept America in an almost continuous state of alert in the period from 1945 till 1991. Directly after Hitler's Germany was defeated in 1945, fundamental disagreements on how Europe should be divided and rebuilt split the modern world into two opposite halves, with America and Western Europe on one side, and the Soviet Union on the other. This prompted the former Western countries of the Allied forces to form the North Atlantic Alliance (NATO) in 1949, while in return the Soviet Union strengthened its grasp on Eastern Europe by creating the Warsaw Pact in 1955. Although American and Russian soldiers never directly fought each other during the Cold War, Soviet-occupied Eastern Europe was the stage for several armed conflicts: in 1948, Soviet forces initiated a coup d'état in Czechoslovakia, effectively taking over its government and underlining its status as a satellite state. In 1956, a popular uprising declared it wanted to separate Hungary from the Warsaw Pact. To end what is now called the Hungarian revolution, Soviet forces invaded the country. In 1968, twenty years after the Soviets intervened in Czechoslovakia, its government tried to loosen itself from the communist Union and announced there would be democratic elections that year, and possibly a withdrawal from the Warsaw Pact. Once again, the Soviet Red Army invaded the country to avoid such a breakup. In the meanwhile, the attempts of the U.S.A. to contain the influence of communism led to the disastrous Vietnam War. To further aggravate the situation, both sides were piling up nuclear weapons, each threatening to annihilate the other if provoked. The world was holding its breath.

Thanks to the efforts of Mikhail Gorbachev, the Soviet Union took a change of political direction in 1987, based on the principles of perestroika ("reconstruction", "reorganization") and glasnost ("openness"). In 1991 there came an end to the years of uncertainty with the symbolic breaking down of the Berlin wall. The economic resolve of the Soviet Union was at an end, while the United States of America went down in the history books as the victor. Along with the Berlin wall, the Soviet Union crumbled down: the fifteen Soviet republics declared independency, effectively dissolving the Union.

The point of starting a chapter on modern Russia by highlighting only fragments of a complex era is the fact that they share unnerving similarities with contemporary events involving the 'former' communist nation. The well-known and respected journalist Anna Politkovskaya was liquidated in front of her apartment in Moscow on October 7, 2006. She was a staunch critic of the Russian government. A few weeks later, on November 23, the ex-KGB agent Alexander Litvinenko died of radiation poisoning in a London hospital. He had openly criticized his former employer, and had accused the Russian government of killing Politkovskaya. Furthermore, as a result of economic and political clashes with Ukraine, Russia cut off the gas supply to Europe on several occasions. The latest incident in this series dates from January 1, 2009, which resulted in "18 European countries reporting major falls or cut-offs of their gas supplies from Russia transported through Ukraine."¹ It appears that modern Russia is not afraid to lash out at anyone or anything in their way. As a pronounced display of this 'new' attitude, Russian military troops invaded the country of Georgia in August 2008, after a squabble over Georgia's interference with the pro-Russian state Southern Ossetia escalated rapidly.

Except for general denouncement in the media and the role of French president Nicholas Sarkozy as negotiator in the Russia-Georgia war, these incidents invoked little or no collective response from the European Union. Russia appears to have forced itself back onto the international stage, under the leadership of Putin, a man worshipped and loved on a scale that reminds of the cult status Stalin used to enjoy. Which raises important questions such as: where does Russia stand now, and what are

its intentions? Is Russia reemerging as an incarnation of the superpower it once was? And can it, in its current form, pose a challenge to America and Europe once more?

1.2: A tsar is born

After the Cold War ended and the Soviet Union was dissolved in 1991, Boris Yeltsin became the first popularly elected president of Russia, or the Russian Federation; the world's largest country and with 142 million people, the ninth largest by population. Yeltsin promised to transform Russia's centrally planned economy into a free market economy, he initiated a price liberalization and turned former state owned assets into private companies. Institutions such as the media flourished and Russians enjoyed freedoms that were unthinkable a mere ten years earlier. However, Yeltsin was unable to bring prosperity to his people; inflation, corruption and crime proved to be disastrous, not only to Russia, but also to his reputation. By the time Yeltsin resigned his presidency, he only had an approval rate of 2%.² In his speech on New Year's Eve, December 31, 1999, Yeltsin announced his retirement after serving nearly two terms as Russia's first freely elected president. His vice-president, an unknown man named Vladimir Putin, automatically became president for the remainder of Yeltsin's term. After eight years of Yeltsin, the fifty year old former KGB-agent seemed like a welcome change: the unpopular, whimsical and often drunk old man replaced by a healthy, serious and sober man. Russia was intrigued with this new player, and thanks to Yeltsin's move, Putin got a head start for the 2000 elections which he won convincingly in March that year. It marked the beginning of a new chapter in Russia's turbulent history.

At first glance, it appears Putin succeeded where Yeltsin failed. According to Edward Lucas, who is the Central and East European correspondent of the *Economist*,

Russians have, in crude terms, become more than six times richer in the period between Mr. Putin's nomination as prime minister and the end of his second term as president in March 2008. GDP was projected to reach \$1.3 trillion by the end of 2007, 6.4 times higher than in 1999. That means more cash in the pockets of Russian people: when he became prime minister in August 1999 the average monthly wage was a pitiful \$65; in 2007 it passed \$540. Then nearly a third of the population lived below the poverty line; now the figure is only a sixth.³

And according to the International Monetary Fund (IMF), Russia's GDP grew up to 1.7 trillion by the end of 2008.⁴ Lucas also claims that "In international comparisons, Russia's economy no longer is a weakling. It was the world's twenty-second largest economy in 1999 and the eleventh largest in 2006; in 2008 it will be in ninth place, the IMF forecasts."⁵ It comes as no surprise that a man who brings wealth to his people is, in return, loved by them. As an article released by the Pew Research Center underlines, only weeks before the end of Putin's second term by the end of 2007, 86% of all Russians approved of his presidency.⁶ Although restricted by law to a maximum of two terms as president, it became clear Putin would not simply hand over his position as the most powerful man of Russia. He had already handpicked his successor, his loyal former chief of staff Dmitri Medvedev, and had reserved a spot for himself as prime minister. As the Pew report predicted, Putin's support to Medvedev pretty much turned the 2008 Russian presidential elections into a run race before it even started:

Recent results from a Yuri Levada survey also suggest that this nearly universal confidence in and approval of Putin may well transfer to Putin's chosen successor Medvedev. Just before Putin announced his choice, only 35% of likely voters indicated that they would vote for Medvedev for president (December 7-10, 2007); shortly after Putin's endorsement of Medvedev for president and Medvedev's announcement that it was of "utmost importance" to have Putin as head of government, support for Medvedev jumped to 79%.⁷

Putin did the right things at the right time, which ensured his popularity and strengthened his hold on Russia. A shining example of international recognition of his achievements is the 2007 election of Putin as TIME's person of the year. The accompanying article states that

When this intense and brooding KGB agent took over as President of Russia in 2000, he found a country on the verge of becoming a failed state. With dauntless persistence, a sharp vision of what Russia should become and a sense that he embodied the spirit of Mother Russia, Putin has put his country back on the map. And he intends to redraw it himself. Though he will step down as Russia's President in March, he will continue to lead his country as its Prime Minister and attempt to transform it into a new kind of nation, beholden to neither East nor West.⁸



Figure 1: Vladimir Putin, actual photograph as it appeared in the accompanying article of the TIME's Person of the Year 2007-edition.

TIME Magazine acknowledges that their selection of 'person of the year' has little to do with how much that person has improved the lives of others or how he or she made the world a better place. As TIME puts it:

TIME's Person of the Year is a clear-eyed recognition of the world as it is and of the most powerful individuals and forces shaping that world—for better or for worse.⁹

1.3: The new Cold War

Edward Lucas, Central and East European correspondent of the Economist, believes that Putin and his regime embody the 'for worse' part. Lucas is convinced that Russia has returned to old Soviet-practices

In short: the West is losing the New Cold War, while having barely noticed that it has started. Mr. Putin and his Kremlin allies have seized power in Russia, cast a dark shadow over the eastern half of the continent, and established formidable bridgeheads in the main Western countries. And the willingness to resist looks alarmingly feeble.¹⁰

With this passage, Lucas warns the reader of his book The New Cold War: How the Kremlin Menaces both Russia and the West of how Putin has taken over Russia, and has initiated a second Cold War. Lucas bases his theory on several key changes that Russia underwent during Putin's reign. One of the first signs of Russia returning to a Soviet-like state is Putin's attack on the freedom of the press. Directly after Putin came into office in 2000, he sought to eliminate all negative reporting on his persona and his policies. Putin's Kremlin has initiated a variety of methods to silence the opposition. For example, according to Washington Post staff writer Peter Baker,

Putin's Kremlin used a state-controlled company to take over the only [remaining] independent television network, NTV. When the ousted NTV journalists took over a different channel, TV-6, the state shut it down. When they tried again with a network called TVS, Putin's press minister yanked it off the air and replaced it with a sports channel.¹¹

Next to bluntly taking over media outlets and firing its critic staff members, the Kremlin does not shy away from other forms of intimidation. Take for example Viktor Shenderovich, who is the inventor of *Kukly*, a popular satirical puppet show. After getting fired by his employer NTV, he started a successful internet blog. In 2007, he received an intimidating visit from government prosecutors who warned him that he was 'inciting hatred'.¹² But not all 'warnings' are this gentle. As Edward Lucas points out: "The best informed journalists are at the greatest risk if they step out of line." He goes on to say that "Elena Tregubova, a journalist who covered the Kremlin intimately, published two gossipy books that included embarrassing portrayals of Mr Putin and his closest aides. She narrowly escaped assassination and moved to London in 2007."¹³ Others were not so lucky:

Another journalist, Ivan Safronov, was probably Russia's best-known reporter of military affairs: tenacious, scrupulous and well informed. A former colonel in the Strategic Rocket Forces, he had exposed the repeated failure of Russia's most important new missile, the Baluva, and was investigating corruption in the state-run arms export business. On 2 March 2007 he fell to his death from a window in his apartment block. The authorities speedily pronounced it a clear case of suicide.¹⁴

An additional victim is Vychaslav Ifanov, a cameraman at an independent TV station located in Siberia, died on 5 April 2007; his mutilated body was found in his garage. As Lucas points out, again, "the authorities pronounced it a suicide."¹⁵ The list goes on: Paul Klebnikov, an American reporter who ran the Russian-language edition of *Forbes* magazine, was shot in Moscow and eventually bled to death in a hospital because the emergency response was gravely inadequate.¹⁶ Yevgeny Gerasimenko, an investigative business reporter, was killed in his home in Saratov on 26 July, 2006. According to a report originally posted on the Russian news site *Mosnews.com* "His mother found the journalist with a plastic bag over his head and multiple bruises on his body."¹⁷ Curiously, the *Mosnews* website is now permanently "suspended for non-payment."¹⁸ According to Edward Lucas, "an unnamed homeless man was charged with the murder and the case has been closed."¹⁹ Ilya Zimin, who worked as a television journalist for NTV, was murdered on 26 February 2006 after "what appears to have been a violent struggle."²⁰ One of the most prominent names to have fallen victim to Putin's urge to control the media is Anna Politkovskaya, journalist, human rights activist and author of the book *Putin's Russia: Life in a Failing Democracy*. The book is very critical of Putin's presidency, the way he uses the FSB to establish a Soviet-style dictatorship and the manner in which he handled the war in Chechnya and its aftermath. Among the intimidations orchestrated by Putin's Kremlin, Politkovskaya was poisoned and hospitalized, after which she wrote an article for *The Guardian*, titled *Poisoned by Putin*. A telling passage reflects the current state of Russia's media:

We are hurtling back into a Soviet abyss, into an information vacuum that spells death from our own ignorance. All we have left is the internet, where information is still freely available. For the rest, if you want to go on working as a journalist, it's total servility to Putin. Otherwise, it can be death, the bullet, poison, or trial - whatever our special services, Putin's guard dogs, see fit.²¹

On 7 October 2006, she was shot and killed in her apartment building. The investigation that followed was unable to solve the case. Edward Lucas concludes from all these tragic events that

The message of all this is 'be quiet'. If you annoy the rich and powerful you face threats, beatings or death. Even when the Kremlin is not directly involved, its reaction to the persecution of journalists sends a clear message: if you offend the powerful, don't expect the law to protect you. In almost all cases, the investigation has been as fruitless and lackadaisical as it was in the Politkovskaya shooting.²²

In The New Cold War, Lucas grimly states that “Ultimately, bravery in the face of threats may be futile.”²³ From taking over complete companies to bluntly killing people, it is clear that the Russian authorities can and will take extreme measures to permanently silence critics and scare others into submission.

1.4: Oppression of the opposition

Manipulating the mass media is only part of a bigger scheme for control; with the Kremlin directly and indirectly controlling most of Russia’s TV stations, radio stations and newspapers, political opposition receives considerably less attention. Lucas explains the situation:

Opposition parties are allowed to exist, albeit on the fringes of the political system. They cannot demonstrate easily. They have no significant access to the media. In a free, law-governed country, the executive power is checked and balanced from all sides: by elected representatives, by the media, by public organizations and the judiciary. All these- almost everything that could constrain the power of the Kremlin – are broken or co-opted.²⁴

Lucas claims that the most fundamental political rights, free speech and free association of individuals, are under heavy attack as well. These are officially guaranteed law in the Russian constitution, and, as Lucas points out: “they flourished during the 1990’s.” However, he argues, “under Mr. Putin, they have shriveled.”²⁵ In fact, to intimidate the opposition, Putin uses loathsome KGB-tactics dating from the Soviet-era:

The most shocking form of repression is the forcible incarceration of critics in psychiatric hospitals. Along with the Gulag system of slave labour camps, the abuse of psychiatry was a hallmark of the Soviet system’s degradation and intimidation of its own people. Now it is creeping back. The authorities increasingly see dissent as a sign of impaired mental health: if most people are happy with their lives, and believe overwhelmingly Mr. Putin to be an almost godlike leader, surely only a mad person would challenge him – or, indeed, the system he heads?²⁶

Any person who openly criticizes the system and its advocates automatically puts him- or herself in danger. For example: Albert Imendayev, a politician and human rights activist in Cheboksary was planning to run in a local election in 2005. “But the day before he was due to register his candidacy, he was arrested and sent off to a psychiatric hospital for ‘evaluation’,” Edward Lucas claims. “By the time he was released, nine days later, it was too late to register.”²⁷ An article by the Los Angeles Times provides an explanation for Imendayev’s sudden arrest:

Imendayev's act of insanity was filing a series of legal complaints against local officials, police, prosecutors and judges, alleging corruption, violation of court procedures and cronyism — charges that are far from rare in today's Russia. The prosecutor, a frequent target of Imendayev's darts, called his behavior "paranoia."²⁸

Sentences vary and seem random, but merely walking along with a human rights rally (which is a rare event in contemporary Russia) is reason enough to have people taken into an asylum and keep them drugged up for weeks.²⁹ Lucas points out that “the legal framework that governs the use of psychiatry in law enforcement has been changed to a dangerous degree.”³⁰ When a case is evaluated or comes to court, only psychiatrists from a special state-recognized register are allowed to give expert testimony.³¹ Lucas argues that

The rights of those forcibly consigned to psychiatric hospitals have been reduced. FSB interrogations of those with unusual religious beliefs increasingly include the presence of

psychiatrists and involve medical-style questioning. The Moscow Helsinki Group, Russia's best-known human rights organisation, says 'everything is in place' for a return to Soviet-style punitive psychiatry.³²

The law is shaped and bent to suit the government's will; virtually all the changes and additions to the legislation proposed by either Putin or his aides are adopted and put into practice without resistance. Putin's law on 'extremism' is what Lucas calls "the most formidable weapon in the Kremlin's arsenal":

In a parody of the rule of law elsewhere, Russia is steadily expanding the legal basis for state violence. On 8 July 2006, the Duma passed a law criminalising extremism, including giving the president the authority secretly to order the FSB to assassinate 'extremists' at home and abroad. But what is an 'extremist'? It includes 'those causing mass disturbances, committing hooliganism or acts of vandalism'; creating and distributing 'extremist' material are criminal offences. So are 'slandering an official of the Russian Federation,' 'hampering the lawful activity of state organisations', and 'humiliating national pride'.³³

The label of 'extremist' effectively gives Putin a legal basis to arrest and convict anyone that dares to display deviant behavior. The law also applies to the media; if a media outlet is caught breaking the law, it gets a warning. If they violate the law on extremism for a second time, media outlets lose their license.³⁴ A new version of the law was adopted in 2007, which, according to Lucas, "cast the net even wider," adding crimes driven by 'political, ideological or social hatred'.³⁵ With a mixture of intimidation, manipulation of the law and brutal assassinations, Putin has successfully marginalized the opposing forces. Lucas underlines that

The most telling consequence of all this is not that Mr. Putin is so prominent, but that his rivals are out of sight. The presidential party United Russia (known as the party of power) is the only one that matters. It is a stripped down version of the Communist Party of the Soviet Union (CPSU), modified for the new conditions of sham political pluralism. Its camouflage suggests that power is flowing from the bottom up, yet the real aim is to transmit power downwards. Most senior officials belong to it. It wins almost every election it contests, but unlike the CPSU, whose 'leading role' was entrenched in the constitution, its power is guaranteed by informal and bureaucratic means.³⁶

Putin has established himself as the undisputed highest authority in Russia and, together with the Kremlin, practically controls the entire political apparatus. However, as a recent incident illustrates, their influence on critics is not restricted to Russia's borders: on 23 November 2006, Alexander Litvinenko died of radiation poisoning in a London hospital. Litvinenko was an officer who served in both the Soviet KGB and its Russian successor, the Federal Security Service (FSB)³⁷ and had fled to the United Kingdom in the year 2000, after repeatedly being arrested for openly criticizing his former employer and accusing the FSB of ordering the assassination of Russian tycoon Boris Berezovsky and staging terrorism acts such as the Russian apartment bombings in order to bring Putin to power. On 1 November Litvinenko met with two former KGB-agents. The same day he fell ill, and it was determined that he suffered from acute radiation syndrome, induced by the very rare element polonium-210, which is produced only in Russia. During his time in the hospital, Litvinenko accused Putin of poisoning him, and the incident prompted worldwide media coverage. Edward Lucas states in The New Cold War how Russia reacted:

The Kremlin did feel embarrassed enough to contest the allegation that it had ordered his killing. Instead, it pushed the opposite explanation: the poisoning was bad for Russia, so it must have been organized by Russia's enemies, with the most likely candidate being Mr.

Berezovsky. It stonewalled the investigation. They adopted a tactic familiar from the last Cold War: 'admit nothing, deny everything, make counter-allegations'.³⁸

The British government initiated an investigation, which traced the source of the poison back to a Russian nuclear power plant. Western media hinted at the involvement of the Russian government, for example, the BBC news reported that "a senior security official told Newsnight there were "very strong indications it was a state action."³⁹ In light of the investigation, the British authorities wanted to interview at least five Russians and submitted a formal request to the Russian Government for the extradition of the ex-KGB agent Andrei Lugovoi to the UK to face criminal charges relating to Litvinenko's murder.⁴⁰ Both requests were denied, and the case has never officially been solved. Edward Lucas claims that

The message from the Litvinenko affair is that Russia can get away with murder, metaphorically or even literally, and the response from the outside will be to play down the argument and hope for better relations soon. That reflects not only Western pusillanimity, but also the removal of the final strand of outside influence on Russia: money.⁴¹

1.5.1: A self-sufficient Russia

Another important development the Litvinenko murder underlined is the fact that Russia has become confident enough to defy international pleas and requests. The enormous amounts of money pouring into the former Soviet state is the main reason for its strong political backbone. The money comes mainly from the sale of gas and oil, whose prices are linked. Russia possesses the largest known natural gas reserves in the world, as well as the second largest coal reserves, and the eighth largest oil reserves. In The New Cold War, Edward Lucas elaborates on the scale of Russia's exports:

In 2006 Russia was the world's largest gas producer and only narrowly behind Saudi Arabia in oil production. Hydrocarbons account for around two-thirds of Russia's exports, half of government revenues and around a third of GDP. In all, Russia has earned \$700 billion in raw material exports in the past seven years. That creates a bulging war chest for politics at home and abroad.⁴²

With plenty of oil and gas to sell, and the demand for both reaching record heights, Russia has gone through a transformation:

When oil was at \$10 a barrel, Russia was pitifully weak. At \$75, it swaggers like a superpower. The crippling, humiliating debts that shackled the Yeltsin years have been paid off. Russia's books are not just balanced, they are bulging. Foreign companies are scrambling to open factories producing everything from cars to toothpaste. Even BP and Shell, whose prized gas fields were snatched by the Kremlin in 2007, are humbly hoping to be allowed to harvest at least some crumbs.⁴³

Russia's new found wealth means that outside economic pressure on the Kremlin has become minimal, it can now pay for all the public investment and spending that it wishes.⁴⁴ Lucas points out that, compared to the 1990's, the tables have been turned: "Where the West once tried to use its money to speed reform in Russia, the Kremlin now used its financial clout to subvert and weaken the political system of other countries."⁴⁵

1.5.2: Gazprom

Part of the reason why the Russian government is so powerful is because the revenues generated by the sale of gas and oil all flow directly to a massive conglomerate, the state-owned giant Gazprom.

As Valeri Panjoesjkin and Michail Zygar explain in their revealing work Gazprom: “Het in Rusland ontgonnen aardgas verwarmt de helft van de wereld. Het is altijd een wapen geweest, een gevaarlijk wapen.”⁴⁶ They point out that Europe has been connected to the Russian gas network since the 1970’s:

In 1970 ondertekenden bondskanselier Willy Brandt en Leonid Brezjnev het legendarische ‘Gas voor buizen’-akkoord: Duitsland leverde aan de Sovjet-Unie buizen van grote diameter en Ruhrgas kocht Sovjetaardgas. Op 1 oktober 1973 om 13:15 stroomde het eerste aardgas uit de USSR Europa binnen.⁴⁷

Most of the gas pipelines built with German pipes are still in use today. In 1989, the Soviet Ministry of Gas Industry transformed itself into a state controlled corporation, and Gazprom was born. However, when the Soviet Union was dissolved two years later in December 1991, Gazprom lost a large chunk of its assets:

Gazprom, dat meer dan 800 miljard kubieke meter aardgas per jaar ontgon en de eerste plaats ter wereld innam qua hoeveelheid ontgonnen aardgas, met een netwerk van aardgaspijpleidingen van 160.000 kilometer, als eigenaar van 350 verdeelstations, 270 verwerkende bedrijven, enkele duizenden boorputten en tientallen ondergrondse opslagplaatsen, verloor een derde van zijn pijpleidingen, een derde van zijn bronnen en een vierde van zijn verdeelstations. Maar- in tegenstelling tot de Sovjet-Unie en al zijn ministeries- bleef Gazprom voortbestaan.⁴⁸

Gazprom is often seen as the only constant factor in the turbulent years marking the end of the Soviet Union, but also during its aftermath: it was the ‘backbone’ of not only the Russian economy, but of Russia itself. After Boris Yeltsin came to power, his forced democratization suddenly exposed Russia to the workings of the free market, which took its toll on the already ravaged economy. As Panjoesjkin and Zygar state, Gazprom helped to keep the troubled country alive:

Op 2 Januari 1992 werd president Jeltsins decreet over de prijsliberalisering van kracht. Eigenlijk was Rusland toen een stap verwijderd van een hongersnood en een burgeroorlog. De economie werd wakker uit de coma, alhoewel ze nog verre van op de been was. Alleen voor de gasector, de oliesector en de energiesector bleven de prijzen gefixeerd. In feite sponsorde de gas- en oliesector de gezond wordende Russische economie, zoals een ziekte wordt genezen met voedzame injecties. De gas – en oliesector verdienden alleen aan exportcontracten, binnen het land leverden ze met verlies.⁴⁹

From 1985 until the Soviet Union ceased to exist, a man named Viktor Chernomyrdin was minister of Gas Industries, and after it took the form of Gazprom, acted as its chairman. He was an old friend of Yeltsin, who made Chernomyrdin his premier in 1992. Chernomyrdin thought of Gazprom as his ‘child’, and kept close ties with his former company while savoring his new found position of power. He was the Acting President of the Russian Federation for 23 hours on 6 November 1996, when Yeltsin was undergoing a heart operation. However, Chernomyrdin was relieved from his post in March 1998 by Yeltsin, who felt that Chernomyrdin acted too much as if he were the president of Russia. In the meanwhile at Gazprom, Chernomyrdin was succeeded by Rem Vjachirev, who actively diversified Gazprom’s activities, or as Panjoesjkin and Zygar put it:

De veteranen van de onderneming vertellen dat aardgas ontginnen het zwaarste en ondankbaarste beroep is van alle beroepen. Daarom beperkt Gazprom zich niet tot louter aardgas en verplaatst het zijn belangenhorizon verder en verder. Met het geld van Gazproms aardgas worden nu ook voetbalclubs aangekocht, elektriciteitsbedrijven, kranten, televisiezenders, pensioenfondsen, verzekeringsmaatschappijen, banken en vliegtuigmaatschappijen.⁵⁰

By the mid 1990s, Gazprom had become a Russian conglomerate of unprecedented size: it now owns and runs a wide variety of sub companies, and even constructs complete villages, inhabited and run entirely by Gazprom and its employees:

Zo heeft het dorpje Novozapoljarni geen burgemeester; iedereen is hier manager of medewerker van Gazprom. In Zapoljarni is Gazproms logo, de letter G in de vorm van een vlam, als het oog van *big brother* overal aanwezig. Gazprom staat hier op de straatposters en in de winkelvitruines, op de borden en lepels in de restaurants, het hotelmeubilair, de balpennen, aanstekers en het officiële briefpapier. De enige bank hier is Gazprombank. In Novozapoljarni heeft men spijt dat ze geen kerk hebben, zoals in het nabije Jamboerg, waar er een Gazpromkerk is.⁵¹

But then, in 1999, Vladimir Putin took the presidential seat after Yeltsin stepped down. According to Panjoesjkin and Zygar, there was little resistance when Putin ran for president in 2000: "Tegen de opvolger van Boris Jeltsin vocht alleen het televisiekanaal NTV, dat toebehoorde aan Gazprom."⁵² They claim that NTV was the most popular, the best and most respected T.V. broadcaster of Russia at the time; it hosted a wide range of politically critical shows.⁵³ The legend goes that during one of their first conversations, Putin snapped at Vjachirev:

"Wanneer gaat dat ophouden? Kunnen jullie NTV niet verplichten binnen de lijntjes te blijven?" vroeg Poetin aan Vjachirev. Het hoofd van Gazprom begon iets te vertellen over de vrijheid van meningsuiting. De blik van de waarnemend president werd zwaarder. "Jullie hebben een blokkerend aandelenpakket en kunnen niets doen? Kortom, als je hen niet op hun plaats zet, dan scheur ik je aan stukken."⁵⁴

Regardless of which words Putin used, it proved to be effective: in what many thought of as a 'favor' to the government, Rem Vjachirev helped to silence NTV. The founder of NTV and the man directly in charge, Vladimir Gusinsky, was arrested and incarcerated for three days, after which he too agreed to Putin's plans. Gusinsky was forced to hand over his stake in the NTV company to Gazprom, which promptly replaced most of its staff. Panjoesjkin and Zygar point out that, by forcing Gazprom to destroy its most important information weapon, the Kremlin was handed the opportunity to actively start rearranging Gazprom itself.⁵⁵ When Vjachirev's contract expired in 2001, he was replaced by Alexei Miller, an old schoolmate of Putin. Furthermore, Putin installed Dmitri Medvedev as the chairman of Gazprom's board of directors. No-one objects. Panjoesjkin and Zygar claim that this was the first major victory for Putin during his presidency:

Aan het hoofd van het grootste bedrijf van het land kwam een man die persoonlijk absoluut loyaal aan Poetin was. Een heel tijdperk kwam ten einde: het was immers Vjachirev die ooit trots had verklaard dat er zonder Gazprom van Rusland geen sprake zou zijn. Nu werden zowel Gazprom als Rusland vanuit een en hetzelfde kantoor gerund.⁵⁶

Soon after, the rest of the Gazprom-top was replaced with like-minded people, all favored by Putin himself. It was only a matter of time before Gazprom officially would become state-owned, which happened at the start of 2003.⁵⁷ To Tsjernomyrdin and Vjachirev, Gazprom has always been a company. To Putin, it is a weapon:

Onder Poetins leiding onderging de politiek van Gazprom tegenover Centraal-Azië een radicale verandering. Vjachirev en Tsjernomyrdin konden op hun gemak zeggen dat Rusland het kon doen zonder Turkmeens gas en wachten tot ‘de Turkmenen zelf kwamen aangekropen’. Voor hen was Gazprom business, hun persoonlijke business, en Turkmenistan was een concurrent die in het nauw moet worden gebracht. Voor het Gazprom van de Poetin-epoche werd Centraal-Azië een oefenterrein dat koste wat kost onder controle moest worden gebracht.⁵⁸

Under Putin, Gazprom wants to expand, it wants to absorb or eliminate its competitors. Gazprom wants all the gas. Period. It seems they are out to reclaim the assets lost after the Soviet Union dissolved and they bully competing companies into submitting to Gazprom’s will:

In December 2006 Royal Dutch Shell sold a majority stake of its share in the giant Sakhalin-2 gas project to Gazprom, after the Russian government sued it for \$30 billion in ‘environmental damages’. It received \$7.5 billion in a mixture of cash and shares, a lot less than the true value. The EBRD quietly walked away from the project. Yet Shell’s boss, Jeroen van der Veer, thanked Mr. Putin for solving the problem and said his company would continue to invest in Russia. Western energy companies are so desperate for a share – any share – of Russia’s hydrocarbon reserves that they will do anything rather than complain.⁵⁹

As mentioned, Gazprom has become the world’s main supplier of gas and, many EU-members are dependent on it. And as their money flows to Russia, other investments follow. Edward Lucas argues in The New Cold War that Europe’s dependence on Russia’s gas has put it at a disadvantage:

Western trade and investment in Russia has created a powerful pro-Kremlin lobby that distorts the outside view of what is happening inside the country. Every time the Kremlin shows its true face, foreign businesses lobby their governments not to ‘overreact’.⁶⁰



Figure 2: Existing and planned natural gas pipelines to Europe

Panjoesjkin and Zygar see the Russia-Ukraine gas-dispute of 2005/2006, in which Russia cut off the gas supply after Ukraine did not agree to newly proposed prices, as a sign of the Kremlin’s new strategy: “De gasoorlog tegen Oekraïne gold als voorbeeldmodel van een intelligent gevoerde campagne inzake buitenlandse politiek. En er werd

beslist om ook in de toekomst volgens dit patroon te handelen.”⁶¹ Russia wanted to show Europe how unreliable Ukraine and other so-called transit countries are. Due to ongoing economical and political struggles with Ukraine, it wants to bypass the country by building the ‘Nord-Stream’ pipeline, which will run from Russia across the Baltic Sea to Germany, without passing through any so-called transit country. Edward Lucas explains how beneficiary this strategy can be:

The advantage of gas-based diplomacy is that Russia does not actually need to do anything practical: the mere knowledge that it could do so increases its political and economic leverage. In fact, the Kremlin has already strongly increased its hold over Ukraine’s and Belarus’s pipelines by use of this approach. Even before a drop of gas flows through Nord Stream, the effect of its construction on the politics of land-based gas transit may have rendered it unnecessary.⁶²

Nord-Stream is an expensive project to Russia, and it appears to be more of a political tool to undermine the position of Belarus and Ukraine. However, their strategy to punish Ukraine by cutting off its gas supply backfired momentarily; when the gas stopped flowing, it awakened many Europeans:

Toen Gazprom in de oudejaarsnacht het gas naar Oekraïne dichtdraaide, dachten de Europeanen eerst en vooral dat het hun wel eens net als de Oekrainers zou kunnen vergaan. De Europese verbruikers realiseerden zich hoezeer zij afhankelijk waren van de Russische gasleveringen. In Duitsland bedroeg het volume van geïmporteerd Russisch gas 40 procent van het algemene verbruik, in Italië en Frankrijk 25 procent, in Oostenrijk 75 procent, in Slowakije en Bulgarije 90 procent en in Finland bedroeg het zelfs 100 procent!⁶³

Russia wanted to start with the project in September 2005, but, partially thanks to the incident with Ukraine, met with fierce resistance from all over Europe. As Panjoesjkin and Zygar put it: "Binnen enkele maanden tijd werd Gazprom de schrik van heel Europa."⁶⁴ According to them, Europe lost its confidence in Gazprom due to the incident.⁶⁵ It is no surprise that Gazprom wants to build the pipeline directly to Germany, a prime example of how far Gazprom’s tentacles reach into Europe is former Chancellor of Germany Gerard Schroeder. During his time in office (1998-2005), Schroeder revealed himself as pro-Russia, became close friends with Putin and even called him a ‘flawless democrat’ in an official statement. He was strong advocate of the Nord-Stream pipeline project and, withstanding all critics, signed an agreement with Russia to build it, merely two weeks before the German Parliamentary elections. After Schroeder was succeeded by Angela Merkel, he promptly was nominated for the post of the head of the shareholders' committee of Nord Stream AG (owned for 51% by Gazprom). Schroeder accepted and also became Nord Stream AG’s spokesperson.⁶⁶ Immediately Schroeder was perceived as a sell-out, a prime example of how Gazprom, and thus Russia, could directly influence even the most powerful man of a prominent EU-member such as Germany. Angela Merkel was less taken in by Russia and its Gazprom; she declined several additional proposals put forth by the Russian conglomerate. However, as Edward Lucas says,

For all Ms Merkel’s efforts, the fact remains that Russia has unparalleled influence in Germany, which seems to survive even a sharp change of political tone at the top. That Germany after 2012 will be importing two-thirds of its gas from Russia has rung not alarm bells but a dinner bell. Gas companies in other countries are scrambling not to be left behind.

Gasunie of the Netherlands, for example, has bought a 9 per cent stake in Nord Stream. In return it is offering Gazprom a share in an undersea pipeline to Britain.⁶⁷

The Nord-Stream pipeline will greatly increase the potential of gas as a weapon, as more of it will be pumped directly into Europe, with the main valve being in the hands of the Kremlin. Europe does have plans for an alternative in the form of 'Nabucco', a pipeline that does not rely on Russia in any way. "Supposedly to be completed in 2012, the project would bring a planned 30 billion m³ of gas to Europe from four possible sources: Iraq, Iran, Azerbaijan and Central Asia" Lucas explains, "Crucially, it does this by running across Turkey and the Balkans, not Russia."⁶⁸ However, Lucas continues by stating that "If Nord Stream demonstrates Russia's ability to push its pet pipeline forward, the story of the other important pipeline, Nabucco, demonstrates Europe's inability to do the same."⁶⁹ The Nabucco project faces many difficulties: Iraq is unstable, Iran is politically hostile, Turkey wants to join the EU in return, and Russia can simply make nations such as Azerbaijan reject the European plans, by either tempting them with other deals or simply by applying pressure. According to Lucas, Russia will do whatever it takes to prevent the Nabucco project from becoming reality:

The Kremlin wants to prevent European countries diversifying their sources of energy supply, particularly in gas. It wants to strengthen its hold over the international gas market. It wants to acquire 'downstream assets' – distribution and storage capability – in Western countries. And it wants to use those assets to exert political pressure.⁷⁰

It has become clear that under Putin, Gazprom's and Russia's interests are increasingly overlapping, Gazprom is the motor behind Russia's revival, it gives the Kremlin political leverage: in many aspects, Gazprom and Russia are indeed one and the same. Panjoesjkin and Zygar describe the logic behind the plans for the construction of Gazprom Tower, a massive new skyscraper destined to become Europe's tallest building:

Het is dom om te vragen waarom Gazprom in Sint-Petersburg een enorm kantoorgebouw bouwt, de roemruchtige Gazprom toren waartegen alle intellectuelen van Sint-Petersburg te hoop lopen. Hoezo, waarom? Omdat in het centrum van het land een toren moet staan. In Groot-Brittannië is dat de Big Ben, in Frankrijk de Eiffeltoren, in Amerika de Twin Towers, God hebbe hun ziel. In Gazpromland wordt dat een enorme toren aan de Ochta, een zijrivier van de Neva, een rivier die door Sint-Petersburg stroomt.⁷¹



Figure 3: Gazprom's official company logo



Figure 4: A late stage architect's impression of Gazprom Tower,

In compliance with this line of thought, the Russian Parliament approved of a law that allows Gazprom to equip its security service with firearms, because like a real country, it needs to protect its national heritage; gas.⁷²

1.5.3: Continuation

On 2 March 2008, the influence and might of both Putin and Gazprom were firmly underlined when Dmitri Medvedev was elected president with 71.25% of the popular vote.⁷³ Medvedev had served Putin as First Deputy Prime Minister since November 2005, while at the same time he had held the position of Chairman of Gazprom's board of directors. Panjoesjkin and Zygar illustrate how the international community reacted: "Duizenden politieke analytici in alle landen van de wereld kregen de indruk dat Gazprom de Russische staat helemaal onder zich had geplooid, of dat de Russische staat één was geworden met Gazprom."⁷⁴ Russia currently has the upper hand in gas-related dealings, without Europe fully realizing its consequences and potential as a weapon. But, Lucas argues, Europe can still turn the tide:

For now at least, the EU countries have a strong potential hold on Russia. They need it as a supplier, but it needs them as customers. The success of the Kremlin divide-and-rule policy has prevented the latter factor having much importance, but it is certainly there if the EU chooses to act on it. In the future though, that will change. Europe will still need gas, but Gazprom will have lots of places to sell it to.⁷⁵

If Europe does not act soon by either putting pressure on Russia to cease its current strategy or by diversifying its own gas suppliers, it will become more dependent on the goodwill of the Kremlin. The demand for gas is expected to get only higher, in Europe, as well as China and other upcoming central Asian nations. As Lucas puts it: "The biggest question for Europe in the coming decade is likely to be how to deal with a Russia that is short of gas, and that has an increasing number of outside customers to sell it to."⁷⁶

1.6: Life in New Russia

To understand how Putin can take over Russia's largest and most profitable corporation, oppress the media and political opposition, rig elections and still retain his god-like popularity, it is imperative to take a closer look at life in contemporary Russia. In The New Cold War, Edward Lucas brings up an important point:

For all his attacks on other freedoms, Mr. Putin has preserved the ones that the 'new Russians' care about. More than ever before Russians can plan their lives: they can save, educate themselves, travel and bring up their children as they like; they can buy anything they can afford; own property at home or abroad; worship (mostly) as they wish; read almost anything they like; live according to their sexual preference (if not always publicly). Though they lack the freedom to choose their elected representatives, to organise publicly to influence their government, or to change their political systems, never in Russian history have so many Russians lived so well and so freely. That is a proud boast, and one that even those who dislike Russia's current path must honestly acknowledge.⁷⁷

Thanks to Russia's new status as 'energy superpower', Western energy companies are struggling to get a piece of the action, and all the generated attention is attracting investors from all over the world. The money pouring in has already made a profound impact on the country's demographics; a mere twenty years ago there was no such thing as a 'Russian middle class':

The Kremlin reckons that what it calls the 'middle class' (those earning a salary of \$900-\$1100) will make up 35 per cent of Russia's population by 2010. That is up from 20 per cent in 2006, and from only 16.5 per cent who identified themselves in this category in 2003.⁷⁸

It seems that people from all backgrounds benefit from Russia's new found wealth. Edward Lucas supports this argument by stating that "while the middle class gets richer, the workers are not doing badly either." Because, he says, "Not only has real disposable income doubled; unemployment, the great curse of Russia in the first fifteen years of transition, is down to a largely fictitious 7 per cent."⁷⁹ As a matter of fact, Lucas maintains, employers complain of labor shortages: "It is no exaggeration to say that any Russian who is not a drunkard (and some who are) can find work."⁸⁰ Russians now have unlimited access to basically all Western goods and commodities we are so accustomed to. And the prospects for the future are generally positive: for example, according to the accountancy firm PricewaterhouseCoopers (PwC), Russia will grow to become Europe's largest car market by 2011, with sales amounting to \$96 billion.⁸¹ Lucas points out that under Putin, the economy has grown month by month for more than seven years.⁸² These results are all that the Russians seem to care about: "Few ask how Mr Putin would have fared had he taken over the ruined Soviet economy and low oil prices, or how much better Yeltsin would have looked had he taken charge of Russia ten years later."⁸³

However, Lucas claims that despite the economic advancement, Russia is still a tough place to live: "in the UN Human Development Index it was in sixty-fifth place out of 177 countries examined in 2006, one place below Libya. Since 1991, almost ten million people have left the country." Lucas observes that "Stealthy renationalization has been one of the sharpest economic trends in Mr. Putin's second term."⁸⁴ It currently holds 39 per cent of the voting shares in Russia's twenty largest companies, up from 11 per cent in 2004. According to Lucas, if the owners do not sell their shares at the price set by the Kremlin, they simply have them taken. In effect, he argues, "the economy is still remarkably state-dominated and inefficient."⁸⁵ Furthermore, more than three-quarters of property in Russia (primarily land) belongs to the state. And although there is plenty of work available, "Seventy per cent of agricultural workers earn below the legal minimum (meaning that they work, in effect, as subsistence farmers)." The new Russian middle class might earn more money than ever before, it is easiest to belong to that portion of the populace when one is single and without children to raise. Because, as Lucas says, families "are more dependent on Russia's abysmal public services, and exposed to the colossal price inflation of the housing market."⁸⁶ But the sharpest sign of Russia's underlying weakness is that

Decades of misgovernment have given the country one of the worst demographic profiles in the developed world, with just about the fastest-ageing population in Europe. For every 1,000 Russians there are 16 deaths and just 10.6 births. In the next decade, Russia's population will be shrinking by almost a million a year; at current rates, the UN says, it could have fallen by a third in 2050.⁸⁷

"The most glaring demographic problem," Lucas argues, "is not the birth rate, but the extraordinarily high death rate, especially among men of working age – the twenty-second worst in the whole world."⁸⁸ It undoubtedly has something to do with the average Russian male's notorious lust for alcohol, the general lack of safety rules in working places, and the fact that "Russia has the worst healthcare in the industrialized world."⁸⁹

1.7: Corruption & Bribes

Contemporary Russia is also weighed down by a massive bureaucracy, which itself is plagued by corruption. In theory, the Russian people can elect representatives by voting for their party as part of

the parliamentary elections, such as the one held in 2007. It was won by Putin's party. As a report by the BBC News states: "The prominent opposition activist and former chess world champion Garry Kasparov described the election as "the most unfair and dirtiest in the whole history of modern Russia."⁹⁰ Independent foreign observers have also labeled the 2007 parliamentary elections as 'unfair'. Ever since Putin came to power, the practice has been that the entire workforce of Russia's legislature is appointed and approved by the Kremlin. In return, all government officials will do whatever they are told to do by the Kremlin. "Their task is to look enough like a parliament to maintain the pretence that Russia is run by a legislature with real power," Lucas asserts, "Every law that the Kremlin backs gets through parliament. Nothing it dislikes stands a chance."⁹¹ Russia's government lacks the checks and balances of a proper democracy, there are no independent government organs to keep the 'democratically elected' officials in line. The Russian system is the perfect breeding ground for corruption:

Duma deputies' main interest is in their lavishly subsidised perks and in the enormous opportunities for bribes. These exist because Russian officialdom extorts predatory rents from every bit of human activity from birth to death, via imports, exports, taxes and endless government inspections. The prosecutor-general recently estimated the total annual bribes paid at \$240 billion a year – around the same size as the national budget.⁹²

Corruption has spread to every branch of the government, and as demonstrated in the context of political opposition, Putin's Kremlin has a firm grip on the justice system. Lucas states that

Russian courts may offer a fair trial, but only in cases where nobody powerful has an interest. Otherwise they just rubber-stamp the authorities' verdict. The problem is not just dishonest judges and pushy bureaucrats; it starts at the top. So long as the Kremlin itself is above the law, justice for anyone else is just a pretence.⁹³

1.8: The burdens of an energy superpower

For all its appearances and despite the claims often made by Putin, Russia is not a democracy, and Russian capitalism is not Western capitalism:

Connections matter more, and laws matter less. Improvements have been infuriatingly slow and patchy. Many of the promises of Mr. Putin's first term have not been fulfilled. Public services are still dreadful, especially in rural areas. More out of fear than generosity, the governments have only trimmed the country's sprawling and inefficient networks of social benefits, such as subsidized housing. Small businesses are still waiting for their 'one-stop-shop'. Interaction with the legal system threatens normal life, rather than safeguarding it.⁹⁴

Furthermore, its economy is far from innovative, its main export goods are raw materials, gas and oil, which rely on an ancient distribution network dating from the Soviet days. The foreign companies that invest in Russia do so for its domestic market, not to manufacture goods for export. Lucas explains that because of the bureaucracy and the appallingly bad transport system, the costs would be too high. He continues by stating:

That is in sharp contrast to the other big emerging economies: China, Brazil and India. They are the workshops of the world, whereas Russia has yet to find a niche in any manufacturing export industry beyond weapons and aviation, both of which benefit from the investment and brainpower of the Soviet era.⁹⁵

During his first term as president, Putin did initiate several big projects, for example, to improve the infrastructure. "Chronic inefficiency and waste mean that big projects suffer from the same slowness

and cost overruns as their Soviet predecessors did.” Lucas says. In theory, he acknowledges, Russia’s economy undoubtedly has great potential. “But as long as it is subject to the greedy and incompetent interference of the Kremlin, it will not achieve it.”⁹⁶ In 2009, with an economic crisis plaguing nations all around the globe, the vulnerability of Russia’s economy is painfully visible. An economy based on exporting gas, the price of which is linked to that of oil, works fine as long as the demand for the latter stays high, thus driving its value up. Lucas illustrates how Putin came to power at just the right time:

The oil price when he became prime minister was a mere \$18 per barrel, a price at which much of Russia’s oil production is barely profitable, or outright loss-making. By late 2007 it was nearing \$100. Russia’s oil revenues have risen more than sixfold from 1999, when Mr. Putin became president, from \$30 billion then to more than \$180 billion in 2006.⁹⁷

However, the economic crisis has dampened the price of oil, which immediately takes its toll on the Russian economy: the International Monetary Fund predicts Russia’s GDP will shrink by 6.5% over 2009.⁹⁸ On March 16, 2006, the Carnegie Endowment for International Peace hosted a meeting entitled *How Sustainable is Russia’s Future as an Energy Superpower?* During his presentation, Vladimir Milov, of the Institute for Energy Policy, called Putin and his Kremlin ‘opportunists’, claiming they lack vision and a proper strategy. They put all their faith in Gazprom, without properly investing in the development of new gas fields, or in the development of the economy in general:

Not only will the Kremlin plan ultimately fail, but it is also causing harm now. The authorities promote the “energy superpower” idea instead of fixing economic and social problems. Sustainable development and international competitiveness have vanished from the agenda. Instead there is only this phantom idea, which holds out the promise of a footprint in the global geopolitical landscape.⁹⁹

Despite the economic growth of the past eight years, real investments are slow or non-existent, the gap between rich and poor is rapidly growing and especially rural Russia is left behind. Bureaucracy and corruption remain a huge burden for households and businesses and state ownership is growing, not shrinking.¹⁰⁰ However, as Edward Lucas points out: “For such failings disgruntled Russians tend not to blame Mr. Putin. Polls show most Russians think that the government is doing a bad job, while giving high approval ratings to the president.”¹⁰¹ Putin and his handpicked successor Medvedev still enjoy remarkably high approval rates, especially in urban areas. Lucas detects what might be a disturbing trend:

The evidence so far, though, is that prosperity correlates with what might be called ‘soft nationalism’: the number of people who want ‘Russia for the ethnic Russians’ is highest in the most advanced and prosperous cities: Moscow and St Petersburg.¹⁰²

As I shall demonstrate in the chapter on China, the uneven distribution of new found wealth combined with a corrupt and oppressive system can lead to massive public protests. In Russia, this simply does not happen. Lucas points out that

The promise of a prosperous and civilised life began in the Gorbachev and Yeltsin eras, but for many Russians it has only become a reality under Mr. Putin. As a result, even the most self-consciously modern ‘New Russians’ are proud of their country and mostly regard criticism with a mixture of irritation and bewilderment.¹⁰³

But a general improvement of the standard of living is not the only factor at play. It is a combination of intimidation, economic growth and state enhanced nationalism.

1.9: The New Soviet Union: Glorification of the Past

A new wave of nationalism, mixed together with patriotism, is sweeping through Russia. Government campaigns aim to indoctrinate its people with a revisionist history, or as Edward Lucas puts it:

The Kremlin is spearheading a new approach to the past that glorifies the Soviet Union, denigrates the West and portrays the Yeltsin years as a period of disgraceful weakness and chaos from which Russia now has been rescued.¹⁰⁴

Putin often publicly expresses his love for the Soviet-era, calling the collapse of the Soviet Union a 'catastrophe'. He has successfully revived the same feelings among his subjects, and reinstated several Soviet-practices, such as grandiose military parades celebrating Stalin's victory over the Nazi's on May 9 and the Bolshevik revolution on November 7. According to an article by Luke Harding for The Guardian, these parades "were watched by millions live on TV."¹⁰⁵ Lucas adds that

Few remember the genocidal effect of Russian rule as it spread east two centuries ago; nor do they remember the especial severity of Stalinist repressions on the Soviet Union's minorities. Such historical amnesia is a hallmark of Mr. Putin's approach and part of the secret of its appeal. It pleases both the 'new Russians' of the emergent middle class, and the 'old Russians' from the parts of society left behind by the wrenching changes of the past two decades.¹⁰⁶

Harding points out that Putin has also shown his fondness for Soviet emblems, by updating the Soviet national anthem. He reports that the Kremlin is using symbols from the past to recreate a "new national idea" of Russian greatness.¹⁰⁷ As Lucas confirms, this blatant glorification of the past has certainly had effect on the Russian people:

Though Mr. Putin's nostalgia for the Soviet Union strikes many outside Russia as bafflingly offensive, many Russians feel that the Soviet Union was a time of great national achievement, and are baffled that anyone would object to it (even among young Russians, more than 60 per cent agreed with their president that its collapse was a catastrophe.) When they see their president being tough with the West, they feel proud.¹⁰⁸

Putin is very open about his intentions and he personally authorized the use of a controversial new schoolbook, which is, to say the least, very soft on Stalin and his role in the Second World War:

Imagine the scandal in the Netherlands, Poland or Israel if the German history syllabus presented Hitler and the Third Reich as anything other than a shameful stain on that country's past. Yet *A Modern History of Russia, 1945-2006: A Teacher's Manual*, [...], tries to shoehorn the greatest mass murderer of Europe's past century in a familiar yet ill-fitting role: the great leader forced by circumstances to take harsh decisions.¹⁰⁹

In The New Cold War, Lucas admits that "Stalin's success, by the crudest measure of industrialization and military victory, is indisputable." He goes on to argue that the schoolbook fails to mention how millions of forced laborers died under Stalin, how he eliminated whole social classes. How he let, intentionally and unintentionally, countless others die of famines. Lucas claims that Stalin is largely accountable for the Second World War: had he not conspired with Hitler in the 1930's, Nazi Germany would not have been able to attack. The disturbed picture of Stalin is "treated as bald historical fact, to be fed to Russian schoolchildren," Lucas states. The message is "If Stalin made mistakes, so what? Lots of people make mistakes."¹¹⁰ This is central to Putin's new ideological war: the desire to rewrite the history of both the distant and the recent past. The myth of Russia's 'glorious' role in the Second World War is a strong one, and taken in by many:

To understand the Russian obsession with the 'Great Patriotic War' (as 1941-5 was termed in Soviet parlance), it may help to imagine a highly concentrated version of English nostalgia for the Battle of Britain and the Dunkirk spirit, blended with America's most rose-tinted views of the heroism of the Normandy beaches and Guadalcanal, plus every continental European country's folk memories of united resistance to Nazism, all rolled into one. It recalls an idealized world when simple national virtues of solidarity and selflessness defeated an opponent who embodied evil. Against that background of sentiment and myth, to point out that the war was largely Stalin's fault, that the Red Army behaved little better than the Wehrmacht, and that the countries between Russia and Germany wanted not to be 'liberated' in 1944-5, but to regain their pre-war-independence strikes many Russians as nothing short of blasphemous.¹¹¹

Contemporary Russia does not perceive the collapse of the Soviet Union as the big historical turning point, but the end of the Yeltsin era. The controversial schoolbook states admiringly: "We see that practically every significant deed is connected with the name and activity of President V.V. Putin."¹¹² Lucas points out that "patriotism and historical revisionism are two of the best means the Kremlin has found to fill what Sergei Markov, one of its top advisers, calls Russia's 'ideological vacuum'." He goes on to say that "the third element is xenophobia."¹¹³ Lilia Shevtsova, senior associate at the Moscow Center of the Carnegie Endowment, specifically mentions the demonization of Westerners, claiming that "anti-Westernism is the new national idea."¹¹⁴ The main reason is simply to create a powerful enemy to justify the decisions of the current regime:

Anti-Western ideology has become an important factor that legitimizes the highly centralized state. The Kremlin has to offer some kind of explanation for the concentration of authority in so few hands, the elimination of political pluralism, the expansion of the state's role in the economy and the redistribution of property.¹¹⁵

Secondly, intimidating the outside world is a good starting point for fending off their interference. Lucas says that the most unnerving explanation of all is the simplest: "the Kremlin adopts an ideology based on Soviet nostalgia and xenophobic rhetoric because it partly or even wholly believes in it. It makes it all the more worrying that the outside world still seems so unbothered."¹¹⁶

1.10: Russia's foreign policy

In a document titled *The Foreign Policy Concept of the Russian Federation*, approved by Putin and dating from the starting days of his first term as elected president, the following statement is presented:

The United Nations must remain the main center for regulating international relations in the XXI century. The Russian Federation shall resolutely oppose attempts to belittle the role of the United Nations and its Security Council in world affairs.¹¹⁷

On August 8, 2008, the entire world watched how Russian forces invaded Georgia, a fellow member of the United Nations, without Russian president Dmitri Medvedev having consulted the UN or showing any intention of doing so. The conflict evolved around the breakaway states of South Ossetia and Abkhazia, officially part of Georgia, but active with separatists out to declare the regions independent. Russia had stationed 'peacekeepers' in both pro-Russian regions to stabilize the situation, 2,542 paratroopers in Abkhazia alone. During Spring 2008, the tension was already heightened due to minor clashes between Georgian peacekeepers and Ossetian separatists. In the meanwhile, both Russia and Georgia were accusing each other of readying the army and preparing a war. On August 7, 2008, a Georgian peacekeeper post came under artillery fire, and even though

Georgian president Mikheil Saakashvili had ordered a ceasefire, fighting intensified. Before noon that day, the Georgian army advanced and began a major artillery assault on Tskhinvali, during which several Russian peacekeepers were killed. Russia claims Georgia acted as an aggressor, while Georgia claims it was merely trying to stabilize one of its own regions. Russia immediately perceived Georgia's move as an act of war, and sent in more forces. Saakashvili was confident that America and Europe would back him up, but he overplayed his hand. Despite denouncing the war and allocate some relief funds, America did nothing to help Saakashvili to battle the Russians. Within days the Georgian army was defeated, and Russian forces, followed by South Ossetian militias, swept through Georgia, leaving a trail of death and destruction. The President-in-Office of the European Union, French President Nicolas Sarkozy, was flown in to help mediate between the two parties, which resulted in a six-point peace plan. On 26 August 2008, Medvedev signed a decree officially recognizing South Ossetia and Abkhazia as independent states.¹¹⁸ This bold act met with international contempt, but the fact remains that Russia still has armed forces in both regions and they are effectively under Russian control." Edward Lucas claims that the Russians have been concocting to wage war against Georgia for years, to punish it for its attempts to connect with the West:

Mr. Saakashvili was not just a successful technocrat but also a torchbearer for Western values. His aim is to anchor Georgia in the Euroatlantic economic and security structures that have served other countries so well. That presents a profound ideological challenge to Russia. Ex-Soviet countries that, despite a similar history and cultural background, adopt a different model of development raise embarrassing questions. If Georgia can have a lean, clean state bureaucracy, why can't Russia? If Ukrainians can have a lively pluralist media, why can't Russia? Though few would predicted its ferocity, a counter-attack was inevitable.¹¹⁹

To say that Russia is actively engaged in reclaiming countries that once were part of the Soviet Union is still too disengaged from reality. However, it is clear that Russia is trying to expand its hold on the weak nations of Eastern Europe. And there are several countries that might actually welcome the Russian influence. According to Lucas, "Serbia's flirtation in late 2007 with the idea of political ties with Russia rather than the EU was an early sign of what to expect."¹²⁰ So far, Russia has met with little real resistance, its tight (economic)relations with certain key members of the European Union tempt Lucas to state that "the overall picture is that solidarity is only superficial. " He continues by claiming that "On issues that matter, such as Georgia, the Kremlin needs only to nobble a handful of countries to paralyse the EU's decision-making."¹²¹ In The New Cold War, Lucas warns of the possible consequences of this uneasy situation:

Disdain for the interests of the East European states betrays ignorance of both the defeat the free world suffered in the 1930's, and of the route to victory in the old Cold War. Division among strong countries means the destruction of their weaker allies. If Germany, America and France cannot agree on, say, how to defend Georgia, Moldova or any other pipsqueak state now being menaced by the Kremlin, then their chances are little better than those of Czechoslovakia in the late 1930's.¹²²

Aside from the Russia-Georgia war, Lucas observes that "Russia is certainly flexing its military muscles as never before: in the summer of 2007 it restarted the Cold War practice of regularly buzzing Western countries' airspace to test their reactions."¹²³ Furthermore, Russia has hugely increased its military budget: nearly five trillion roubles (roughly \$190 billion) are to be spent in the period up to 2015.¹²⁴ Lucas explains that "the aim is to replace 45 per cent of Russia's arsenal with new equipment, with an emphasis on long-range nuclear weapons."¹²⁵ However, Russia's army is currently a joke. All equipment is outdated or broken, or both. Its navy has barely got twenty sea-worthy ships, and no means of building new ones. And as Lucas points out, "In overall defence budgets, America outspends Russia by around twenty-five to one." He dryly adds that "even thriller

writers find it hard to imagine the Kremlin posing a direct military threat to NATO.”¹²⁶ The ultimate threat during the Cold War, a worldwide clash with nuclear weapons, seems improbable as well:

Russia has the world’s largest stockpile of nuclear weapons, with an estimated total of 35,000 in the mid-1980s. The Americans have a smaller stockpile, of 10,640. However, more of America’s weapons – around 6,390 – are actually useable. As well as tactical nuclear weapons, Russia has 3,300-3,400 strategic nuclear warheads. But Russia also lacks the modern means of delivering them from land, sea and air.¹²⁷

But aside from updating the army, Russia under Putin has taken up the sales of arms. For *The New York Times*, journalist Oliver Bullough reports that “Russia goes its own way when it comes to selling arms, seemingly immune to ethical debates that affect the industry elsewhere.”¹²⁸ Bullough says that “While European Union members argue over whether to lift a weapons ban against China, almost half of the \$6 billion Russian arms sales last year went to Beijing.”¹²⁹ To add to the controversy, Bullough explains that “As the White House struggles to persuade Congress to approve a U.S.-India nuclear deal that some lawmakers fear could spark an arms race, Moscow is completing two atomic plants for New Delhi.” In addition, Edward Lucas claims that the latest trend for Russia is to sell arms to countries that outright detest the West:

Oil-rich Venezuela has bought \$3 billion-worth of Russian weapons, including fifty-three military helicopters and twenty-four advanced Sukhoi SU-30 fighter jets. It is now planning to buy five Project 636 Kilo-class diesel submarines, with an option on four more modern ones later. Russia has sold advanced anti-tank and anti-aircraft missiles to Syria, matching its strong military intelligence cooperation with the regime there. It has sold twenty-nine short-range Tor missiles to Iran to protect the Russian-built Bushehr nuclear reactor. It is discussing sales of the more advanced S-300 air defence system and may have helped Iran develop its own version of the *Shkval* – something that could be crucial in a naval confrontation with America in the Gulf.¹³⁰

Russia likes to show the world that it feels it can act independently, by befriending nations hostile to the West and by doing business with whomever it wants to. As an illustration to this, Lucas points out that “just days before he visited George W. Bush in Maine in the summer of 2007, Mr. Putin played host to Venezuela’s President Chavez, who called for a ‘worldwide revolution’ against American ‘tyranny’.” Furthermore, Lucas observes, “His adoring remarks to Mr. Putin were redolent of the tributes paid by leaders of Soviet allies visiting Moscow during the Cold War.”¹³¹ The Kremlin is certainly making an effort to reach out to other nations critical of America’s hegemony, as Lucas puts it: “to some extent on the basis of ‘my enemy’s enemy is my friend’.”¹³² Meaning that if, for example, America identifies Iran as part of the ‘axis of evil’ it automatically kick-starts Russian goodwill.

One of the big achievements of the Putin years is the reconciliation between China and Russia. The two powerful nations, led by Mao Zedong and Joseph Stalin respectively, stood side by side against America in the early days of the Cold War. However, in the wake of Stalin’s death, Mao became increasingly irritated by the change of course initiated by Stalin’s successor Khrushchev. Mao decided in the early 1960’s that upholding relations with Russia was no longer beneficial, which resulted in the Sino-Soviet split. Under Putin, diplomatic relations have been restored, and trade with China has more than tripled. Furthermore, China has invested \$500 million in Rosneft, the Kremlin’s oil-subsidary, and Russia has agreed to build an ambitious gas pipeline to China.¹³³ According to Edward Lucas, “both countries share a strong dislike of Western universalist values and a belief that economic growth and stability are preferable to imported notions of freedom.” He believes that Russia is after a world without the West and sees a perfect accomplice in China:

The Kremlin's home-grown ideology of 'sovereign democracy' and China's nominal 'communism' have a lot in common: horror of instability, nationalism, and a belief that the proof of the authoritarian pudding is in the eating. The message, crudely, is 'who needs your kind of democracy when we have our kind of growth'.¹³⁴

Another hot topic that has put a strain on international relations is the controversial rocket shield America wants to set up in Eastern Europe. Former US president George W. Bush was a staunch advocate of the rocket shield, claiming it would provide protection from 'rogue' nations such as Iran. However, Putin insisted America was trying to put missiles in Russia's backyard, aimed to keep Russia in line, or worse. Lucas states that "if the Kremlin had been writing the script itself it could hardly have found a better storyline: after fighting a greedy, brutal and incompetent war (Iraq), America is now trying to put an unpopular, scary, hi-tech defence system in Europe, despite the objections of almost all concerned."¹³⁵ Lucas argues that the public protests and diplomatic dissensions spawned by America's plans has moved Russia closer to "a strategic prize that has been the Kremlin's aim ever since the start of the last Cold War: to split the once formidable Atlantic alliance."¹³⁶

Though Russia's current course may appear aggressive, Lucas points out that Russia has dropped three Soviet attributes from its foreign policy: a messianic ideology, raw military power and the imperative of territorial expansion.¹³⁷ Instead, Dmitri Trenin, a foreign-policy expert working for the Carnegie Endowment for International Peace, reveals that the real underlying message is 'Russia's business is business.' That has special weight, he argues, because the people who rule Russia also own it.¹³⁸ Fuelled by its newly found wealth, Russia is exploring the extent of its international influence, trying to bend the borders but careful not to really damage the relationships with the nations that the Kremlin thinks matter.

1.11: Conclusion

Contemporary Russia certainly resembles the old Soviet Union in many ways: its leader is undisputed and incredibly popular, it talks tough on the international stage (where it often clashes with others, America in particular), and its media and politics are fully under the control of the Kremlin. The majority of the Russian do not seem to mind, because, thanks mainly to the high price of oil, Russia's economy has grown significantly under Putin. After effectively silencing the opposition and securing the Kremlin, Putin was basically given a free hand to reshape Russia to his liking. He immediately took the opportunity to seize the largest, most valuable and influential company in the country; Gazprom's annual turnover paid off Russia's debts, making it economically independent. Through Gazprom, Putin has established strong footholds in Europe, and he is not afraid to wield it as a weapon. Putin wants the world to think that the Russians are back, out to beat the powers that once gave up on Russia at their own game. The 'New Cold War' is one of economics, business and political games. However, it is also one that Russia cannot hope to win in its current state.

Europe is less dependent on Russian gas than Russia itself. In this time of economic crisis, Russia's vulnerability becomes painfully visible; its GDP is steadily shrinking. Except for gas and oil, Russia has little or no export goods. Weapon exports are more of a political tool than an actual part of the economy. Most manufactured goods are meant for the domestic market, but these show little or no growth. Russia's economic growth is largely dependent on the price of oil, and made possible by relying on ancient, outdated Soviet technology. As to the question whether Russia can still pose a serious threat to the American hegemony, the words of Edward Lucas perfectly capture the bottom line:

It is too weak to have a truly effective independent foreign policy, but it is too disgruntled and neurotic to have a sensible and constructive one. It wants to be respected, trusted and liked, but will not act in a way that gains respect, nurtures trust or wins affection. It settles for being noticed – even when that comes as a result of behaviour that alienates and

intimidates other countries. It compensates for real weakness by showing pretend strength. Little of that – advanced weapons sales to rogue regimes aside – immediately threatens global peace and security. In that sense, the New Cold War is less scary than the old one. But Russia's behaviour is alarming, uncomfortable and damaging, both to its own interests and to those of other countries.¹³⁹

Contemporary Russia is not the same menace as the Soviet Union once was, but it still has plenty of potential to damage the West. To offset Russia's and Gazprom's influence, Edward Lucas maintains that "the creation of deep and liquid markets in energy is one of the best ways of countering the Kremlin's energy stranglehold in Europe."¹⁴⁰ On the one hand, Russia rejects any Western influence or interference, on the other, they welcome Western business deals and investments. Throughout his work The New Cold War, Lucas argues that Russia is out to harm, frustrate and weaken the West and employs a capitalist facade to do so. "Their main weapon is our greatest weakness: money. Just as we worried about the firepower of the Soviet war machine, now we should fear the tens of billions of dollars in its coffers, and the weakness of mind and morals on which they are applied."¹⁴¹ Russia is out to undermine Western dominance in the world and it enjoys the support of several nations across the world. As Lucas points out, "since Mr. Putin started criticising America publicly in 2003, foreign investment has soared."¹⁴² Russia has initiated and signed the Shanghai Cooperation Organization (SCO), a security treaty between Russia, China and Central Asia, marked by large scale joint military exercises. It has also set up the CSTO (Collective Security Treaty Organization) with several central Asian countries, as an answer to NATO. Although still too small in scale as well as influence to change the strategic balance, it might one day evolve into a force to reckon with. So far, Europe is too lenient when it comes to handling Russia, it too often lets Russia get away with its shady or sometimes downright spiteful actions. Europe might kid itself in thinking that Russia is a democracy or will soon evolve into one, but all the signs say that Russia will continue down its current path. Russia will most likely exploit the room it is given to the fullest. Edward Lucas predicts that faced with the Kremlin, Europe needs America more than America needs Europe:

United, they are easily capable of standing up to a resurgent Russia. Divided, each is vulnerable. Europe most of all. The Atlantic Alliance may never regain the unity and importance of the last Cold War, but it still the basis for victory in this one.¹⁴³

Based on what has been discussed, it is unlikely that Russia will give up the course set by Putin in favor of getting closer to Europe or in order to please NATO. It is more likely to continue to look for likeminded nations in their quest to undermine the West and gain power. That is why, Lucas argues, the West should contain the Russian threat sooner rather than later, because, he says: "if we do not win the New Cold War on terms of our choosing, we will fight at a time and place chosen by our adversary, and the odds will be tilted against us."¹⁴⁴ To stop Russia from gaining more influence should alone be worth fighting for, if it were only because, as Lucas rightly points out:

Our system is not perfect, but it is better: cleaner, fairer, kinder and more tolerant than Russia's authoritarian crony capitalism. It is self-critical: where it falls short of our ideals, we have to burnish it.¹⁴⁵

Anna Politkovskaya openly pondered in her book Putin's Russia why she disliked Putin to such an extent that she felt compelled to write a book about him. Her answer was: "Quite simply, I am a 45-year-old Muscovite who observed the Soviet Union at its most disgraceful in the 1970s and '80s. I really don't want to find myself back there again."¹⁴⁶ The sad truth is, as is sadly and grimly underlined by her untimely demise, what Politkovskaya feared for is exactly what is happening with contemporary Russia.

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Chapter 2

China



2: China, Rise of a hungry Nation

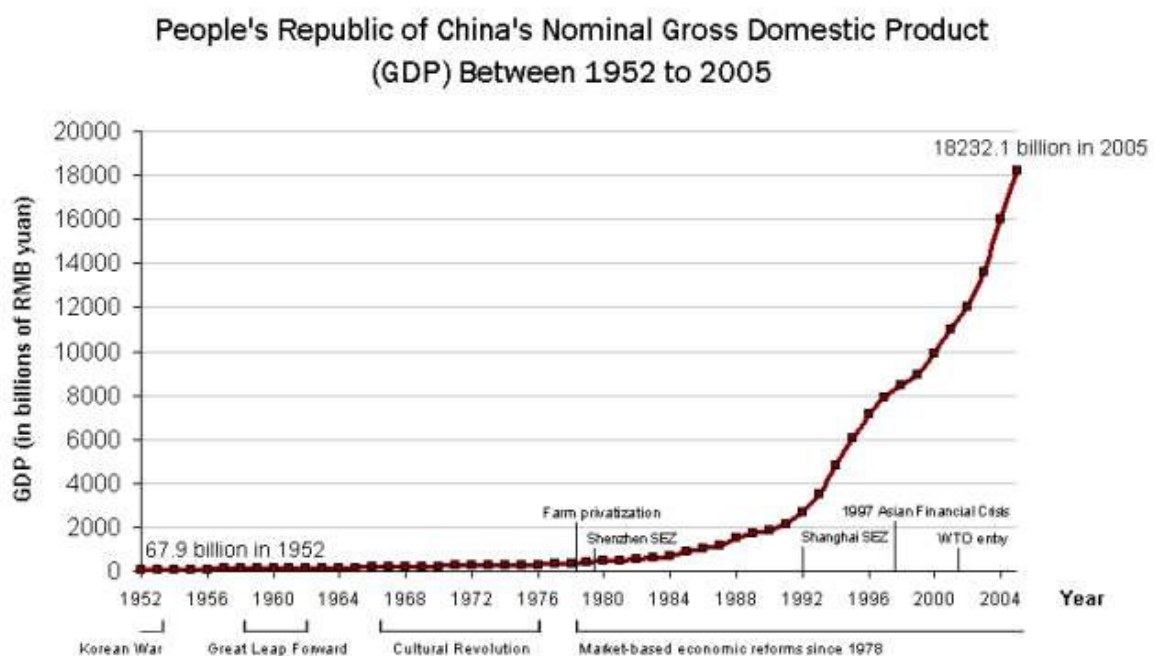
2.1: Introduction

For hundreds of years China was known and respected throughout the world as a leading civilization, bearing home to many bright minds who helped to put the fourth largest country in the world (after Russia, Canada and the US) on top of developments in fields such as arts and science. However, during the nineteenth and early twentieth centuries, China was beset by civil unrest, major famines, military defeats, and foreign occupation. After World War II, the Communists under Mao Zedong established an autocratic socialist system that, while ensuring China's sovereignty, imposed strict controls over everyday life and cost the lives of tens of millions of people. After 1978, Mao's successor Deng Xiaoping and other leaders focused on market-oriented economic development and by 2000 output had quadrupled. For much of the population, living standards have improved dramatically and the room for personal choice has expanded, yet political controls remain tight.¹

The quote above is a standardized piece the government of the United States of America uses on its official WebPages. It offers a very plain and simple notion of what contemporary China is, yet it most likely holds more information than what the average Joe can provide. For many people, 'China' is still a faraway, glooming entity. European media in general, and Dutch media in particular, tend to sketch a bleak picture, reporting mostly on either China's economic growth or work-related accidents. These reports certainly capture bits and pieces of contemporary China, but they fail to answer basic questions such as whether China's rise is a blessing or a burden to the West. One thing is certain; China's economic revival has put the country back onto stage of geopolitics. It makes it all the more relevant to determine what modern China exactly consists of, and what its intentions are. In this chapter I will describe China's remarkable economic boom and how it has affected the country's economic, political and social structure, the environment and furthermore, the profound impact the rise of this hungry nation has had, and will have, on America, Europe and the rest of the world.

2.2: Factory of the world

The foremost factor that is responsible for putting China back on the world map is without a doubt its booming economy. As can be seen in figure 1, the switch from years of mismanagement under



Mao to a market-based economy made it possible for China's gross domestic product to increase more than tenfold during the period from 1978 till 2005. In December 2006 the leading Chinese newspaper *China Daily* boasted that "China recorded a trade surplus of 157 billion US dollars during the first 11 months of the year, up 55.1 billion US dollars on the figure for the whole of 2005."² Furthermore, the claim was made that "China's economic growth will continue to steam ahead at 10 percent in 2007."³ In his outstanding award winning work *China Shakes the World* journalist James Kynge (who spent over a decade reporting from China and received several awards for journalism) begins to analyze China's remarkable growth by comparing the fast-expanding Chinese industrial city of Chongqing to its American equivalent of a hundred years ago:

The easiest way to describe the transformation under way in Chongqing is by comparing it to Chicago in the nineteenth century. The 'city of the century' then was to the birth of American nationhood what Chongqing, in many ways, is to the renaissance of China in the twenty-first century.⁴

Chicago, Kynge argues, was then known as the fastest-growing city on earth, and took fifty years until 1900 to increase its population to 1.7 million people. Chongqing is growing at eight times that speed. Kynge continues to underline what makes the Chinese case so extraordinary:

Impressive though Chicago's transformation must have seemed then, its dimensions pale next to those of Chongqing today. Herein lies the key to understanding why China's emergence is different and unprecedented. Although it is following a path of the industrialization and urbanization blazed by the United States during the nineteenth century, Japan since the 1950s and several other nations in more recent times, the sheer scale and speed of its renaissance puts it in a class of its own.⁵

The rapid industrialization has initiated a massive migration of Chinese people from all corners of the vast rural areas to the luring, fast growing cities like Chongqing. According to Kynge, "if the future bears out the conservative predictions of its urban planners, the city will leap from a current 4 million inhabitants to 6.6 million by 2010 – or more than the combined population of the eleven cities that make up Germany's industrial Ruhr."⁶

China's massive budget surplus has given spark to many ambitious infrastructure-related projects. The Chinese government is currently reconstructing and expanding its network of highways and railroads, not only to strengthen the transport sector but also to facilitate the needs of the rising number of Chinese consumers. James Kynge aptly describes the scale of these projects:

The only real difference between China's expressway system and the US Interstate is that, when it is done, China's will be longer. Although only around 30,000 kilometres have thus far been completed, Beijing plans by 2030 to have laid 86,000 kilometres, a few thousand kilometers more than the existing US system. At the same time as it builds its highways, it is also recreating an upscale version of America's great nineteenth-century railroad boom. It has plans for a high-speed track to link Beijing to Shanghai and is near to completing the Qinghai-Tibet railway, an engineering challenge that recalls the building of the US transcontinental railroad through the Sierra Nevadas.⁷

Furthermore, China has invested significant amounts of money and resources to virtually connect its people and their businesses; the internet is available to, and used by, a rapidly increasing portion of the Chinese population. Figure 2 shows that in a mere eight years, internet usage has increased more than tenfold from under 2% of the Chinese population to almost 20%.

Year	Users	Population	% Pen.
2000	22,500,000	1,288,307,100	1.7 %
2001	33,700,000	1,288,307,100	2.6 %
2002	59,100,000	1,288,307,100	4.6 %
2003	69,000,000	1,288,307,100	5.4 %
2004	94,000,000	1,288,307,100	7.3 %
2005	103,000,000	1,289,664,808	7.9 %
2006	137,000,000	1,317,431,495	10.4 %
2007	162,000,000	1,317,431,495	12.3 %
2008	253,000,000	1,330,044,605	19.0 %

Figure 2: Internet Usage and Population Statistics, courtesy Internetworldstats.com

On an educational level China seems to be booming as well, both male and female Chinese currently have an unprecedented opportunity to receive a form of higher education. According to a BBC news article fittingly titled *China's Bid for World Domination* (published in Nov. 2007), China currently boasts the largest higher education system in the world:

It awards more university degrees than the US and India combined. Of course, this is partly a matter of the sheer size of its population. But it is not just that. The rate of university expansion has been beyond anything anyone in the West can easily imagine. University enrolments in China have reportedly risen from under 10% of young people in 1999 to over 21% in 2006, a phenomenally fast expansion.⁸

Furthermore, as James Kyngé argues in *China Shakes the World*, the teaching standards are shooting up and “hundreds of thousands of gifted children, who just a decade ago would have been denied anything but a rudimentary education, are now thriving under competent tuition.”⁹ Kyngé goes on to say that “What this portends for the world can be seen in the 2004 participation numbers at the annual international Science and Engineering Fair run by Intel, the US semiconductor company. In the US, 65,000 students participated in local fairs to select finalists. In China, six million did.”¹⁰

China is often referred to as ‘the factory of the world’, which is hardly an overstatement: it is hard to name any well-known American or European company that does *not* have (a part of) its manufacturing process done by Chinese hands. Foreign companies and investors are mesmerized by the prospect of reaching a consumer market consisting of 1.3 billion people, and they provide a steady flow of money and knowledge to the hungry country. One of the main reasons why China is such a fierce competitor is that it combines modern technology (factory machines, manufacturing procedures etc) with consistently low paid workers. Kyngé further elaborates on this subject:

Centuries of developmental time have coalesced into a concentrated vigour. People paid less than they would have been during Britain’s Industrial Revolution are being put to work in factories equipped with up-to-the-minute machinery. The manufacturing competitiveness thus created is the main lure behind a massive factory-building boom that is itself driving the migration of young workers from the countryside to hundreds of cities, such as Chongqing. Their arrival, coupled with that of tens of millions of others seeking non-factory jobs, is forcing cities to expand at speeds that are unprecedented in human history. The whole process is facilitated by the construction of a transport infrastructure that is set to be the equal of America’s. Such are the sources of some of China’s world-shaping energies and appetites.¹¹

China is indeed investing and rapidly expanding on numerous fronts, the money made in the ‘factory of the world’ is put to use on various grand projects, from building roads and houses to educating young men and women on an extraordinary scale. And in general, the increase of the nation’s wealth can be felt by an unprecedented number of Chinese people. For example, according to an online

article released by the Chinese Xinhua News Agency (Aug. 2006) over a 100 million Chinese have been lifted out of poverty over the last 20 years.¹² All of this is fuelled entirely by China's flourishing economy, it seems the sky is the limit. Or as Kynge puts it:

China is absorbed in laying the infrastructural underpinnings of a future superpower. It is already commonplace for observers to extrapolate from current growth rates that China will surpass the US as the world's largest economy sometime around 2040.¹³

2.3.1 The dark side of the coin

However, there is a specific condition to Kynge's observation: "This prediction assumes, of course, that the graphs tracing the country's current trajectory continue in their unrelenting ascent."¹⁴ At the very moment the market-based economic reforms were initiated in 1978, the seeds of capitalism were planted. The Chinese government *needs* the economy to grow, to satisfy the increasing hunger for jobs and the desire of the Chinese people to obtain a bit of the new found wealth. In China Shakes the World, Kynge appropriately describes this new predicament:

The most important impediment of population is a variant of the challenge that emperors since time immemorial have had to deal with (and Mao so singularly failed). In the past, the balance each dynasty strove for was that between food and mouths, but the last twenty-five years of development may have banished this concern forever. The crucial equilibrium now is that between people and jobs, and so far it has proven elusive. Even when the economy grows at 9 or 10 per cent, it fails by a margin of several million to create the 24 million new jobs required each year. Thus, while China appears to the rest of the world to be enjoying an amazing growth bonanza, the officials working behind the high walls of their leadership compound in Beijing feel trapped in an endless employment crisis.¹⁵

The main setback to China's uprising is also one that endangers its stability. Because despite of all the economic, technological and apparent social progression, China is still very much a Communist country. The Communist Party of China was founded in 1921, and came to rule China after defeating its rival, the Kuomintang (KMT or Chinese Nationalist Party) during the Chinese Civil War, which lasted from April 1927 till May 1950. With the Chinese Civil War at an end, the People's Republic of China was founded by the leader of the CPC: Mao Zedong. Mao held the position of 1st chairman, the highest rank in the People's Republic, from the year it was founded until his death in 1976. Under his leadership, millions of Chinese people died of starvation in what is called the Great Chinese Famine. According to official numbers, 15 million people died of starvation in the period between 1958 and 1961, while neutral estimates go as high as 50 million.¹⁶ During the period between 1966 and 1976, Mao singlehandedly led China into the so-called Cultural Revolution. The Cultural Revolution was aimed to break with China's past and adopt a more capitalist approach, but Mao's actions resulted in the deaths of countless more citizens and in "nation-wide chaos and economic disarray."¹⁷ Initiated by Deng Xiaoping in 1976, market-based reforms gradually helped the economy to recover and eventually turned China into the economic marvel it is today.

The Communist Party of China (CPC) is still the supreme political authority; its power is realized through its control of all state apparatuses and the entire legislative process. On the one hand, the Party has no desire to further loosen its control over the economy, the driving force behind the massive growth; on the other, they have little choice in the matter if they want the economy to keep expanding at a higher rate. There is a Chinese saying; 'Gaige tai kuai, jiu luan. Gaige ai man, jiu si,' or 'When reform is too fast there is chaos. When reform is too slow there is stagnation.'¹⁸ As James Kynge explains, "On the face of it, this is straightforward enough, but there is an added, paradoxical twist: the legitimacy of the Communist Party springs from both growth *and* control. Yet in order to get more of one, it has to sacrifice part of the other."¹⁹

It basically comes down to the following: As long as the economy can handle the cry for more jobs and as long as most of the average Chinese can obtain even the tiniest bit of the Republic's newfound wealth, the general public does not mind living in a communist system at all, nor do they desire to change it. However, when the gap between rich and poor is increasing and corruption and pollution are thriving, it becomes increasingly harder for the Party to keep up the Communist façade. As Kyngé points out:

This [situation] created an unyielding pressure for growth that influences every economic plan and strategy, and can leave Beijing with little room for compromise in its deliberations with trade partners. Barely a week goes by without some incident of labour or social unrest somewhere in the country, and some of these flare-ups are serious. If the growth rate were to drop dramatically, these convulsions would be almost certain to intensify. As economists in Beijing are fond of saying, China is like an elephant riding a bicycle. If it slows down, it could fall off and then the earth might quake.²⁰

Social unrest is an increasingly common and very real threat to the Party. For example, a recent BBC news item (May 26th 2009) reported that some 300 tea farmers attacked a local police station after four farmers had been arrested for trying to demonstrate against local corruption: "The workers are reported to be angry about arrears in the payment of medical insurance, unemployment benefits and pensions."²¹ The article further states that "ordinary Chinese people, particularly in the countryside, stage regular protests against the local authorities or police, often over accusations of corruption. Thousands of similar incidents are reported each year, although most are usually isolated, local disputes."²²

Kyngé's use of Chongqing as an example for China's remarkable growth also provides an excellent showcase for the dark side of this growth; Zhang Liming, a journalist for The Epochtimes, reported on the 16th of May, 2009, that

The Liberation Army No. 324 Hospital in Chongqing city, Sichuan, was accused of not treating a local resident because of a payment issue, which resulted in the death of a 23-year-old veteran. The veteran participated in the rescue work after the Wenchuan Earthquake last year. The veteran's family protested outside of the hospital on May 13 holding his picture and slogans. Thousands of people joined the protest in the afternoon of May 13. The crowds caused traffic chaos around the hospital.²³

According to the report, the spontaneous protest attracted over ten thousand angry locals and the huge mob dissolved only after Chongqing riot police harshly intervened and arrested the family members of the deceased. The whereabouts of the aforementioned family members are described as 'unknown'.

Much of China's media is in the hands of the Party, and although these media outlets are allowed to be critical of the lower forms of government, the top authorities and the Party itself are definitely shielded from any harsh words. The Party perfectly understand its own dilemma; on the one hand it needs to produce an increasing annual growth to keep 1.3 billion Chinese happy, on the other hand, in order to realize the aforementioned goal, the Party has to loosen its grip on private ownership and private companies. A sharp increase in general education combined with access to the internet results in better awareness and thriving blog communities. In general, the next generation of Chinese people is better educated, better informed, better paid, and has higher expectations of their government, thus further increasing the pressure on China's communist leaders.

2.3.2 The threat of economic decline

In China, internal stability depends primarily on the increase of economic growth. Figure 1 suggest that if the progress of economic growth does not dwindle, there should not be a problem. However,

the 2008 fiscal year has proven that there in fact is an end to China's remarkable growth. The global economic crisis has also hit China. According to a report on financial watchdog *Bloomberg.com* (Jan. 22nd 2009), "China's economy expanded at the slowest pace in seven years as the global recession dragged down exports, increasing pressure for more government spending and lower interest rates to buoy growth."²⁴ Although China's economy is in fact still growing, it is the *decline* of that growth that is essential. The report continues by stating that "gross domestic product grew 6.8 percent in the fourth quarter from a year earlier, after a 9 percent gain in the previous three months."²⁵ The graveness of the situation is, of course, not lost on the Chinese authorities: "Premier Wen Jiabao said that the government must work urgently this quarter to reverse the slowdown and maintain social stability amid a "very grim" outlook for jobs."²⁶ As an illustration to some of the consequences of the decline in global demand, the report states that for the Shanxi Taigang Stainless Steel Co., China's biggest producer of the metal, profit fell about 72 percent in 2008 alone. According to Ma Jiantang, head of the statistics bureau, "the international financial crisis is deepening and spreading with a continuing negative impact on the domestic economy."²⁷ In a BBC news report (22nd Jan. 2009) the possibility that these new developments might result in a potentially unnerving situation to the Chinese authorities is further explored:

Independent Chinese economist Andy Xie said the number of migrant workers without jobs could rise to more than 20 million. "A lot of factories are not going to reopen after the Chinese New Year. The workers will be told not to come back," he said. China worries that these unemployed people will cause an increase in social unrest if they are unable to find new jobs.²⁸

The Bloomberg-report also makes a bleak prediction for the near future:

Economic growth may weaken to 2 percent in 2009, the slowest pace in at least 30 years, according to Ryan Atkinson, chief market analyst at New York-based hedge-fund manager Balestra Capital Ltd. "There's an extraordinary amount of excess capacity and there's no way the world can absorb the amount of goods they are set up to produce," said Atkinson.²⁹

Oversupply is already a big burden to the Chinese economy, instead of actually looking at the market to determine the demand of a certain product, it is common for Chinese manufacturers to simply continue to produce that product and stack up. The general consensus is that if the demand for a product is low at one point, surely it will go up again in the future. In *China Shakes the World*, James Kynge describes the common Chinese reaction to oversupply:

Under market economy conditions, when a company encounters oversupply of the product it makes, it generally pulls in its horns. But in China this happens only rarely. A more common response is to continue producing at the same rate while looking around for another industry sector to diversify into.³⁰

As an example Kynge speaks of Galanz a microwave maker, which decided to expand into air-conditioners while Midea, an air-conditioner maker, was moving into microwaves. Neither one of these companies cared for the fact that nationwide demand for air-conditioners lagged supply by 10 million units that year and microwaves were similarly oversupplied.³¹ Because of this massive oversupply, Chinese companies often have to ship their products elsewhere to make any profit, which puts a lot of pressure on these foreign economies. Kynge explains why Chinese companies are allowed to continue to work by these questionable guidelines:

China is not a normal market economy. It does not have a functioning bankruptcy law, so the liquidation of insolvent companies is difficult. In addition, banks are awash with liquidity; Chinese people save an average of around 40 per cent of their income and the supply of money in the economy is well over double the annual gross domestic product. This means

that banks often have more deposits than they can find borrowers to lend to, and are therefore less than vigilant about calling in suspect loans.³²

China has found itself in an unprecedented situation, where the government and the Chinese banks can spend billions of dollars on companies and projects without having to worry about them actually being cost-effective.

It has become clear that these are turbulent times for the People's Republic of China. The unprecedented economic growth has made it possible for the Communist Party to stay firmly in power, simply because they allowed Chinese people to get a taste of wealth, and because the Chinese government took care of all openly dissenting views. But with its people becoming steadily richer, better educated and better informed, it has also become painfully obvious how much thirty years of market-reforms and capitalism has weakened the Party. With the gap between rich and poor increasing rapidly, and a deeply corrupt state apparatus unable to really do anything about it, protests and riots are the order of the day. Combined with a broad media coverage it becomes harder and harder to silence or ignore opposing voices. And now, with the stabilizing factor of its economic growth disappearing rapidly, the most crucial test of Chinese Communism lies ahead. Will the Party be able to deal with the unavoidable unrest that will rise due to a severe lack of jobs? Will the Party be able to compensate for the deeply rooted corruption and pollution that has scarred the Chinese system? Or will both the economy and the Party prove to be resilient enough to overcome these problems?

2.4: The price of economic advancement: China, the world's garbage can

The rise of China's economy has brought much change to the Communist nation, not all of it good. Years of mismanagement, a lack of regulation combined with a generally wasteful population of 1.3 billion people has taken a brutal toll on nature. James Kynge argues that

The age of Communism in China, as in the former Soviet Union, has not been kind to the environment. A combination of neglect, overpopulation, careless industrialization and the inability of a planned economy- in which prices are fixed by state fiat- to put an accurate value on nature's gifts has contributed to an environmental crisis that is unparalleled in its severity.³³

Kynge continues his critique by asserting that

Everywhere there are signs of distress. The deserts of the north are marching towards the towns and cities on their fringe. Waterways that just ten years ago were gushing torrents have slowed to a trickle or disappeared altogether. Food is often contaminated with illegal and alarming levels of animal hormones and agricultural chemicals. Strange new diseases such as SARS and bird flu appear with regularity. Air pollution is so bad that some 380,000 people be dying prematurely each year by 2010 because of respiratory ailments. Several animal and bird species face extinction or loss of habitat as wetlands and forests vanish. Several towns and cities like Pingxiang are sinking into underground holes that have been burrowed by miners or emptied of the groundwater they used to hold.³⁴

Garrie van Pinxteren, who resides in China and currently is a correspondent to the Dutch newspaper NRC Handelsblad and news broadcasting company NOS, attempts to describe the graveness of the situation in her compelling work China, Centrum van de Wereld:

Uit satellietfoto's blijkt dat Peking de meest vervuilde hoofdstad ter wereld is. Toch is Peking zeker niet de vuilste stad van China. Volgens een rapport van de Wereldbank uit 2005 liggen zestien van de twintig meest vervuilde steden ter wereld in China.³⁵

China's growth is being fuelled primarily by energy generated in outdated coal-fired power plants, the most readily available, but also dirtiest, source. These plants pump extreme amounts of carbon dioxide directly into the air, the same can be said for practically the entire manufacturing industry, old machines are pushed to the max without any regard of the environment. According to an article by Joseph Kahn and Jim Yardley, reporters for the New York Times, this results in a situation where "only 1 percent of the country's 560 million city dwellers breathe air considered safe by the European Union."³⁶ Furthermore, as Van Pinxteren points out,

Niet alleen de lucht is giftig. In 2005 maakte de SEPA, het staatsbureau voor milieuzaken, bekend dat vijf van de zeven grote Chinese rivieren ernstig vervuild zijn, net als ruim 90 procent van het grondwater in China's steden. Bijna een kwart van China's 1.3 miljard inwoners heeft geen toegang tot veilig drinkwater.³⁷

Industrial companies often dump their waste directly into one of the seven large rivers that flow through China's mainland. Due to excessive waste of fresh water, the inefficiency of canals and occasional draught, these rivers often run dry, which allows the pollution to sink directly into the soil. According to Van Pinxteren, a high-placed Chinese government official recently called the water-crisis more severe and acute than in any other nation in the world. "Het grondwater zakt, door droogte, maar meer nog door overmatig gebruik en verspilling. Steeds meer boeren klagen dat het water zo ernstig vervuild is dat hun gewassen er niet meer van willen groeien."³⁸ Joseph Kahn and Jim Yardley estimate that the number of Chinese lacking access to clean water is twice as high as the 2005 report mentioned by Van Pinxteren:

Public health is reeling. Pollution has made cancer China's leading cause of death, the Ministry of Health says. Ambient air pollution alone is blamed for hundreds of thousands of deaths each year. Nearly 500 million people lack access to safe drinking water.³⁹

The massive scale of pollution in China might be hard to grasp. For example, China is already the world's leader in producing greenhouse gasses, overtaking the United States; even though the Chinese effective industrial output is not nearly as high as the American counterpart. And as Kahn and Yardley put it,

environmental woes that might be considered catastrophic in some countries can seem commonplace in China: industrial cities where people rarely see the sun; children killed or sickened by lead poisoning or other types of local pollution; a coastline so swamped by algal red tides that large sections of the ocean no longer sustain marine life.⁴⁰

To add to the severity of the situation, Kahn and Yardley argue that "China's problem has become the world's problem. Sulfur dioxide and nitrogen oxides spewed by China's coal-fired power plants fall as acid rain on Seoul, South Korea, and Tokyo." They go on to claim that "much of the particulate pollution over Los Angeles originates in China, according to the Journal of Geophysical Research."⁴¹

The responsibility of China's extreme levels of pollution simply lies with its government. The Party's only focus over the past few decades has been the growth of the economy. The main problem with China's political system itself is that it does not have the checks and balances necessary to supervise and regulate a capitalist economy in an efficient manner. In a democracy, each organ of government and the economy itself is regulated and overseen by an external, independent body. In the words of James Kynge:

The whole edifice is then supervised by the will of the voting public. But a Communist political system is engineered to venerate and sustain a single source of authority. Thus, the Chinese Communist Party is officially held to reside above everything, including the law.⁴²

Authority strictly flows from the top down, and because everything is affiliated with the Party, all Chinese are supposed to support its work. As Kynge rightly underlines, conservation happens best within communities where citizens have the responsibility and the right to hold local officials accountable for their promises. But in China, these conditions do not exist. “Problems therefore deteriorate until they are so grave that they can no longer be hidden from central authorities.” Kynge says. “But by the time central authorities are called in, it is often too late for conservational solutions and Beijing resorts to sweeping, revolutionary policies.”⁴³

2.5: Corrupt communists

Thanks to the economic reforms and fast economic growth it has become increasingly lucrative for local officials to take benefit from the local economy. Instead of looking out for the people’s best interest, officials all across China decide to use their position to their own advantage. As Van Pinxteren mentions in China, Centrum van de Wereld:

Corruptie is een grote bedreiging voor de stabiliteit van China, en niet alleen voor de partij. Op veel plaatsen in China ontbreekt eenvoudigweg een naar behoren functionerend lokaal gezag. Ook kan het hogere gezag deze ambtenaren nauwelijks meer tot de orde roepen. De bevolking krijgt daarmee steeds meer het idee dat de ambtenaren en de communistische partij niet langer aan de kant van de gewone boeren en burgers van China staan, maar dat zij zelf definitief hebben gekozen voor zelfverrijking en machtsmisbruik. Dat leidt in brede lagen van de samenleving tot grote frustratie en tot een onderstroom van woede tegen de machthebbers. Niet omdat de burgers geen stemrecht hebben, maar wel omdat veel mensen zich buitengesloten en uitgebuit voelen. Ze krijgen geen eerlijke kans om een aandeel in China’s nieuwe welvaart te verwerven.⁴⁴

“Statistics make officials and officials make statistics”⁴⁵ is a commonly used Chinese saying, which strikes at the heart of the problem. Chinese officials are judged by their superiors, whose only concern is to get better results each year. A recent example of corruption which got world-wide media attention was the intentional contamination of milk powder for babies, with the toxic industrial chemical melamine. According to James Kynge,

Two of the most shocking cases in recent years have both involved commercial activities- the sale of fake baby milk powder to unknowing parents and the transfusion of HIV-contaminated blood to villagers in the northern province of Henan. In both cases, local governments were implicated in crimes that caused death.⁴⁶

Melamine was added to milk products by several dairy companies, as cheap filler to cut costs and to make the milk powder appear higher in protein. A report from The Times (Jan. 22, 2009) states that over 300.000 babies fell ill, and 6 died. In response, the Chinese government sentenced two men to death, one of them was running a workshop that produced melamine and allegedly “had sold 600 tonnes to be mixed into milk,”⁴⁷ the other received the death sentence for “producing and selling toxic food.” It was unveiled that Tian Wenhua, the chairwoman of the Sanlu Group, had known for four months of her company’s unethical and illegal activities before she decided to go public (only after a foreign company had already blown the lid on the case). She was sentenced to remain in prison for the rest of her life.

In the case of the HIV-contamination, local authorities in the central-Chinese province of Henan stimulated the local populace to sell their blood for medical use. However, the manner in which the blood tapping was carried out was careless and downright irresponsible. Van Pinxteren explains that

Uit het bloed werd het waardevolle bloedplasma onttrokken, daarna warden de resten van het bloed vermengd met dat van andere donoren met dezelfde bloedgroep en aangevuld met een zoutig mengsel. Dit mengsel werd teruggespoten in de aderen van de donoren, die zo sneller op kracht konden komen om opnieuw bloed te kunnen geven. Zo raakten volgens officiële cijfers 150.000 mensen in de provincie Henan besmet.⁴⁸

Similarly to the melamine-scandal, many commoners suspected that Party-affiliated officials had assisted in the initial cover-up, but none of them got held responsible or were put to trial.

Corruption is a widespread phenomenon, affecting every layer of government and therefore posing a major threat to the Party. Minxin Pei, adjunct senior associate in the China Program at the Carnegie Endowment for International Peace, states in his report *Corruption Threatens China's Future* that "Failure to contain endemic corruption among Chinese officials poses one of the most serious threats to the nation's future economic and political stability."⁴⁹ He goes on to state that "roughly 10 percent of government spending, contracts, and transactions is estimated to be used as kickbacks and bribes, or simply stolen." The Chinese government is very much aware of the size of this rotten apple, but is, according to Pei, fighting a losing battle:

Though the Chinese government has more than 1,200 laws, rules, and directives against corruption, implementation is spotty and ineffective. The odds of a corrupt official going to jail are less than three percent, making corruption a high-return, low-risk activity. Even low-level officials have the opportunity to amass an illicit fortune of tens of millions of yuan.⁵⁰

Although corruption has not yet derailed China's economic rise, sparked a social revolution, or deterred Western investors, Pei argues that it would be foolish to conclude that the Chinese system has an infinite capacity to absorb the mounting costs of corruption: "Eventually, growth will falter." Pei goes on to caution that China's corruption also harms Western economic interests, "particularly foreign investors who risk environmental, human rights, and financial liabilities, and must compete against rivals who engage in illegal practices to win business in China."⁵¹

Corruption on such a large scale, much like an obvious but inoperable deformity, is part of a society where counterfeit brand products are openly displayed in shops, and of which even cheaper copies are sold in the streets. The effects of incorporated corruption can be found in many places. For example, getting into a proper university is simply a matter of having accumulated enough wealth and knowing the right people to share it with. But even people's identities have become a commodity, fake and existing identities are sold and used to gain access to universities or to other ends. "The vast industry for counterfeit products and the violation of intellectual property rights are part of the general crisis." James Kynge says, "But the problem delves much deeper than that. The influence of artifice is almost omnipresent and identity is an item to be bought and sold."⁵²

In *China Shakes the World*, Kynge goes beyond the issue of corruption, claiming that corruption is only part of a much larger crisis that plagues China, a 'crisis of trust'. According to Kynge,

Trust is a commodity constantly under siege. Poverty and the competition for scarce resources impinge upon it. The ideological vacuum that replaced Communism undermines it. The daily diet of propaganda disorients it. The venality of officials devalues it. The ascendancy of a value system dominated by money hollows it out. What is left is a society in which describing someone as 'honest' can just as easily be a gentle criticism as a compliment. Even official newspapers have highlighted the problem, rating a 'crisis of trust' as one of the top ten ills ailing the country.⁵³

Most of these problems, if not all, can be traced back to one source; the communist government. When Deng Xiaoping was allowed to initiate the first market reforms in 1978, it was because a planned economy based on communist ideas simply did not work. In contemporary China, the Party is facing a new set of challenges, due to the fact that the principles of capitalism and democracy do not mix well with communism. Kynge further elaborates on their predicament:

It has become clear in recent years that the Party is fully aware of this mismatch and has poured enormous energy into attempting to create the impossible: a system of self-regulation in politics, law and the economy under which all parties are equal but the Party is more equal than the others.⁵⁴

This constant tension has put China into a dubious predicament, where the forces that vie for a more open society continuously struggle with the communist Party, which is desperately trying to maintain their grip on the Chinese people. The situation leads to numerous paradoxical situations, for example, the Party has allowed the internet to become a widely used and extremely popular medium amongst the Chinese people. But at the same time, the authorities force internet providers to block any potentially 'damaging' websites such as Google.com, Wikipedia.org or (Western) news sites that criticize China or provide uncomfortable information on past and present Chinese calamities. A recent squabble involved an announcement made by the government that all new computers should be equipped with internet filtering software, which monitors the user's internet behavior. As a recent BBC news report (30th June, 2009) explains:

Officials say it is designed to shield children from pornography and violence. However, free speech activists have criticised the software plan as an attempt to tighten the Chinese government's already strict controls on internet usage.⁵⁵

The announcement met with widespread outrage and fierce public resistance, which prompted the authorities to back down for the moment and delay the project. The BBC report claims that "the reversal is a very rare and embarrassing climbdown for the Chinese government."⁵⁶

It is clear that political, economical and social stability in China is put under severe strain by corruption and the 'crisis of trust.' The lack of supervision leaves the door wide open for all degrees of corruption to plague China. But since the Party itself is the main source of the problem, corruption can continue to undermine its authority and poses a formidable problem to which the communists might not have an answer. Unless it allows the creation of an independent supervising organ, which brings us back to the paradox mentioned before; more advancement means less control. The fact of the matter is, these issues have to be addressed, for the Party's sake soon rather than later. Because in the meanwhile, the problems the communists have to face are steadily increasing in gravity and scale.

2.6.1 China's boom; A blessing or a burden?

The main problem to the West regarding China's rise is that, due to its massive scale, it has profound immediate and long-term economic and political consequences for the rest of the world. To start with the economic aspect, many (if not most) large Western manufacturers have already relocated to China, to be able to continue to compete globally and to try and take a piece of the illustrious domestic Chinese market. The abundance of cheap Chinese labor, combined with the lack of (work- and environment- related) regulations and a Yuan which is kept artificially low by the Party creates a scenario in which it becomes increasingly difficult for non-Chinese manufacturing companies to stay in the race, often forcing them to either move their operation to China or to go out of business altogether. James Kynge also warn of the dangers of the so-called 'deflationary boom:'

The period from 1873 to 1900 is known as the era of 'deflationary boom' because prices of agricultural and manufactured items fell almost across the board in the US. Cheap American grain and steel flooded the European market like a tidal wave, causing many European farmers and steel mills to go out of business. Furthermore, it laid a solid foundation for other cheap American products to enter both the American and European market.⁵⁷

Kynge further elaborates on this by pointing out that "A century later, it is China that is exporting deflation in manufactured products and it is Americans and Europeans who are increasingly living out their lives assisted by a cornucopia of products made in China." He goes on to claim that "As an early signal of a shift in the distribution of geopolitical power, it seems unmistakable."⁵⁸

On the one hand, the addition of cheap products on a given market will drive prices down, making these products available to a wider public and potentially saving them money. On the other hand, competing with Chinese companies is an uphill-climb. With no real enforced concept of bankruptcy in China combined with a general lack of concern for market-based rules, an overflow of cheap Chinese products has the potential to disrupt any global market. Kynge explains in China Shakes the World how Italian clothiers, after being confronted with cheap Chinese products, were forced to move parts of their operation to China. Eventually, all aspects of the manufacturing process (including the design) were relocated to China; effectively robbing the country of a formerly lucrative branch of industry. This is happening on an alarming scale Kynge gloomy states that "The simple, unpalatable truth is this: that in many areas of manufacturing, European companies cannot compete in the longer run- no matter what countermeasures they or the EU may take."⁵⁹

2.6.2 The problem of piracy

Another grim aspect of the new Chinese economy is the massive scale upon which goods are copied, brand names faked and intellectual property stolen. The size of this underground economy is, by its nature, difficult to estimate, but a renowned Chinese scholar, Yao Jianfu, who has spent years studying it, says it "could amount to about one-third of the size of the official economy."⁶⁰ James Kynge acknowledges that piracy is a widespread problem in contemporary China, making up for a large portion of the economy:

"By the mid 1990s, piracy was becoming an all-too-common phenomenon. Once it had infected an industry, it spread like a virus up the value chain and leapt from company to company. By the early years of this century it was endemic, no longer a peripheral handicap to doing business but a fact of life that almost every company in virtually every sector was forced to consider or confront. Various estimates had it that American, Japanese and European companies may have been losing more than \$60 billion a year through Chinese piracy of one sort or another."⁶¹

For example, a sixth volume in the series of Harry Potter novels appeared in China months before J.K. Rowling had written it. When the real *Harry Potter and the Half-Blood Prince* did appear in English, several pirates competed to translate it and sell it online. To underline how far reaching the 'piracy industry' goes, Kynge claims that "a number of translators, unhappy with the way the book ended, wrote their own denouements."⁶² DVDs, music CDs and books are pirated on a massive scale, new films are often available on DVD even before they hit the theaters. Reporter Wayne Robson claims in an article for Audioholics Magazine that

Pirated DVDs are so common in the Tiger-of-the-Orient that even store owners who sell pirated DVDs for about 10 Yuan complain about lost market share to street vendors who can sell them for 7. In China, pirates control the lion's share of the software, games and DVD movie markets *to the tune of 90 percent*.⁶³

Robson argues that China's piracy problem is "far deeper than fake DVDs." He goes on to explain that

It has a booming industry of fake motorcycles, cars, designer clothing, cell phones and any electronics product you can name. The Chinese will even deal in fake razor blades, toothpaste and pharmaceuticals. These fake products can range from shoddy imitations to replicas indistinguishable from the original. It's estimated that piracy contributes a third to China's GDP.⁶⁴

Piracy is indeed a large scale and widespread phenomena in China, hurting practically every branch of industry, and overflowing the market with inferior, often malfunctioning goods. According to Kyngé, some counterfeits are either tragic or comic, or both:

Golf clubs have been widely pirated but with varying degrees of success. A bag full of impressive looking clubs can cost less than one-tenth of their price in the US or Europe, but some snap mid shot, releasing the head of the club to chase the ball down the fairway. Other fakes are even more dangerous. Kettles blow up, electrical transformers short-circuit, medicines have no effect, brake pads fail, alcohol poisons those who drink it and fake milk powder has had the effect of starving several babies to death.⁶⁵

For foreign companies, however, the problem is not sub-standard knock-offs so much as fakes that faithfully replicate the quality of the original. In the late 1990s, Volkswagen launched its popular Jetta car. Thirty-three months later, a previously non-existing car company named Chery opened its factory doors in the city of Wuhu on the banks of the Yangtze River. Their first car, a four door saloon also called Chery, bore a striking resemblance to the Volkswagen Jetta, which was China's best-selling car at that time. Kyngé makes clear that

Suspicious were immediately raised, partly because Chery's main investor, SAIC, was a joint venture partner of Volkswagen and partly because one of Chery's top executives used to



Figure 3: Top left: Daewoo Matiz, or 'Chevrolet Spark' as it is labeled in China. **Bottom left:** The alleged knock-off, the Chery QQ (the name itself a shameless copy of GM's Chevrolet, or 'Chevy' for short). Among other things, the

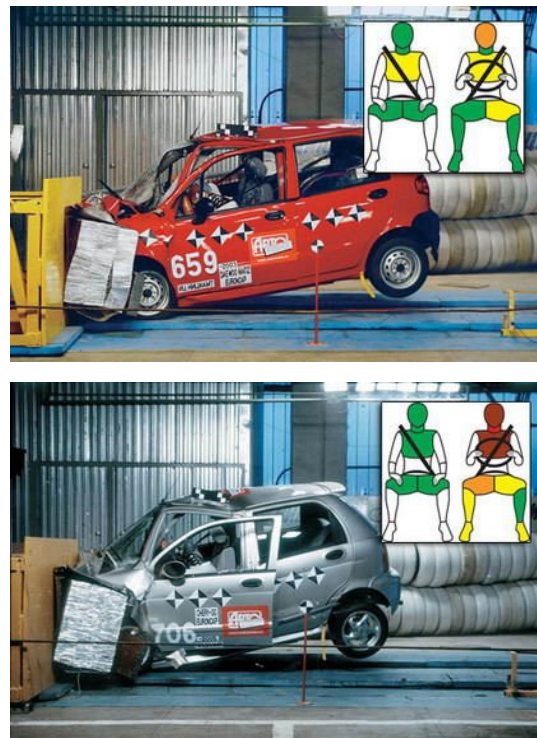


Figure 4: Top- and bottom right: A 30mph crash test of the Daewoo Spark (top right) and the Chery QQ (bottom right), conducted by EuroNCAP, the European New Car Assessment Programme. Crashing a Chery QQ while

make the Jetta in China for Volkswagen's subsidiary Audi. Volkswagen launched an investigation and found their own original parts inside the Chery. They wrote and spoke to executives at Chery, which is owned by the Wuhu city government, and eventually the Chinese company agreed not to use any more original (Volkswagen) parts.⁶⁶

General Motors, which is also partnered with SAIC, is suing Chery for \$80 million for piracy following its launch of a compact car, the QQ, which GM claims is a dead ringer for the Spark, a popular car produced by GM's subsidiary Daewoo. According to Kynge, "Chery denies all wrongdoing and says officially that it welcomes the case, which is to be held in a Beijing court. But while both sides wait for their day in court, the QQ- which has a price tag of \$3,600- is selling like hot cake and the Spark, costing twice as much, has yet to win much of a following."⁶⁷

Chinese car manufacturers are severely damaging the position of foreign car makers, blatantly copying the designs of brands such as Mercedes, BMW, Nissan, Mitsubishi and even Rolls-Royce and Hummer. But fighting legal battles with Chinese companies on their home turf is a dubious undertaking for foreigners, the courts are lead exclusively by Party members whose primary interest in these cases is to serve the needs of the owners of companies such as Chery, who also happen to be high-ranking Party members. Although the knock-offs are sold primarily in China itself, there have already been several attempts to get them available in showrooms across Europe, to the obvious dismay of European car makers. German based BMW successfully sued Shuanghuan Automobile for their attempt to put the 'CEO,' an obvious copy of the successful X5, on the German market.⁶⁸ The Chinese clone was effectively banned in Germany. However, after Shuanghuan started selling the CEO in Italy, BMW sued them again; only to see their claims of copyright infringement and intellectual property theft rejected in the Italian court. Furthermore, according to a recent article (May 21st, 2009) published by internet magazine Carscoop, a Greek court ruled in favor of 'Chinese Motors,' an import company sued by Daimler-Benz who wanted to block the sale of the 'Noble,' a minicar that shamelessly copies the Smart ForTwo.⁶⁹ Because the Noble has a different engine, and measures 3 meters in length instead of 2.50 meters like the Smart, the court claimed that "an informed buyer would not confuse the Noble with the Smart Fortwo." Carscoop concludes that "in other words, according to the Piraeus court's reason, Chinese automakers can sell any clone they want in Greece as long as the technical specifications differ from the original product."⁷⁰

Although the actual damage done to the sales of BMW and Mercedes might yet be dismissible, a scattered European response to clone ware leaves the door open for any Chinese company to try their luck and flood the European market with cheap copies. China's own car industry is booming, and companies like Chery and Shuanghuan are already active in Russia, eating away profits from established car makers. Already unable to really compete with the cheap clones in China itself, the troubled Western car companies might yet have to face their biggest challenge. Once the Chinese car industry evolves from making cheap clones to simply making cheap cars, they will most likely gain access to both American and European car markets. The effects might be devastating for companies such as General Motors, which is already in the middle of a controlled bankruptcy while surviving on billions of dollars of government funding.

Simply put, Chinese piracy takes a severe toll on markets all around the world, especially the American and European markets, since the pirated goods are often cheaper copies of products that originated from the western hemisphere. Piracy has been an embedded aspect of the contemporary Chinese economy, they grew large together. In addition, Chinese companies that manufacture copied goods are often in the hands of Party members, thus linking piracy directly to the government. Copied goods are often inferior, and without a doubt, potentially dangerous. And as long as piracy is not dealt with in China itself, it will become increasingly difficult to deal with by foreign countries.

2.6.3: Chinese foreign affairs: Geopolitics of scarcity

Over the past thirty-five years, China's relentless economic growth has, for the most significant part, shaped its foreign policy. With growth rates as high as 11.4% (in 2008), it comes as no surprise that the fight for resources still dominates the government's agenda. This growth fuels an ever increasing demand for (raw) materials, and, as the earth's resources are limited, an increase in demand does not only push prices up, it also puts tension on international relations. A telling passage in James Kynge's China Shakes the World deals with the essence of the situation as it evolved during the past decades:

A new era in international relations dawned, one defined by the geopolitics of scarcity. Greater and greater competition, both commercial and political, began to set one country against another in pursuit of finite resources and energy. As recently as five years ago, Beijing's leaders hardly had to worry about where and how their companies would secure supplies of oil, gas, and a host traded commodities and resources. In those days, the country's demand, though significant, was relatively easily accommodated on world markets. But now it is the second largest importer of oil in the world after the US. Its imports of aluminium, nickel, copper and iron ore have risen from an average 7 per cent of the world demand in 1990 to a predicted 40 per cent by the end of this decade.⁷¹

China's concern lies only with its own growth and the Chinese are not very picky when it comes to selecting trade partners, much to the dismay of America and the international community. For example, Uzbekistan President Islam Karimov was treated as an honored guest by the Chinese president, even though recently, according to Kynge, "the Uzbek army had killed hundreds of civilian protesters in a town square in the east of that Central Asian nation."⁷² Instead of joining the international community in denouncing the slaughter, China had given Karimov a \$600 million deal that would allow China to access twenty-three Uzbek oilfields. Kynge goes on to state that

A couple of months after Karimov, it was the turn of Zimbabwean dictator Robert Mugabe to accept a twenty-one-gun salute, a small loan and some encouraging words from Hu Jintao. Much more substantive than these ties with either Uzbekistan or Zimbabwe, however, has been China's warming relationship with Iran, another country high on Washington's list pariah states. Iran supplies 11 per cent of China's oil imports, so it is already a crucial resource partner. But the level of reciprocal interest is set to surge as Sinopec, the second largest state oil firm, implements an oil and natural gas agreement with Tehran that is said to be worth as much as \$70 billion – the biggest energy deal yet by any member of OPEC, the cartel of oil-producing companies.⁷³

It comes as no surprise that China's public flirt with Iran is unnerving, if not alarming, to the American government. The close economic ties have turned Beijing into a loyal ally of Tehran in the UN Security Council, where China happens to be one of only five countries with the power to veto any resolution that is proposed. The United States government has long suspected Iran of having a nuclear program aimed at developing a nuclear weapon, and as Kynge points out

Washington has hoped to use the threat of sanctions to force Tehran to demonstrate to the UN's nuclear watchdog that it has not broken the Nuclear Non-Proliferation Treaty, an international agreement that seeks to stem the spread of nuclear weapons and weapons technology. But this avenue now appears effectively blocked by China's maneuvering in the Security Council. The anxiety this causes in the White House is hard to overestimate: preventing Iran from developing the bomb has long been a cornerstone objective in the State Department's global view.⁷⁴

Garrie Van Pinxteren explains in [China, Centrum Van de Wereld](#) how China's warm relationship with dictatorial regimes poses another major political threat: "China's ondemocratische, autoritaire aanpak biedt in de ogen van veel Afrikaanse leiders een steeds aantrekkelijker alternatief om tot aanzien in de wereld en welvaart in eigen land te komen."⁷⁵ Van Pinxteren goes on to claim the following: "Het legt een bijl aan de wortel van het Westerse gelijk over wat het beste economische en politieke systeem voor de wereld zou zijn." So far, China has succeeded in making the uneasy combination of a tough regime and economic reforms work, and this might serve as a role model to any nation seeking an alternative to democracy. Van Pinxteren warns of the effect his has, and might have:

Het Chinese model is overigens niet allen aantrekkelijk voor Afrikaanse en Zuid-Amerikaanse leiders, maar ook de Russische leider Putin. Voormalig Rusland-correspondent van NRC-handelsblad Laura Starink signaleerde dat Rusland de laatste tijd erg naar China kijkt om te zien hoe je een economisch wonder tot stand kunt brengen onder een autoritaire regering die met harde hand regeert. Dat element is voor Europa en de Verenigde Staten misschien nog wel het meest bedreigend.⁷⁶

The unfolding of these recent events present to the world a new, confident China, one that aims to achieve its goals by any means necessary and one that does not let itself get pressured by the international community, or by Washington in particular. Of course, China's advancement was made possible primarily by American and European investments, and its annual growth is still largely dependent on Western money. China should be careful not to bite the hand that feeds it, or as James Kyng puts it:

America and Europe, in large part due to homegrown deficiencies, are finding it increasingly tough to identify a net advantage from their engagement with China. A key question for the future, therefore, is not so much how China's rise will affect the world but to what extent the world will *allow* China to continue its ascent.⁷⁷

However, this dependency works both ways. A recent article on CNN.com (Feb 22nd 2009) names China as "the world's top holder of U.S. debt", and reports that the "China-U.S. trade volume rose by 10.5 percent in 2008 to 333.7 billion U.S. dollars."⁷⁸ During her first trip through Asia as acting U.S. Secretary of State, Hillary Clinton made China the last stopover. Clinton stated that the subject of human rights was discussed, but according to CNN.com she "emphasized that the global financial slump and other international crises were more pressing and immediate priorities."⁷⁹ Clinton's statements illustrate how the co-dependence, combined with the current economic crisis, has shifted priorities:

Successive administrations and Chinese governments have been poised back and forth on these issues, and we have to continue to press them. But our pressing on those issues can't interfere with the global economic crisis, the global climate change crisis, and the security crisis"⁸⁰

It is only logical to reach out to other nations during a time of crisis, but despite the fact that both countries need each other, the Chinese government is the real winner here. If America is willing to put aside such an instrument of political leverage for, basically, economic gain, the Party is free to continue to try and prolong its communist reign. Recent examples of how this is put into practice include the appliance of electrical shocks to 'cure' internet-addicts⁸¹ and the use of riot police in the western province of Xinjiang to put down Muslim minority protests, which resulted in the deaths of 156 Uyghurs and left more than a thousand others injured. Unofficial reports state that thousands of Uyghur men were arrested, and have not been seen since. An article on news site [Globe and Mail.com](#) explains the tension in Xinjiang: "While China has had a presence in Xinjiang for centuries,

Communist rule has brought with it restrictions on the practice of Islam as well as ethnic tensions as Beijing has encouraged Han Chinese to settle the region.”⁸² Government-instigated structural discrimination and barbaric rehabilitating methods are only the tip of the iceberg. These findings are shared by Van Pinxteren, she underlines this in China, Centrum van de Wereld: “Het wordt steeds duidelijker dat China de politieke mensenrechten niet als universeel ervaart, welke overeenkomsten het land daarover ook ondertekend mag hebben.”⁸³ According to her, the Chinese have their own way of dealing with the subject of human rights:

Mensrechten zijn vaak een pion in een breder politiek schaakspel, een pion die ook weer makkelijker van het bord verdwijnt als de inzet ervan niet opportuun is. China weet dat heel goed, en daarom is China zeer achterdochtig over de hele mensenrechtendiscussie. China ziet het niet alleen als inmenging in interne aangelegenheden, maar ook als een hypocriet, door het Westen bedacht middel dat de ware bedoelingen van het Westen vertroebelt. Die ware bedoelingen zijn dat het Westen China klein wil houden, Met een werkelijke betrokkenheid bij het lot van vervolgte Chinezen heeft het volgens China niet veel te maken.⁸⁴

Another ongoing issue is Taiwan, which is at the centre of a very delicate political situation. Taiwan operates as an autonomous country, led by a democratically chosen president. As the Wikipedia page on Taiwan aptly explains: “The controversy regarding the political status of Taiwan hinges on whether Taiwan, including Penghu, should remain effectively independent as territory of the Republic of China (ROC), become unified with the territories now governed by the People's Republic of China (PRC), or formally declare independence and become the Republic of Taiwan.”⁸⁵ In China Shakes the World, James Kynge explains how Taiwan’s geographical position makes it of “crucial strategic importance for trade and the projection of military power in the region.”⁸⁶ Furthermore, he adds,

For China, the issue is also highly emotional and nationalistic. Beijing sees the island as a lingering slight on its prestige, a reminder that the humiliations it suffered at the hands of foreign powers in the 109 years before 1949 have yet to be reversed. The cause of reclaiming Taiwan, which it lost in 1895 after a war with Japan, has become a shibboleth of Communist rule.⁸⁷

Officially, the United States accept that Taiwan geographically belongs to China, but they stretch that a possible reunification can only take place in a peaceful manner. Kynge rightly points out that the United States are obliged under an American law, the Taiwan Relations Act, to come to Taipei’s assistance if the mainland ever decides to attack.⁸⁸ However, it is unlikely that neither China nor the U.S.A. will risk provoking one another, not over Taiwan, nor any of the other political issues discussed. A fight over any of these will most likely result in severe damage to both the American and Chinese economies. As James Kynge confirms: “In spite of the stand-off over Taiwan, the US and China have managed since they established diplomatic ties in 1979 to avoid depicting each other as future enemies.”⁸⁹

2.7: Conclusion

Without a doubt, China has experienced an amazing economic uprising in just a few decades. In 2008, in terms of purchasing power parity, China came in second place; losing only to the United States. A large portion of the population has been lifted out of poverty and education is on the rise. An ever increasing number of Chinese are connected through the internet, and millions have access to all the conveniences modern technology has brought us. A mere twenty, thirty years ago, an average Chinese family was destined to work the land without very little prospect of ever improving their situation. In contemporary China, it has become normal to be able to get better jobs which

allows an average family to live a relatively luxurious life in a new Chinese apartment in some fast growing Chinese city, with a new Chinese car in the parking lot and with money to spare to send the kids to a Chinese college.

However, as demonstrated, the developments of the past thirty years did not only bring prosperity and advancement to China and its people. Although many people have escaped poverty, many others have not; the uneven distribution of wealth has severely widened the gap between the rich and the poor. As a result, uneducated people are often dependent on either agricultural labor or insecure jobs in filthy, unsafe factories. Education is widespread, but getting into proper universities is a matter of knowing the right people. The internet is available to many, but as is the case with the news media itself, is heavily regulated and restricted by the government. Corruption is an embedded part of China's modern culture, affecting practically every layer of society. Furthermore, the massive economic growth combined with a general contempt of the environment has taken a destructive toll on nature. Many of these problems can be traced back to the fact that China is still very much a communist country, and in particular to the existence of the communist Party. The Party finds itself in a desperate ongoing struggle to stay in power while allowing certain necessary reforms in order to stimulate the economy and maintain social stability. Because the Party is the ultimate authority, and independent supervision is non-existent, the result is a situation where most of China's shortcomings remain unaddressed. China focuses solely on expanding its annual growth, without considering how much pressure it puts on its country, its people, the environment and foreign relations.

On the one hand, China shows aspirations of a new superpower, and its actions are closely followed by the West. On the other, China boasts the deficiencies of a third world country on an embarrassingly large scale. China's economic rise affects America and Europe on many different levels, both economic and political. The West benefits from China's growth in a number of ways, in an official Congressional Research Service Report titled *Is China a Threat to the U.S. Economy?* macroeconomists Craig K. Elwell and Marc Labonte state that

The high level of relatively low-cost imports from China have benefitted the United States in a number of ways. First, lower-cost imports have helped keep inflation down. Second, low-cost imports have increased overall consumer welfare, enabling consumers to purchase other goods and services (and hence stimulating growth in other sectors of the economy). Finally, low-cost imports have benefitted U.S. firms that use them as inputs for the production of other goods, thus making those firms more competitive.⁹⁰

However, Elwell and Labonte also denounce the unfair advantage China has over America in the form of plagiarism, lack of environmental -and safety rules, and a Yuan kept undervalued by the Chinese government. They claim that "the main challenge for U.S. policymakers is to press China to quicken economic and trade reforms, and to fully transform itself into a market-based economy."⁹¹ Elwell and Labonte go on to explain how China traditionally focuses on low-end, labor-intensive manufacturing, much of which does not compete directly with U.S. companies. But, as they argue, "China is attempting to move into more advanced production and hopes to become globally competitive in a number of industries, such as autos and information technology."⁹² However, despite the looks of it, China's ambitions are still far from becoming reality:

[Concern has been raised] that China may pose the kind of competitive challenge to major U.S. industries that Japan posed during the 1980s. Although it is difficult to accurately predict how advanced China's economy will become, it currently lags significantly behind the United States. The divergent experience of the U.S. and Japanese economies since the 1990s suggests that the competitive threat from China is questionable, especially considering the extensive economic challenges China faces in the years ahead.⁹³

Even though they admit that China's protection of its own economy is harmful and wrong, Elwell and Labonte conclude their report by saying that up to this point, China's rise has not been bad to the American economy. Regardless of the fact that a large portion of the Chinese economy thrives on the sale of counterfeit goods and stolen intellectual property and that the flood of cheap products has brought many Western businesses to bankruptcy, they state that, in general, "trade and the trade deficit with China has not prevented the United States from achieving full employment in recent years."⁹⁴ In fact, they claim that "there is little reason to believe that China's rise will be matched by any fall in U.S. living standards."⁹⁵

On a political level, America fears that China's friendly relationship with dictatorial regimes not only strengthens them, but might also result in other developing countries adopting a 'Chinese model' of communism and economic reforms. Furthermore, it is not unthinkable that, in its quest for economic growth and global respect, China will draw closer to Russia while distancing itself from the West. By itself, China should be categorized as an important economical partner rather than an upcoming rival. Allied with Russia however, the communist bloc might pose a major economic, political and ideological threat to the West. China makes a powerful ally, but therefore also a potentially powerful enemy. Herein lays a formidable challenge to America (and to a lesser extent, Europe): How to ensure a growing bond based on mutual economic growth while trying to prevent communism from both tightening its grip on China and spreading to likeminded nations. Lately, China has shown some more leniency towards America, specifically when it comes to North-Korea. Traditionally, China has supported the thorn in America's proverbial side, but this changed after Kim Jong-Il decided to launch a missile, capable of holding a nuclear warhead, over Japan. In response, China has turned to a more hands-off-policy, and openly denounced these actions. As James Kynge points out: "China is perhaps too much wedded to the world, too deeply insinuated into its organizations and treaties, and too dependent on others to bite the hands that feed it."⁹⁶

Simply put, China has no desire to let its relationship with the West turn hostile, this is undoubtedly related to the fact that China is well aware of its own problems. For example, over the last couple of years the fight against corruption and pollution has been put high on the priority list. As Garrie van Pinxteren observes in China, Centrum van de Wereld,

De druk om nieuwe welvaart te scheppen is enorm, en die druk zal de komende jaren zeker niet afnemen. De Wereldbank schat dat er in China nu al jaarlijks 400.000 mensen sterven aan ziekten die met milieuvuiling te maken hebben. De immense problemen die de milieuvuiling oplevert, met een toenemend gebrek aan schone grond, water en lucht, vormen de grootste bedreiging van de economische groei. Daarmee is het milieu misschien wel de grootste uitdaging waarvoor de Chinese overheid zich de komende decennia gesteld ziet.⁹⁷

Furthermore, the communist Party knows it will have to make concessions if it wants to stay in power, this inevitably means that they will gradually lose some of it along the way. Although the process of political and systematic reform is very slow, for Washington to try and force China to change its politics means risking a lot more than can be gained from such a situation. Instead, a joint effort with Europe to get China to enforce the rules of a market-based economy will most likely speed up the process of political and social reform as well. It seems the American government under president Obama has already taken a similar route: During a recent visit to Beijing, U.S. Secretary of State Hillary Clinton said at a news conference that "the opportunities for us to work together are unmatched anywhere in the world."⁹⁸ Currently, China and America are developing a gas-fired power plant which will have twice the output of a common Chinese coal-powered plant, while producing a fraction of its pollution. It is hard to say what the future will bring, but this type of cooperation might lead to other projects, perhaps in the form of hybrid and low-emission vehicles. America has the technology available, and the Chinese car market is as booming as ever. A joint venture might

effectively help out the dwindling American car industry while at the same time assist China by further reducing its CO₂ omissions. In any case, the foundation for future cooperation has already been laid, it is up to Beijing and Washington to determine where it goes from here. And as recent analysis point out, China is not that vulnerable to the economic crisis which is plaguing American and Europe. It seems that China, in its current form, is here to stay- and therefore a force to be reckoned with.

In conclusion, China has come a long way, and still has a long way to go. The Chinese now face a unique set of challenges , both internal and external. The relationship between American and China might come across as an uneasy one, and without a doubt, the Chinese could stand to make certain rigorous changes. However, it is in the best interest of both nations to prolong and intensify their economical and political ties.

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Chapter 3

Europe



3: A United Europe

3.1: Introduction

In the aftermath of the devastating Second World War, Winston Churchill proposed the formation of a "United States of Europe."¹ A federation of states to promote harmonious relations between the ravaged European nations, to create a greater sense of shared European identity and to enhance economic cooperation and interdependence. The Treaty of Versailles, intended to serve as punishment to Germany for the First World War, was used as a premise by Adolf Hitler to unleash the Nazi war machine on the European continent. Churchill took knowledge from these events and spearheaded the alternative approach, the underlying thought of his ambitious plan was to prevent a war like this from ever breaking out again on the European continent. "As the only man in Europe to have played a major role in two world wars," historian Roland Quinault writes about Churchill, "he knew better than anyone else that Europe's divisions were too deep-seated to disappear in a generation."² The founding of the European Coal and Steel Community (ECSC) in 1951 by France, West Germany, Italy, Belgium, Luxembourg and the Netherlands, marked the beginning of the unprecedented project that changed Europe forever. The ECSC evolved into a broader pact, the European Economic Community (EEC) in 1957. Ten years later, six additional nations joined the ECSC. After years of careful planning and political and economical growth entwinement, the European Union became a reality on November 1, 1993, marked by the signing of the Treaty of Maastricht. In 2009, The European Union consists of 27 unique member states, its combined population reaches nearly 500 million and its economic power is currently rivaled by America alone. Indeed, on paper, the European Union is in many regards America's equal and worthy of the label "superpower." Worldwide, politicians and scholars alike still look with marvel upon what many held impossible; a united Europe.

Europe's unification over the past 58 years and its current geopolitical position are indeed unique. Which leads to interesting questions: Is there a possibility that the European Union will overtake America's place as the world's most important superpower? Is a strong EU a threat or a blessing to America? And exactly how strong and united is this union of European states?

3.2: Economic perspective

In Chapter 1, Russia's reemergence as an international player has been elaborately discussed. Powered by the increasing demand for its national resources, Russia's economy has experienced a solid growth over the past eight years. However, in terms of the gross domestic product (GDP), the standard indicator to determine the actual size of an economy, Russia comes in eighth place, surpassed by Italy, the United Kingdom, France and Germany. Chapter 2 shows China's remarkable economic growth, which is reflected in the 2008 GDP list by the International Monetary Fund (as can be seen in figure 1): China's economy has exceeded the German GDP, and is thus larger than Europe's largest economy. It is close to overtaking Japan as the second largest economy of the world, but still far from reaching the volume generated by the country listed as number one. Outclassing the number two on the list, Japan, by almost a factor of three, America still boasts the largest GDP produced by a single country in the world. However, as the list shows, the European Union as a whole surpasses even America: with a GDP of \$18.39 trillion, the 27 countries of the EU combined generate 30% of the nominal gross world product.

Furthermore, the countries of the EU produce and manufacture an enormous variety of goods, both for the European and foreign markets. Exported goods range from automobiles to fashion, from aircraft to food products, from pharmaceuticals to military equipment, from electronics to industrial chemicals. And the list goes on. Thanks to the diverse economies and close cooperation of the individual states, The European Union boasts an economy that is present in virtually every sector. Many of its products are sold worldwide, its brand names are leading icons in their respective industries, and its companies rank among the largest and wealthiest of the world.

3.3: The euphoria of the Euro

The euro was introduced on January 1, 1999 in a “virtual form,” as an official monetary

instrument for securities, business transactions and bank accounts. After a rough start and a subsequent decrease in value during its early years, the euro experienced a steady growth. On January 1, 2002, the euro became the official currency for 12 member states of the European Union. American author and foreign correspondent T.R. Reid states in *The United States of Europe* that “At the end of the twentieth century, the strong U.S. dollar reigned supreme. Five years into the new century, the young upstart, the euro, ranks as the world’s strongest currency.”³ He claims that the euro is more than just money; “it is also a political statement – a daily message in every pocket that cooperation has replaced conflict across the continent.” New Year’s Day 2002 marked a historic milestone in the emergence of an United Europe. Reid calls the event “a formidable achievement.” He says that “it was by far the largest currency conversion in world history, and it went off right on schedule, without a hitch.”⁴ The introduction of the euro eliminated the currency exchange expenses, making trade easier, faster and less costly. It also served as a major boost to European confidence. When he acted as the European Commission’s president, Romano Prodi openly contested the dollar’s hegemony: “The historical significance of the euro is to construct a bipolar



Figure 2: U.S. Dollar – Euro exchange rate 1998-2007

Rank	Country	GDP (millions of USD)
—	World	60,689,812
—	European Union	18,394,115
1	United States	14,264,600
2	Japan	4,923,761
3	People's Republic of China	4,401,614
4	Germany	3,667,513
5	France	2,865,737
6	United Kingdom	2,674,085
7	Italy	2,313,893
8	Russia	1,676,586
9	Spain	1,611,767
10	Brazil	1,572,839

Figure 1: 2008 Top ten of the world’s GDP

economy in the world. The unipolar world is over. There are two poles now: the dollar, and the euro.”⁵ T.R. Reid claims that Prodi’s proud statement disguises an underlying desire to more thoroughly undermine America’s dominant position in the world: “For Prodi, of course, a “bipolar” currency world was just one facet of the broader effort to create a “bipolar” world in every respect – to see the European Union as a global superpower of American dimensions.”⁶

Indeed, the euro poses a major potential threat to America’s economic domination; if an increasing number of

nations and markets start to prefer doing business with the strong euro instead of the dollar, America and its beloved currency might be in serious trouble. Since the mid 1980s, the United States has a growing trade deficit; it imports significantly more goods than it exports. Any other nation would be unable to uphold this situation for the same period of time, but the unique position of the U.S. dollar as dominant currency throughout the world, in combination with massive foreign investments, makes it possible. Simply put, as long as a strong worldwide demand for the dollar can be maintained, there is little to fear. However, once the U.S. is forced to buy euros in order to trade, its expenses will swiftly go up. Combined with a declining demand for the dollar, America's economy will be put under a severe strain. Reid warns that the current situation already hints at this possible change: "The explosive increase in euro-based international transactions suggests the worrisome possibility that foreign investors may have found a place other than the United States where they can safely store their money."⁷ Furthermore, he adds, "A survey of central banks in early 2005 showed that two-thirds of the world's sixty-five richest nations were planning to shift investment out of dollars and into euros."⁸ Reid predicts a grim future for the Americans if the aforementioned takes place:

The dollar could lose much more value on international markets; foreign investors could pull out of American markets, sending stock market indexes steeply downward; the U.S. government could be forced to raise taxes to make up for the bonds it can no longer sell around the world. If all that happened, America would wake up to the revolution in Europe in the most painful way.⁹

With its economic growth and unification, the EU has already gained unprecedented power. A prime example of the new European might is its far-reaching influence on American companies through anti-monopoly and anti-trust laws, enforced by the European Commission. For instance, Microsoft has successfully been sued for various antitrust violations and the European Commission blocked the merger of two major American corporations, General Electric and Honeywell. The proposed General Electric – Honeywell merger was one of the first real tests of the EU's power, and turned into a battle between Jack Welch, CEO of General Electric, and Mario Monti, the European 'antitrust czar.' "The Europeans were concerned with bigness itself" T.R Reid explains, "the fear that a company with an overwhelming presence in certain markets would use its sheer size to drive out competitors, and then drive up prices for consumers."¹⁰ Welch, a veteran of successful mergers and an American icon, thought the merger was already a done deal. But Monti noticed that Honeywell is active in avionics, and GE's huge lending division often financed deals for European plane builders and airlines. Due to this conflict of interest, Monti told Welch he would recommend disapproval to the European Commission. Welch was furious, and made the mistake to contact then president George W. Bush, who would attend the European Union summit in Sweden that same week. Bush agreed to 'talk to the European representatives'. It sparked a storm of outrage among the assembled Europeans.¹¹ Reid explains how Welch's approach was exactly the wrong way to deal with a united Europe: "When the European Commission met in July, the GE-Honeywell decision was no longer a simple question of antitrust. It had become a fundamental test of Europe's backbone. The commission voted 20-0 to support Monti's negative recommendation."¹² In what Jack Welch thought was destined to become America's largest business merger, the Americans bit the dust. The merger was called off, GE's stock dropped by almost 50% and Welch's name had been disgraced. The message was clear: the EU is no pushover, and will fight to safeguard its own interests. And the meddling of the United States president in European decision making is exactly the opposite of what the European Union aims to achieve. The force that gave Europe the authority to say 'no' is identified by Reid as "sheer market power": "The unification of the continent has produced a single market bigger than the United States or Japan. American companies can no longer ignore Europe, because they need access to its huge market. The historian Norman Davies captures the new European mindset:

I think today, at the start of a new century, Europeans are proud of where they stand and how much they have achieved. And this huge EU establishment is part of that. It's not any longer going to be whether France is the winner, or Germany, or the U.K. The competition now is different, first because it is peaceful, and further because it is global. And Europeans are becoming confident now that Europe is going to be the winner.¹³

3.4: Anti-Americanism: Pro-Europeanism?

The proud boastings exclaimed by the former European Commission's president Romano Prodi reflect a conviction that many Europeans seem to share: the EU should be the counterbalance to America's dominance; and treated as such. Anti-Americanism is as old as the United States itself, and ever since its emergence as a superpower, the far-reaching decisions made by Washington and the U.S. president have been working as a magnet to global criticism; often rightly so. It is tempting to assume that among Europeans, anti-Americanism automatically triggers pro-European feelings. T.R. Reid appears to agree fully with this hypothesis:

Widespread anti-Americanism has strengthened Europeans' belief that an integrated European Union should stand up as a counterweight to the American brute. Until the early years of the twenty-first century, a majority of Europeans reacted warily to the suggestion that the European Union should become a "superpower." Today, Europeans have broadly embraced the notion that their united continent should be the superpower that stands up to super America. Surveys taken in the summer of 2003, after the intensely unpopular military action in Iraq, showed that more than 70 percent of Europeans want the EU to become a superpower – and more than 70 percent expect that this will happen.¹⁴

It appears that in many aspects, Europeans feels superior to Americans. The basic premises of Anti-Americanism is summed up nicely by the American scholar Anthony Judt:

The U.S. is a selfish, individualistic society devoted to commerce, profit, and the despoliation of the planet. It is uncaring of the poor and sick and it is indifferent to the rest of humankind. The U.S. rides roughshod over international laws and treaties and threatens the moral, environmental, and psychical future of humanity. It is inconsistent and hypocritical in its foreign dealings, and it wields unparalleled military cloud. It is, in short, a bull in the global china shop.¹⁵

Where Europe seeks power through interdependence, unity and international institutions, America acts unilaterally. Where Europe is out to protect the global environment, America backs out of important treaties for selfish, economic reasons. Where Europe has an extensive healthcare system, millions of Americans, both working and unemployed, lack any form of insurance. Hot topics such as gun control and the death penalty only widen the ideological gap between the two continents. And the list goes on. Through several myths, attitudes and experiences a persistent image is created of America and Europe as opposites, with Europe being the obvious better half. Without a doubt, the "Bush-factor" is at play here. The immensely unpopular presidency (at least, outside America) of George W. Bush has played an important role in spreading the wave of anti-American protests that flooded the world in recent years. As Bernard Chazelle, a professor at Princeton, puts it: "Brilliance rarely is the first attribute one associates with George W. Bush, but even his detractors must concede that his contribution to the cause of anti-Americanism is a feat of staggering genius."¹⁶ In many ways, George W. Bush personifies everything anti-Americanists have an aversion to: Blatant ignorance towards foreign countries, a general disregard for international institutions and treaties, and an openly faith-based, cowboyish 'guns a' blazing' foreign policy. The 9/11 aftermath suggested that the transatlantic relations were closer than ever, but soon the Europeans felt that America was going into a "unilateralist overdrive." The situation reached its climax when Bush decided to invade Iraq,

regardless of the fact that the United Nations ruled against it and in spite of the ferocious opposition it spawned among large majorities in almost every EU country. Even in Britain, Spain and Poland, which were officially allied with the United States against the Iraqis. Bernard Chazelle observes that “The insufferable self-righteousness oozing out of every pore of the Bush White House has had a way of translating into disastrous policy. It will be the main challenge for future presidents to reverse this course.”¹⁷ Of course, with the election of America’s first black president the initial crucial step towards reversal has been made. Whether or not current U.S. President Barack Obama can soothe the trans-Atlantic relations will be discussed more elaborately in the next and final chapter.

3.5: The American Dream vs. the European Dream

Jeremy Rifkin is another prominent scholar who supports the notion that anti-Americanism spawns pro-European-thought. He argues in his bestseller The European Dream, as the title of the book suggests, that a European Dream is beginning to take shape and form, which in effect means a fundamental deviation from the dominant American ideology and worldview. Rifkin thinks that, in many respects, the European Dream is the mirror opposite of the American Dream. He explains that “the American and European dreams are, at their core, about two diametrically opposed ideas of freedom and security.”¹⁸ The underlying thought is that “Americans hold a negative definition of what it means to be free and, thus, secure. For us [Americans], freedom has long been associated with autonomy.”¹⁹ To be autonomous means one is in control, in order to be in control one must amass wealth. And, Rifkin argues, “The more wealth one amasses, the more independent one is in the world. With wealth comes exclusivity, and with exclusivity comes security.”²⁰ This is in sharp contrast with what he calls the European Dream:

The new European Dream, however, is based on a different set of assumptions about what constitutes freedom and security. For Europeans, freedom is not found in autonomy but in embeddedness. To be free is to have access to a myriad of interdependent relationships with others. The more communities one has access to, the more options and choices one has for living a full and meaningful life. With relationships comes inclusivity, and with inclusivity comes security.²¹

This European Dream differs from its American equivalent in several key areas:

The American Dream puts an emphasis on economic growth, personal wealth, and independence. The European Dream focuses more on sustainable development, quality of life, and interdependence. The American Dream pays homage to the work ethic. The European Dream is more attuned to leisure and deep play. The American Dream is inseparable from the country’s religious heritage and deep spiritual faith. The European Dream is secular to the core. The American Dream is assimilationist. The European Dream, by contrast, is based on preserving one’s cultural identity and living in a multicultural world.²²

These ‘dreams’ consist of basic ideological guidelines, which lead to different approaches when it comes to making the policies that deal with both domestic and foreign affairs. What might be perceived as simple sentiment thus has extensive real life consequences:

Americans are more willing to employ military force in the world, if necessary, to protect what we perceive to be our vital self-interests. Europeans are more reluctant to use military force and, instead, favor diplomacy, economic assistance, and aid to avert conflict and prefer peacekeeping operations to maintain order. The American Dream is deeply personal and little concerned with the rest of humanity. The European Dream is more expansive and systematic in nature and, therefore, more bound to the welfare of the planet.²³

One of the key areas where the European Dream is put into practice and where it proudly deviates from the American version is the EU's social model. T.R. Reid explains that "access to the generous benefits of the social model is seen as a basic right of every European- and the word every is crucial here, because the social model is relentlessly egalitarian."²⁴ As Reid points out, embedded to this view is the notion that it is the responsibility of every European to pay for this social model. American politicians tend to describe the European system as a 'welfare state', "a phrase used derisively by American politicians to attack those who want to give away huge sums of public money."²⁵ Reid continues by stating that "in Europe, too, the social safety blanket is known as the 'welfare state,'" but in Europe people are proud of that term."²⁶ Individualism and the conviction that money matters lie at the root of common stereotypes so often ascribed to the American people: but both Reid and Rifkin believe these are very much rooted in reality:

To Americans, it is simply a matter of common sense that rich families get better medical care and better education than the poor; the rich can afford the doctors at the fancy clinics and the tutors to get their kids into Harvard. But this piece of common sense does not apply in most of Europe.²⁷

According to Will Hutton, journalist for The Guardian and renowned writer, "the reason why Europe compares so favorably with the US in respect of social and income mobility is that every European state sets out to offer equality of opportunity to all its people; the American neglect of the bottom 50 percent in the name of individualism is not reproduced in Europe."²⁸ Even though the costs to maintain the European social model are enormous, Europeans are convinced it is superior to America's healthcare system, where little is guaranteed. In the US, having a job does not automatically imply one has access to healthcare, while losing a job that did provide it usually means the ex-employee will have to get by without healthcare. Reid points that "in the spring of 2004, some 45 million Americans had no health insurance whatsoever. That option is simply unthinkable in Europe."²⁹ Europeans believe that their social model is preferable to what is going on in other parts of the world, it is seen as a proud characteristic of the EU, or as Reid puts it: "The Europeans argue that the generosity of their social model is the main thing that makes Europe different from other developed regions of the world."³⁰

Besides the EU health care system, additional striking differences with the American approach are easy to spot in other areas within the European social model; for example the manner in which drug control is handled. The EU has taken a direction that clearly contrasts that of the U.S., where a strict no tolerance-policy is embedded: Georges Estievenart, director of the EU's Monitoring Center for Drugs and Drug Addiction, explains that "the general trend across Europe is an approach that focuses on the traffickers and does not pursue the drug user as a criminal. The basic premise is that it is not in the interest of society to put these people in jail, where they don't get treatment but do get fairly easy access to all kinds of drugs."³¹ According to Reid, both the EU's drug policy and its health care system are superior to their American counterparts:

In drug policy, the European social model has produced a result that meets the basic goal of the welfare state and saves money at the same time. The fact is, it is cheaper to treat addicts than to jail them. In health care, too, the Europeans provide universal coverage and state-of-the-art treatment for far less money than America spends for a less extensive system.³²

American conservatives and ill-informed Fox-network talk show hosts love to claim that this 'soft' European approach causes drug abuse to spiral out of control, especially in the Netherlands, where marihuana is partially decriminalized. However, as Reid points out, "Drug use in general in the Netherlands appears to be lower than in the prohibitionist United States."³³

Another key area in which the E.U. considers itself superior to America is the field of human rights, because, as T.R. Reid argues, “the United States may be the world’s dominant military, cultural, and financial force, but the United States still executes criminals. That point alone, to tens of millions of Europeans, makes the European Union a better place to live than the American one.”³⁴ For this very reason, Europe has refused to extradite any prisoners to America if they are likely to receive the death sentence. Under the presidency of George W. Bush, both U.S. Attorney General John Ashcroft and U.S. Secretary of State Condoleezza Rice have lobbied in vain to try and get this mindset to change, which only strengthened the European resolve. At the base of the EU’s policy lies the European Charter of Fundamental Rights, enforced by the European Court of Human Rights, which itself has grown into a prestigious and powerful institution. T.R Reid dryly points out in The United States of Europe that

While the United States held hundreds of possible terrorists locked up for years without charges and without the right to a lawyer following the 9/11 attacks, the European Court of Human Rights pressured Britain’s home secretary to provide legal help and a formal notice of charges to terror suspects in his country.³⁵

While the U.S. enacted the Patriot Act and greatly increased its recordkeeping of its citizens, the EU has chosen to take the opposite direction, and further improved the protection of personal privacy of Europeans. But aside from affecting the daily lives of Europeans, the influence of European law is felt far beyond the EU’s borders: Reid writes that “under the threat of severe penalties in the world’s biggest market,”³⁶ around 400 major U.S. companies have signed privacy agreements with the EU, assuring that the more strict European rules are followed, regardless of Washington’s own legislation. Alan F. Westin, an expert in the field at Columbia law school, captures the essence of the situation: “In privacy law, we went to sleep and the Europeans moved ahead. The Europeans now set the rules that our companies have to follow.”³⁷ There are numerous other examples that show the EU’s influence on American life; because the EU banned genetically enhanced foods, American farmers decided to simply stop producing them, even though they are perfectly legal in the U.S.

Of course, in reality, Europe is not nearly as unified in rejecting American ideology or in supporting the European worldview as has been suggested up to this point. Neither is America in its own pursuit of the American Dream. The point is not, as Jeremy Rifkin argues in The European Dream, whether Europe and America are living up to the dream they have for themselves:

What’s important is that Europe has articulated a new vision for the future that’s different in many of its most fundamental aspects from America’s. It is this basic difference in how Europeans and Americans envision their future that is so important to understanding the dynamic that is unfolding between these two great superpowers of the twenty-first century.³⁸

Especially under Bush’s presidency, America has shown little concern for all these developments. But the only possible loser in global anti-Americanism is America. Europe’s influence is expanding, in both the economic and political stage. An ever increasing number of nations are looking at the European Union as a preferable alternative model to that of the United States. As T.R. Reid puts it:

One problem with the American inclination toward independent action is that the rest of the world seems to be leaning Europe’s way. All over the planet, nations are eagerly signing up to international agreements, treaties, and conventions, often leaving the United States on the short end of extremely lopsided votes.³⁹

For example, the 2001 Kyoto Protocol on global warming was approved by 178 to 1, with America being the only nation that voted against it. Also, the vote on an international treaty banning

antipersonnel land mines was approved by 142-0; All European nations voted 'yes', America simply did not participate. Another example is the result of the vote for a new International Criminal Court: 120-7. The United States voted against it, as did Iran, Russia and China. Powered by its massive economy, the EU is striving for more and more independence from America's hegemony, even in an area that has been a taboo for decades. As Martin Walker, former U.S. bureau chief and European editor of *The Guardian* writes: "It has long chosen to be a military pygmy and a political dwarf, content to leave its security to NATO and American leadership. That curious combination of wealth without [hard] power is now being reconsidered."⁴⁰

3.6: Hard power vs. soft power

In *The United States of Europe*, T.R. Reid rightly points out that "For more than half a century, Europeans have relied on American soldiers, American weaponry, and America's awesome military technology as their first line of defense."⁴¹ In general, the transatlantic alliance has left the Americans frowning at Europeans for happily taking this 'free ride,' while often criticizing U.S. policy. Furthermore, it is quite obvious that the absence of large European military expenditures conveniently frees up money reserves to pay for its expensive welfare system. However, in line with its independent course, the EU has decided to combine and strengthen the armies of its member states in what has been dubbed the "European Rapid Reaction Force" (ERRF). In the official document stating the ERRF's goals for 2010, a seemingly simple statement reveals the EU's intention:

The European Union is a global actor, ready to share in the responsibility for global security. With the adoption by the European Council in December 2003 of the European Security Strategy, it affirmed the role it wants to play in the world, supporting an international order based on effective multilateralism within the UN.⁴²

The initial ERRF guideline set in 1999 stated that "the EU should be capable of deploying 60,000 troops to a site within 60 days and of maintaining a presence at that site for one year."⁴³ This goal was achieved by January 2007. To ensure that these 60,000 troops are immediately available, a group totaling around 180,000 European soldiers will be on reserve at all times, a number which is set to increase. Furthermore, the ERRF has 400 aircraft, 100 warships and numerous ground vehicles at its disposal. Reid puts the ERRF's power in perspective:

Compared to most of the world's armies, European forces are large and well equipped. The EU member nations have twice as many military personnel as Russia and almost as many as China, and a combined defense budget that dwarfs both of these important powers. Compared to the U.S. defense establishment, however, Europe is a "military pygmy."⁴⁴

The U.S. Army currently has about 565,000 active soldiers, and over a million in reserve. The U.S. spends more on defense than the EU, Russia, and China combined. American analyst Robert Kagan interprets this as irrefutable evidence that Europe is in no sense a threat to America's hegemony; to him, military power makes the superpower. In *Of Paradise and Power* (a bestseller in the U.S.) Kagan argues that America 'can still go at it alone' and does not need Europe. However, Kagan focuses squarely on 'hard power', while Europe's influence and power are primarily based on 'soft power.' The ERRF is merely an extension and addition to Europe's soft power, and not intended to match America's military power. Instead, as Martin Walker points out in his essay *Europe: Superstate or Superpower*, it is not intended to be an army in the traditional sense, but, as its name implies, a reactionary force:

Challenging the United States is not the EU's strategic goal, and few if any EU members would want to be part of any arrangement that furthered such an ambition. It is a distinctly

modest army the EU is preparing to deploy, aimed more at the modest tasks of aid, rescue, and peacekeeping than at the sharp end of peace enforcement.⁴⁵

The ERRF is not created to close the so-called 'capability gap' between the EU and the U.S. military power, but is meant to further enhance the EU's independence as a superpower. The consequences of lacking a well-organized and properly armed European force were painfully exposed during the war in Bosnia: "The decisive moment against Slobodan Milosevic and his Serbian army came only when the United States went to war there, dragging the rest of NATO along like a worried puppy on a leash," Reid argues. To add to the insult, he points out that "The treaty that ended the fighting in the European state of Bosnia was signed in Dayton, Ohio."⁴⁶ America wants Europe to become more autonomous, but at the same time it fears a European army will undermine its military dominance. The decision to form the ERRF was officially made at the EU summit in Helsinki in December 1999, its final statement depicts the function of the 'EU-army': "For the Union to have an autonomous capacity to take decisions, and where NATO as a whole is not engaged, to launch and then conduct EU-led military operations in response to international crises."⁴⁷ In this European view, NATO remains the highest international authority, and the ERRF is an addition to the international community, not a challenge. However, Reid feels that "the absence of American command and control sometimes seems to be the main attraction of this force to the Europeans."⁴⁸ The ERRF is not deployed to wage war, but to assist in humanitarian- and rescue missions, as a peacekeeping force, or to help with crisis management. For example in England, when BSE (mad cow disease) broke out. According to Reid, matching America's military might and status is exactly what the EU does not want:

America's unchallenged power, in Iraq at least, forced it to pay, almost single-handed, an immensely expensive bill in blood, in dollars, and in international prestige. If that's what being a military superpower buys you, Europe doesn't want it.⁴⁹

Despite the fact that the United Nations Security Council did not approve of America's war plans, Bush made the costly decision to invade Iraq without international support. Reid points out that eventually, the mighty United States had to admit that Robert Kagan's notion of "going at it alone" is not all that beneficial: "After the fall of Baghdad, with American soldiers being killed by Iraqi insurgents at the rate of fifty or more each month, Washington came back to Europe, hat in hand, pleading for help in the task of building a new Iraq."⁵⁰ Europe could not help but feel a sense of pride, as Reid writes: "The Americans could do the war-making, but when it came time for nation-building, they needed European help (or so Europe saw it)."⁵¹ Although cleaning up America's mess clearly is not part of the Europe's new plans for independence, it does strengthen their belief in the need for a counterweight to America's hegemony, a serious partner that operates on equal terms. As Oxford historian John Pinder puts it:

Too much American hegemony is dangerous for the Americans as well as for others. The burden is too great for one country to carry alone. Only the EU has the potential to be at least an equal partner with respects to the economy, the environment, and soft security, though not defense.⁵²

The EU's aim is not to overthrow America's might or to constantly meddle with its internal affairs, but to become an active part of the decision-making process of the U.S. foreign policy, simply because it affects both the EU and other nations all over the world. Europe's power is channeled primarily through international institutions and rules, which, at first glance, nibble at America's might and thus immediately trigger the mighty nation's defensive nature, feeding its fear to give in to any form of outside influence. Europe's strength is not based on military force, but economical and regulatory power. As Reid puts it: "the EU's commercial clout makes Brussels the world's regulatory superpower."⁵³ The EU directly affects American workers, companies and even influences supreme

court rulings and legislation coming out of Washington. A powerful example of Europe's might at work is the forced revoke of an American tax law, the Foreign Sales Corporations Act. In a nutshell, through the Foreign Sales Corporations Act, American companies selling goods overseas received tax breaks.. Immediately after the U.S. government ratified the FSC-Act, the EU went to complain with the WTO.: it argued that the FSC-Act is a violation of international trade rules, specifically that state governments cannot subsidize exporters. The Bush administration, responsible for the FSC-Act, felt it had little to fear from the EU's complaint. But, as Reid states,

Five years later- lightning speed by the standards of the World Trade Organization – the WTO told the United States that the subsidies were illegal. If Washington didn't change its tax law, the EU was empowered to impose billions of euros worth of punitive tariffs – penalties that would essentially close Europe's huge market to a vast range of American products.⁵⁴

Europe had every intention of enforcing the WTO's ruling, and announced new tariffs. America was shocked but had no choice but to comply. It shows that Europe seems determined and means business; it will not stand idly by and let the U.S. do as it pleases. T.R. Reid says it all when he writes that "the nonfighting superpower plans to win its way, not on the battlefield but by corraling more votes than the Americans in the United Nations, the World Trade Organization, the International Monetary Fund, and other international gatherings."⁵⁵ The sooner America embraces Europe as an international partner, the better. On the one hand, it is not difficult to see how a strong Europe can be beneficial to a more open America, but on the other it has the potential to inflict damage through various means if America refuses to acknowledge the ever increasing influence of the United States of Europe.

3.7: A divided Europe

The EU's governing top, often referred to as 'Eurocrats', firmly believes in the Union's potential, but unifying factors do not always transcend the interests of individual nations, let alone lead its respective populations to a similar line of thought that can truly be called 'European.' Indeed, the main factor that is holding back further unification and thus strengthening of the EU is its inability to truly unite its leaders and its citizens. A prime example was the scattered response to the Iraq war, with some EU nations willing to back America while others openly spoke against it. Or, as demonstrated in chapter 1, when it comes to dealing with Russia. But the most challenging obstacle to the EU's progress emerged in wake of the 2004 Treaty establishing a Constitution for Europe (TCE), or the Lisbon Treaty. The far-reaching treaty was signed by all of the then 25 member states of the EU, only to be rejected by French and Dutch voters the next year. However, these specific results did not influence the premade decision of the French and Dutch governments to endorse the treaty regardless of the referendum's outcome. But this was not the case in Ireland, where the negative outcome of a similar referendum was adopted by its leaders. This, in turn, led other nations to reconsider the constitution, making its future unclear. As T.R. Reid points out in The United States of Europe, "the proposed EU Constitution would have created a single foreign minister for the union." Reid feels that "the rejection of the constitution means the bureaucracy will remain fragmented."⁵⁶ Currently, all 27 member states run separate foreign ministries. There is not just one voice speaking out for Europe; nations do so individually and often in disagreement with each other. However, on October 2, 2009, the Irish overwhelmingly approved the Lisbon Treaty in a second round of voting. A second 'no' would most likely have meant the end of the treaty, but this new turn of events is a big leap forward to adopting the Lisbon Treaty. The New York Times reports that

The treaty would give Europe a more powerful foreign policy chief and its first full-time president, and strengthen the role of the European Parliament; it is also meant to more clearly delineate the relationship between national legislatures and Europe.⁵⁷

It shows the EU's leaders are determined, but also stubborn. In a time of economic crisis the lure of a stronger Union might pull some skeptics over the line, but the fact remains there is still much disgruntlement among Europeans. For example, Western Europeans often feel like they are paying for the development of less wealthy new member states. As T.R. Reid points out, "some Europeans just love to hate Brussels, in the same way Texans or Alaskans love to hate Washington."⁵⁸ But with an ever expanding bureaucracy and the accompanying strict European rules, it becomes increasingly harder to sell the EU's ambitious plans to the public. Dominique Moisi, a founder and senior advisor at the Ifri (the French Institute for International Relations), explains in an article for The Guardian that

The EU is paying a steep price for the bureaucratic anonymity of its leaders. A process of escalating alienation and indifference between the union and its citizens is at work, illustrated by low turnout in the last European parliament elections. As a result, there is less union in Europe and less Europe in the world. A strong European voice, such as Nicolas Sarkozy's during the French presidency of the EU, may make a difference, but only for six months, and at the cost of reinforcing other European countries' nationalist feelings in reaction to the expression of "Gallic pride."⁵⁹

With this, several dents appear in the EU's shiny exterior shell; its bureaucracy is vast and slow, its rules come across as restricting to its population and one or more member states can easily stall or even derail the process of progress. Moisi underlines the necessity for the EU to address these problems, because, he argues:

Europe's last chance to be a credible actor in a multipolar world rests precisely on its ability to present a single, united, responsible voice. Europe currently exists as an economic actor, not as an international political actor.⁶⁰

Despite T.R. Reid's enthusiasm regarding the EU's newfound powers, Europe's power to influence international institutions relies partially on the fact that it does not have one vote speaking for all its member states. For example, France and the United Kingdom both have separate seats in the UN Security Council. According to Moisi, "if Europeans were to set for themselves the goal of speaking with one voice, of having one representative in the spectrum of multilateral institutions – starting with the UN security council – they would be taken more seriously."⁶¹ The European Union has come a long way, but still has essential obstacles to overtake if it wants to live up to the full potential of the international role it has in mind for itself.

3.8: Conclusion

The European Union has done an amazing job in establishing itself as the world's main financial player, rivaling America's economic wealth in every aspect, even surpassing it in some. It has become an advocate and prime element of international institutions and organs, from which it, in combination with its huge financial market, derives its international influence. Furthermore, the EU is in the midst of forming its own army (even though it refuses to give it that label), which is aimed at enforcing its international aspirations and diversifying its possibilities. These aspirations are clearly present, and recent political victories will enable the Union to further progress. However, the EU still has essential ground to cover in order to truly become a Union, it has to address the widespread disgruntlement amongst its citizens and resolve the underlying issue of many squabbles between individual member states: the desire to act out of self-interest. It is imperative to the EU that a strong, unified strategy is formed to counter Russia's aggressive gas-powered foreign policy, and to keep China's ruthless economic expansion in check. In both cases, the EU and the U.S.A. will both benefit from a stronger partnership in order to topple these obstacles. To achieve all this is no easy

task, but the Eurocrats are determined to further the European cause: according to the recent president of the European Commission, Romano Prodi,

there is a rhythm of global dominance, no country remains the first player forever. Maybe this American hour will not last. And who will be the next leading player? Maybe next will be China. But more probably, before China, it will be the united Europe. In fact, there are many areas of world affairs where the objective conclusion would have to be that Europe is already the superpower, and the United States must follow our lead.⁶²

The EU has deliberately deviated from certain 'American truths', replacing it with its own profound worldview. Although the EU has grown in so many aspects, the Bush administration seemed oblivious to what T.R. Reid calls a "geopolitical earthquake." He is convinced it will have a profound effect on the world of the twenty-first century, and America's place in it- but so far most Americans have chosen to overlook the tremors. "This geopolitical earthquake is sending its shock waves across the Atlantic Ocean." Reid writes in The United States of Europe. "More and more, American farmers, manufacturers, lawyers, software writers, brokers and accountants are dancing to Europe's tune."⁶³ Because America needs the vast and lucrative European market, it has no choice but to comply with the EU's decrees. We already live in a world where the rules that run the global economy are largely set by Brussels. Indeed, the European Union is a financial and commercial superpower, as Reid concurs: "The EU has more people, more wealth, and more trade than the United States- and more influence in almost every international body."⁶⁴ In The European Dream, Jeremy Rifkin goes as far as to claim that "Europe has become the new "city upon a hill." He believes that "the world is looking to this grand new experiment in transnational government, hoping it might provide some much needed guidance on where humanity ought to be heading in a globalizing world."⁶⁵ However, Europe does not want America to disappear as a powerful global player, it merely wishes to be recognized as its equal. America should welcome these developments: the EU wishes to be a strong partner and help with fighting diseases and starvation, preserving the environment, in peacekeeping missions and to find diplomatic solutions to conflicts. America can learn from European innovation and organizations. But, as Reid underlines, "to secure these benefits, though, Americans will have to wake up to the revolution." He continues by stating that

We [Americans] need to recognize and accept the plain fact that the planet has a second superpower now, and that its global influence will continue to increase as the world moves toward a bipolar balance of economic, political, and diplomatic authority. To put it simply, the United States of America has to show respect for the United States of Europe.⁶⁶

With the election of Barack Obama as America's 44th President, a different wind blows through the White House. At first glance, his approach to the idea of a multilateral world is just what Europe has been waiting for. To America, it might be the right change of course at the right time; because, as the next and final chapter will show, it could use good friends in the near future.

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Visuals:

Figure 1: [http://en.wikipedia.org/wiki/List_of_countries_by_future_GDP_\(nominal\)_estimates](http://en.wikipedia.org/wiki/List_of_countries_by_future_GDP_(nominal)_estimates)

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Chapter 4 America



4: America: Impending Change

4.1: Introduction

That we are in the midst of crisis is now well understood. Our nation is at war, against a far-reaching network of violence and hatred. Our economy is badly weakened, a consequence of greed and irresponsibility on the part of some, but also our collective failure to make hard choices and prepare the nation for a new age. Homes have been lost; jobs shed; businesses shuttered. Our health care is too costly; our schools fail too many; and each day brings further evidence that the ways we use energy strengthen our adversaries and threaten our planet.

These are the indicators of crisis, subject to data and statistics. Less measurable but no less profound is a sapping of confidence across our land -- a nagging fear that America's decline is inevitable, and that the next generation must lower its sights.

Today I say to you that the challenges we face are real. They are serious and they are many. They will not be met easily or in a short span of time. But know this, America: They will be met.

-U.S. President Barack Hussein Obama, inaugural speech¹

The United States of America has enjoyed the unique position of being the world's leading power during the 20th century and, following the fall of the Soviet Union, its hegemony has practically been unchallenged for the past two decades. The U.S.A. boasts the largest economy of any single nation on the globe, as well as an army unrivalled in terms of size, equipment and technological advancement. The sheer size and spread of its technological, economical and cultural influence are unprecedented. But it is not alone. Former archenemy Russia is back in the game, determined to retake some of the Soviet Union's might through the enforcement of its grip on Western nations by preying on their weaknesses whilst pretending to play by the liberal democratic rules. Furthermore, communist giant China is rapidly developing and has already evolved into an economic force to be reckoned with. But despite its growing role in international organizations, China's ruthless pursuit of economic advancement continues to ignore western methods and standards of production while putting an enormous strain on our planet's resources and the environment. However, the most realistic contender that might diminish American global influence comes in the form of the European Union, which already is on par with the U.S.A. on virtually every front, except political influence and military might. The world as it was shaped in the course of the 20th century is steadily moving on, and change is imminent. For the current hegemon, the first step is to acknowledge what is happening, the second should be to act swiftly. In his inaugural speech, U.S. president Barack Obama spoke of a crisis and its subsequent challenges: his promise to overcome it will not be easy to fulfill. But exactly how bad is this crisis? Is it a sign of the decline of American hegemony? Can Obama turn the tide or is it already too late? In short, what is the future of the world's number one superpower?

4.2: State of the Union

The one element that has shaken up the world over the past two years is, without a doubt, the financial and economic crisis that plagues industrialized nations, with the U.S.A. in particular. Roger C. Altman, former U.S. Deputy Secretary of Treasury, calls it "The Great Crash of 2008" and "the worst economic crisis in over 75 years."² Altman argues that "a brutal recession is unfolding," which will be more harmful than the crisis of 1981-82. The ongoing recession has profoundly frightened consumers and damaged their faith in the market. With their profits under pressure, American

businesses are directly affected; with the passing of each day, more file for bankruptcy. The New York Times explains that

The roots of the credit crisis stretch back to another notable boom-and-bust: the tech bubble of the late 1990s. When the stock market began a steep decline in 2000 and the nation slipped into recession the next year, the Federal Reserve sharply lowered interest rates to limit the economic damage.³

These lower interest rates basically make mortgages cheaper; as a result, the demand for housing began to rise, pushing up the prices of homes. Furthermore, encouraged by the low interest rates, millions of American homeowners decided to refinance their existing mortgages and take on even more debt. According to the New York Times, "as the industry ramped up, the quality of the mortgages went down."⁴ In 2006, an increasing number of Americans failed to pay up on their mortgages, but the pace of lending did not slow. The banks and other investors backing up the mortgages had become overconfident, as The New York Times points out, they "had devised a plethora of complex financial instruments to slice up and resell the mortgage-backed securities and to hedge against any risks — or so they thought."⁵ The value of homes had steadily been going up during the first years of this new century, only to reach a point where it had to go down again. Combined with the inability to cash in on their loans and the rapid decline in value of 'bad' mortgages, investors soon were faced with the following grave situation:

In the fall of 2008, the credit squeeze, which had emerged a little more than a year before, ballooned into Wall Street's biggest crisis since the Great Depression. As hundreds of billions in mortgage-related investments went bad, mighty investment banks that once ruled high finance have crumbled or reinvented themselves as humdrum commercial banks. The nation's largest insurance company and largest savings and loan both were seized by the government. The channels of credit, the arteries of the global financial system, have been constricted, cutting off crucial funds to consumers and businesses small and large.⁶

The crisis is indiscriminate, it will devastatingly affect any American company whose financial situation had already been bad before the crisis started, as was the case with the iconic giant General Motors. The financial crisis was the final blow for the largest car manufacturer in the world; subsequent years of bad management, inefficiency and declining sales set up its demise. For 77 consecutive years GM had been the firm leader in global car sales (from 1931 to 2007), only to be bested by the Japanese car manufacturer Toyota in 2008. GM car sales dropped 21% over 2008, and another 22% over the first half of 2009.⁷ Despite its sales record, GM was a financial wreck and applied for federal help. But to no avail, after having received \$19.4 billion in from the U.S. government, GM was officially declared bankrupt on June 1st, 2009. Fearing the devastating effect this would have on the already crippled economy, President Obama stepped in and saved GM from being sold in pieces. Currently the U.S. government has a 60% majority share in General Motors and the company is rigorously restructuring under government supervision. Steve Rattner had been appointed as 'car czar' and served as Treasury Secretary Timothy Geithner's top adviser on the crisis-stricken automotive industry between February and July — a period when the US government stepped in to rescue both General Motors and Chrysler. In an interview with The Guardian, Steve Rattner says that he was simply blown away by the incompetence he encountered during his evaluation of GM:

Everyone knew Detroit's reputation for insular, slow-moving cultures," said Rattner. "Even by that low standard, I was shocked by the stunningly poor management that we found, particularly at GM, where we encountered, among other things, perhaps the weakest finance operation any of us had ever seen in a major company."⁸

Rattner is unforgiving in his analysis of GM's board of directors: "If ever a board of directors needed shuffling, it was GM's, which had been utterly docile in the face of mounting evidence of looming disaster."⁹ The restructuring of GM promises to revive the fallen giant as a new, competitive "green" car brand, bent on manufacturing smaller, more fuel efficient vehicles that are tailored to the current market. But GM is not alone, Chrysler (currently under American ownership again) has to depend on federal help for its survival and although Ford has yet to ask for money, it is rapidly burning through its own cash reserves. In November 2008, news reports on Ford declared that "it lost \$129 million in the third quarter as the struggling automaker burned through \$7.7 billion in cash and set plans for more job cuts."¹⁰

It is not just the car industry that is being hit by the crisis, virtually every sector is faced with declining profits, which, inevitably, leads to the loss of more jobs. According to journalist Timothy R. Homan, "The latest numbers brought total jobs lost since the recession began in December 2007 to 6.9 million, the biggest decline in any post-World War II economic slump."¹¹ It is going to take years for many of these Americans to recover, because, as Homan argues: "With the ranks of long-term unemployed nearing 5 million, workers are at risk of losing skills, making it even tougher for them to eventually find work."¹² 741,000 jobs were lost in January 2009 alone, that number steadily declined each month to 214,000 in August that year. At the end of the summer of 2009, the American unemployment rate rose to 9.7%. An assessment made by The New York Times puts the actual number even higher, peaking at around 16.5% in June, by taking a broader measure of the nation's unemployment "which includes people too discouraged to look for work or forced to work only part time."¹³ In the wake of the crisis, president Obama has spearheaded the American Recovery and Reinvestment Act of 2009 (ARRA, enacted in February 2009), a comprehensive package of measures intended to stimulate the economy, with an accumulating worth of \$787 billion. So far, about \$159 billion has been spent on tax breaks for consumers, unemployment benefits, social welfare provisions and increased spending in health care, education and infrastructure (in order to create more jobs in said sectors).¹⁴ The Act was received with mixed feelings, as a BBC News report underlines: "All 176 Republicans and seven Democrats voted against the revised package in the House. It was backed by 246 House Democrats. In the Senate just three Republicans voted for the package."¹⁵ Supporters of the Act argue that, had the government not intervened, the crisis would have undoubtedly grown in severity and would have affected many more Americans. In October of 2009, optimists detected signs of an economic rebound and noticed a small economic growth of 3.5% over the third quarter of 2009.¹⁶ The Obama-administration proudly claims that the ARRA has already created or saved 640,000 jobs, with the actual number possibly reaching a million. In October of 2009, during one of his weekly addresses to the American people, president Obama stated that 'we are moving in the right direction.'

But according to U.S. Treasury Secretary, Timothy Geithner, it is "too early" to start exiting from the unprecedented stimulus measures aimed at stabilizing the economy.¹⁷ David Rosenberg, chief economist at Gluskin Sheff & Associates Inc. in Toronto, confirms that it is still premature to conclude that the tide has been turned: "The economy is no longer detonating, but we are still losing jobs; it's going to be a very tough environment for the consumer."¹⁸ Indeed, despite some tentative optimism about recovery, the economic crisis still has very real consequences, a dwindling job market combined with the sudden collapse of banks (and the hesitation of surviving ones to lend money to anyone) has made it increasingly difficult for Americans to finance their homes. New York Times-journalist Peter Goodman claims that "in recent months, there has been a visible increase in the number of former homeowners showing up in shelters."¹⁹ Goodman argues that "most people who become homeless because of foreclosure had been low-income renters whose landlords stopped making their mortgage payments, leaving them scrambling for new housing with little notice and scant savings." Goodman's interview with Larry Haynes, executive director of Mercy House in Santa Ana, California, reveals that the crisis even strikes at middleclass Americans, who never thought it could hurt them, but whose situation deteriorated rapidly after recently becoming unemployed.

“These families never needed help before,” Haynes states, “They haven’t a clue about where to go, and they have all sorts of humiliation issues. They don’t even know what to say, what to ask for.”²⁰

It seems that little is immune to the far-reaching effects of the economic crisis, a general feeling of insecurity and uncertainty holds America in its grasp, resulting in a loss of faith in the economy which only worsens the situation. With iconic corporations and banks tumbling down, and an increasing amount of American citizens losing their jobs and homes, many have become skeptical of the workings of the American financial system, and the free market in general. In the wake of the fall of the Lehman Brothers, one of America’s most renowned investment banks, TIME magazine explained what can be learned from its bankruptcy:

Three main lessons present themselves. First, our complex financial system is awfully fragile. Second, government action is capable of keeping a financial panic from snowballing into a complete economic disaster along the lines of the Great Depression. Third, the government has — in large part because of its success in averting disaster — found it difficult to take any actions that would make the financial system less fragile in the future. That would, apparently, be too much government intervention.²¹

Take for example the CIT Group (a key lender to small firms) which, despite being the benefiter of \$2.3 billion of American taxpayers’ money in 2008 and having received an additional emergency loan of \$4.5 billion in October 2009, had to declare itself bankrupt after the Obama administration refused to agree to a bailout. Where several major American banks have received billions of bailout money, other less prominent ones have been forced to restructure, sell or simply go out of business: In the current climate, the U.S. government basically gets to decide which banks are too big to fall and which are too small to save. Jim Rogers, one of the world's most prominent international investors, underlines that America’s financial structure is severely weakened: "Without giving specific names, most of the significant American banks, the larger banks, are bankrupt, totally bankrupt."²² However, Rogers argues, simply spending and lending billions of dollars does not alter that structure:

Governments are making mistakes. They're saying to all the banks, you don't have to tell us your situation. You can continue to use your balance sheet that is phony.... All these guys are bankrupt, [but] they're still worrying about their bonuses, they're still trying to pay their dividends, and the whole system is weakened.²³

If the U.S. government does not take extensive measures, this frail economic system that allows a crisis such as the current one to foster will remain unchanged, which implies it can *and will* happen again in the future. Due to bank deregulation starting back in the Reagan-era, continued by presidents George Bush sr. and Bill Clinton, banks and investors almost have a free hand in taking on risky loans. These loans are often packaged in bundles and sold to third parties that repackage and resell them once more until finally, when confronted with a needle (in this case in the form of the housing crisis), the bubble bursts. As a means to counter the effects of the crisis, Roger Altman believes that “the usual recovery tools used by governments – monetary and fiscal stimuli – are relatively ineffective under the circumstances.”²⁴ Yet so far, president Obama’s initial course of action has been exactly just that: to spend more. The New York Times underscores Altman’s argument:

In response, the federal government adopted a \$700 billion bailout plan in October 2008 meant to reassure the markets and get credit flowing again. But the crisis began to spread to Europe and to emerging markets, with governments scrambling to prop up banks, broaden guarantees for deposits and agree on a coordinated response. In February 2009, a \$787 billion economic stimulus measure was also adopted.²⁵

The 2008 \$700 billion bailout plan was directed specifically at banks and investors, to keep the financial backbone from crumbling down entirely. Despite the unprecedented amount of money poured into the financial sector, several major and more than one hundred small banks have since succumbed to the crisis – although the general consensus is that, without the bailout plan, the situation would have been a lot worse. And the same goes for the American Recovery and Reinvestment Act of 2009; although few people who have lost their jobs and homes benefit directly from the \$787 billion, the number of jobless and homeless Americans would undoubtedly have been even bigger without ARRA.

However, keeping the U.S. economy from hitting rock bottom comes at a hefty price: the United States government has to borrow every dollar of the stimulus package, for a substantial part from the Chinese. In the long run this might weaken and undermine the international position of the U.S., analysts estimate that already about half of China's \$2 trillion in currency reserves are in U.S. Treasuries and notes issued by other government-affiliated agencies.²⁶ The Guardian reports that Ben Bernanke, current U.S. Federal Reserve chairman, spoke out his concern over the massive American 2009's budget deficit: "the federal government reported a \$1.42tn deficit for [the] 2009 budget year that ended on 30 September. The previous year's deficit was \$459bn."²⁷ To get the American economy back on track as soon as possible obviously has the highest priority. Pessimists already fear a 'lost decade', much like the dragging Japanese economy experienced during the 1990's after their bubble burst in the late 1980's. 'Optimists' expect that the U.S. will suffer through merely a few lost years. But economists like Roger Altman predict a turning point in history and have come to see the crisis as an encompassing failure of the western capitalist system, and as such, believe it will have profound and far-reaching consequences:

Much of the world is turning a historic corner and heading into a period in which the role of the state will be larger and that of the private sector will be smaller. As it does, the United States' global power, as well as the appeal of U.S.-style democracy, is eroding. Although the United States is fortunate that this crisis coincides with the promise inherent in the election of Barack Obama as president, historical forces -- and the crash of 2008 -- will carry the world away from a unipolar system regardless.²⁸

When George W. Bush left the oval office, the economic crisis was already ravaging America; now his successor has to deal with its extensive consequences. To put the blame for the economic crisis solely on Bush would be shortsighted and simply not true. However, it is not the only crisis America is suffering from.

4.3: The Bush-factor

When in 2004 the U.S. Supreme Court granted George W. Bush another four years in the oval office, a wave of disbelief and outrage hit the rest of the world: How could the American people, in two subsequent presidential elections, pick a mumbling, seemingly illiterate Texas cowboy as their leader? The international community received Bush's victory in the 2001 presidential elections with skepticism, but appeared to grant him full support in the 'war against terrorism' in the wake of the events of 9/11. But by 2004, international opinion had drastically been adjusted, people all over the world feared and loathed George W. Bush's religiously inspired rhetoric, used for what most perceived to be his 'holy crusade' against the 'axis of evil.' Furthermore, intimidating slogans such as 'you're either with us or against us' revealed the Bush administration's contempt for America's closest allies, which climaxed in the unilateral decision to bypass the U.N. and plunge America into a

second all-out war in Iraq in March 2003. In his own country, George W. Bush holds the dubious record for having received both the highest and lowest approval ratings of any president since modern polling began: a month after the terrorist attacks of September 11, 92% of Americans gave their full support to the president.²⁹ However, the recognition steadily faded over time and president Bush left office as one of the most unpopular departing presidents in history: According to a CBS News/New York Times poll taken during Bush's last month as acting president, his presidency got a final approval of 22 percent of the American people, which is the same as the all-time low approval rating Harry S. Truman received in February 1952 due to the ongoing Korea War, a weak economy and unpopular tax laws.³⁰ From the nationwide poll, CBS concluded that "Seventy-three percent say they disapprove of the way Mr. Bush has handled his job as president over the last eight years."³¹ As journalist Ian Williams mockingly underlines, Bush will likely be remembered for his various embarrassing televised moments:

4,000 dead Americans and untold thousands of dead Iraqis ago, Bush landed in full pilot's accoutrements on the deck of the USS Abraham Lincoln to the backdrop of "Mission accomplished". This is going to be one of iconic images that will haunt his posterity, along with reading My Pet Goat on 9/11, complimenting Fema head Michael Brown for the post-Katrina debacle and dodging the shoe in Baghdad.³²

But despite the rather late realization of the factual 'contribution' Bush Jr. made to America's progress, the damage had been done: As I discussed in the previous chapter, the magnitude and intensity of anti-Americanism grew to new heights during the eight-year reign of George W. Bush as the most powerful man of the United States of America. Andrew Kohut and Bruce Stokes explain in their book *America Against the World* "America's history exhibits a country shifting between periods of isolationism and internationalism, depending on its national interest, circumstance, and the political sentiment of the day."³³ They argue that is it not American isolationism that currently concerns the world:

The United States is now seen as too internationalist, in a sense, acting unilaterally in the sole pursuit of its own narrow interest. This perception of American unilateralism in international affairs is at the root of much of the anti-Americanism that has surfaced in nearly all parts of the globe over the last half-decade.³⁴

Over the course of eight years, the Bush administration chose to back out of several major international treaties, such as the Kyoto Protocol. The U.N.-backed Kyoto Protocol on greenhouse emissions was put into force on 16 February 2005 and since then has been signed and ratified by 184 states. In March 2001, an already watered down agreement was rejected by the newly elected George W. Bush. Although he was not the first U.S. president to object, Bush did basically back out of the agreement altogether, calling the Protocol 'unfair' to America as it left out developing countries. Furthermore, Bush argued, America was facing an economic downturn and an energy shortage.³⁵ However, as journalist Tony Karon points out,

The real significance of the revised Kyoto Accord lies less in its impact on the planet's climate than in the fact that it survived Washington's withdrawal. The determination of the nations of the industrialized world to hang in and negotiate a binding treaty even after it had been nixed by the "indispensable nation" suggests that we may have entered a new era in international affairs. And that it will be an era in which the U.S. will no longer be

automatically granted the leadership role among Western nations it established during the Cold War.³⁶

The Bush administration showed a strong disinclination to support international initiatives on more than a few other occasions: For example, Kohut and Stokes point out that in August 2005, only weeks before the sixtieth anniversary of the founding of the United Nations, “Washington demanded 750 amendments to the resolution that had been proposed as a redefinition and restatement of the ideals of the international body.”³⁷ Bush pushed for the removal of all explicit references to the U.N. Millennium Development Goals, a blueprint for shaping international development assistance that Washington had signed at the last major summit in 2000, from the resolution. The resolution also stated that global warming and climate change are long-term challenges that can have worldwide effects – but the U.S. did not agree. Additionally, Kohut and Stokes argue, “the Bush administration wanted any reference to the International Criminal Court deleted, and objected to any target being set for the amount of foreign aid rich countries would give to poor countries. It also refused to recommit itself to working toward nuclear disarmament.”³⁸ Not wanting the dreary months of preparations to go to waste, the other nations of the U.N. set out to save face and aim for a compromise:

In the end, both sides blinked and the world’s leaders agreed on a watered-down text that urged countries to increase their foreign aid without committing them to a target; that recognized the need to live up to the Kyoto Protocol, but only for those countries that ratified it; and that made no mention whatsoever of the International Criminal Court.³⁹

The manner in which the Bush administration handled international affairs exemplifies the ‘traditional’ American way of dealing with the international community; in principle, the U.S. are prepared to cooperate with others to solve global problems, but in practice, as soon as they think their self-interest might be compromised, unwillingness takes over.⁴⁰ The U.S. often regard international initiatives as attempts to meddle with American affairs, or to tone down American power. But often the Bush administration’s response was to exert that power in order to create a more beneficial situation for America, and if that did not revise the outcome to a satisfying conclusion, to simply take action without international consent. Yet, this course of action is exactly what fuels anti-Americanism to a point where the international community *does* feel the urge to alter American decision making and, in general, will be more inclined to strive to contain American power and influence.

In the meanwhile, Bush and his aides successfully convinced the American people that their beloved nation was under constant threat from terrorism and took the opportunity to reshape domestic- and foreign policy to their own liking. Historically seen- and contrary to popular myth- Americans are reluctant to use military force: after the Soviet Union collapsed, Kohut and Stokes argue, “the public preferred to look past horrible events in faraway places.”⁴¹ This public mind-set reflected that of Washington: “Neither President Reagan nor President George W.H. Bush took action in response to reports that Iraq had used chemical weapons against the Kurds during its war with Iran.”⁴² It was not until President George Bush sr. became concerned that Saddam Hussein might seize the Saudi oil fields and thus could obtain a too prominent position in the Middle East, that the United States felt it had to do something about it. But even then, the American people were hardly enthusiastic about sending American troops to some remote desert. It was not easy for George Bush sr. to convince

America to go war, Kohut and Stokes point out that Pew analyses during the period concluded that “even when the public felt the United States had a responsibility to itself or to humanity to act, a president was still required to overcome the public’s preference for diplomatic or economic sanctions before using force.”⁴³ His successor Bill Clinton could find little domestic support for an intervention in the Balkans, it took mounting evidence of the genocidal ethnic cleansing by Serbs to acquire the necessary public support to get involved. Neither Bush sr. nor Clinton unilaterally decided to deploy U.S. troops, nor did they choose to go to war alone. Bush sr. assembled a true worldwide coalition to battle Saddam Hussein, and Clinton used force “in conjunction with NATO and without the deployment of U.S. ground troops.”⁴⁴ But the 2001 attacks on American soil and the way it was treated by the Bush administration drastically reshaped the public’s willingness to use military force:

American’s attitudes about the use of force during the last decade of the twentieth century had some parallels to the U.S. reluctance to take up arms on the eve of World War II. Much as the attack on Pearl Harbor in 1941 transformed public sentiment overnight, the September 11 attacks dramatically brought home the message to Americans that the world had changed and that the danger to the United States was clear and present. As it had sixty years earlier, Americans adopted a war stance.⁴⁵

Soon after the terrorist attacks, George W. Bush began to unvaryingly speak of a solid link between 9/11 and Saddam Hussein in his speeches and public appearances. By providing outdated and outright forged evidence of Iraqi-owned WMD’s, Bush manipulated the media and used the public’s sentiment to gain support for his own war. In his revealing book Against All Enemies, former U.S. ‘terrorism-czar’ Richard A. Clarke describes the importance of this unique situation and the significance of Bush’s actions:

September 11 erased memories of the unique process whereby George Bush had been selected as President a few months earlier. Now, as he stood with an arm around a New York fireman promising to get those who had destroyed the World Trade Center, he was every American’s President. His polls soared. He had a unique opportunity to unite America, to bring the United States together with allies around the world to fight terrorism and hate, to eliminate al Qaeda, to eliminate our vulnerabilities, to strengthen important nations threatened by radicalism. He did none of those things. He invaded Iraq.⁴⁶

By playing on people’s emotions and by magnifying their fears, Bush created a situation where most Americans got convinced invading Iraq was a logical subsequent step in the war against terror: As Kohut and Stokes phrase it, “the Bush administration’s own approach toward the crisis, and its subsequent restructuring of priorities, has produced a foreign policy that appears perfectly in accord with public attitudes.”⁴⁷ Especially the governing party’s rank and file were caught up in the Bush rhetoric: Surveys done by PIPA in mid-2004 found that “a large majority of Bush supporters believed that Iraq did possess weapons of mass destruction or a major program for building them before the U.S.-led invasion, and further, that this had been verified by numerous postwar government inquiries.”⁴⁸ A mixture of misinformation, gullibility and disinterest keeps millions of Americans indoctrinated without them knowing or caring about it. The extent of this is made painfully clear by Kohut and Stokes in America Against the World:

Even in January 2005, four in five Republicans still thought Iraq probably had WMD, though the Bush administration had acknowledged that no WMD program was ever found. In

addition, a large majority of Bush supporters said Iraq had provided substantial support to Al Qaeda and that clear evidence of this support had been found; moreover, they believed that the widely respected and independent 9/11 Commission had made that same judgment. They were wrong on all accounts.”⁴⁹

But by giving their support to the war-hungry president bent on changing the world, the Americans allowed him to do just that. Normally speaking, public opinion sets limits on American policymakers. However, the post-9/11 atmosphere of confusion, grief and anger gave Bush an unprecedented leverage to do as he pleased. Kohut and Stokes argue that “at pivotal moments in the nation’s history, American presidents have moved beyond those bounds and taken the public with them. So it has been with George W. Bush.”⁵⁰ They believe that “the threat of terrorism in the aftermath of the September 11 attacks enabled him – at least for a time – to shape opinion in ways almost inconceivable for his predecessor, Bill Clinton, who served in far less momentous times.”⁵¹

In many ways, several traditional American sentiments were thrown into overdrive. For example, Americans dislike the idea of putting their defense in the hands of others: “Americans simply do not feel that responsibility for their defense can rest elsewhere,” Kohut and Stokes argue, “The idea of the United States asking permission of an international organization to allow it to take up arms on its own behalf is unpopular in America.”⁵² This sentiment is directly linked to the popularity of the United Nations. According to 2004 Pew research data, “merely 21 percent [of all Republicans] agreed that the United States ‘should have UN approval before it uses military forces to deal with an international threat’ compared to 57 percent of Democrats, 64 percent of the British, 63 percent of the French, and 80 percent of Germans.”⁵³ The Bush administration’s policy climaxed in the mostly unilateral decision to go to war with Iraq. Not only did it divide Europe itself, it also drove a wedge between America and its closest ally, thus making the distance across the Atlantic Ocean appear even greater.

4.4: Implications of Iraq

After Bush’s denunciation of Iraq, Iran, and North Korea as an axis of evil, Francis Fukuyama wrote that “it was not just European intellectuals but politicians and publics more generally who began to criticize the United States on a wide variety of fronts. What is going here?”⁵⁴ As a result of Bush’s aggressive approach of the world and his policy to unilaterally deal with it, Fukuyama fears the worst for the historically strong trans-Atlantic alliance:

An enormous gulf has opened up in American and European perceptions around the world, and the sense of shared values is increasingly frayed. Does the concept of ‘the West’ still make sense in the first decade of the twenty-first century? Is the fracture line over globalization actually a division not between the West and the Rest but between the United States and the Rest?⁵⁵

The data collected by Kohut and Stokes supports this notion and broadens it to a certain extent: At a time when president Bush was popular at home, the international community took a significantly more skeptical stance:

The global public is too diverse to agree on many things, but it is fairly united in its sense that America shows little regard for the interests of other countries in making international

decisions. In 2005, more than eight in ten of the French said U.S. leaders do not take their interests into account in making policy, and substantial majorities in Britain, Germany, Spain and Russia felt similarly that America ignores their concerns. Two-thirds of Americans, on the other hand, believed their government took into account the concerns of other nations, at least a fair amount.⁵⁶

There is a clear distinction in how Americans perceive themselves, their country and the U.S. role in global affairs from the way foreigners see it. The way in which Bush dealt with Iraq caused an inevitable deterioration of America's international allure:

In 2005, the German Marshall Fund survey, which found that a majority of the French and the Germans opposed a stronger U.S. role in the world, also discovered that an overwhelming majority of Americans supported such American global leadership. A BBC poll taken at about the same time came up with a similar disjuncture: seven in ten Americans thought the United States was having a positive influence in the world, while most people in sixteen of twenty other countries saw American influence as negative.⁵⁷

Kohut and Stokes point out that in the BBC poll taken in January 2005, twelve out of fifteen nations said that U.S. influence around the globe was mostly negative. This included traditional and new U.S. allies such as France, Argentina, Germany, Russia, Turkey, Canada and Mexico. The poll revealed a widespread grim outlook on American power: "Majorities expressed negative concerns about the very existence of American power, military and other, as well as its use."⁵⁸ Americans generally believe that American influence does good to the world, and that the world is grateful for it. But, as Kohut and Stokes state:

The self-perception of being the world's leader weighs heavily on American shoulders. Even after the September 11 attacks, a plurality of Americans believed that the United States spent too much time and effort dealing with international problems. When Pew asked people around the world in 2002 about American efforts to solve world problems, majorities in thirty-five out of forty-two nations said the United States was either doing too much or too little in the international scene. Analysis of their answers showed both responses were meant as criticism.⁵⁹

Misinformation is a serious problem in the politically biased United States. Combined with a general disinterest in anything that is not American, it comes as no surprise that Kohut and Stokes found that "Americans are likely to be wrong on the facts about current foreign events, and the views they then express on international matters are, at best, difficult to interpret."⁶⁰ A telling example of this phenomena is the American approach to the Iraq war: While large majorities in the rest of the world were skeptical about Washington's intentions and explanations for the war, the domestic support did not waver until reports of American casualties started to dominate the news long after Bush proudly proclaimed that the mission was accomplished. As Kohut and Stokes put it, "the intervention in Iraq became an unpopular war [with Americans]not because it was seen as the wrong course of action, but because it did not work out well."⁶¹



Figure 1: A confident president Bush, two months after the start of the Iraqi War

To state that the Bush-doctrine 'did not work out well' would be an understatement. Osama Bin Laden was never apprehended, and after eight years of American occupation, Operation Enduring Freedom in Afghanistan has indeed proven to be enduring. Furthermore, the war in Iraq is still far from over: so far it has cost the U.S.A. over \$700 billion (the money spend on Operation Enduring Freedom up to this point amounts to about \$235 billion) and the number of American fatalities exceeds four times that of the war in Afghanistan.

Of course, in retrospective, it is easy to criticize. But there is no doubt that, had Bush instead focused the available recourses on Afghanistan and Al-Qaida, the course of history would have been significantly altered. Whatever reason George W. Bush used to justify a second all-out war, the decision to invade Iraq was a mistake. Iraq is Bush's mistake. In Against All Enemies, former terrorism-czar Richard Clarke perfectly sums up the direct implications of the ongoing war in Iraq:

Our leadership fell into the trap, fulfilling all of the worst fears of many around the world and here at home. Rather than to seek to cultivate a unified global consensus to destroy the ideological roots of terrorism, we did in fact lash out in a largely unilateral and entirely irrelevant military adventure against a Muslim nation. Just as many nations thought we would, America pointedly snubbed the counsel of Arab friends and NATO allies, and sought security through the use of military muscle. It has left us less secure.⁶²

Which leaves us with the million dollar question: Can president Barack Obama change the tide? Despite all the economic malaise and the numerous dents in its international appeal, America still is the wealthiest and the most prominent nation in the world. This gives Obama the perfect starting point to address all the various issues discussed here and in the previous chapters. But if anything, the Americans should learn from 9/11 and the current crisis that nor their country nor its status as hegemon are untouchable. Amongst their many important and revealing and findings, Kohut and Stokes found out that the American public has a strong desire for the U.S. to remain the global military hegemon:

But even as Americans say they want to remain the sole military superpower, they continue to reject the idea that the country should be the sole leader of the world. In every Pew survey since 1993, no more than 13 percent of Americans have wanted the country to be the "single world leader."⁶³

It is too soon to evaluate Obama's presidency, but he might just be the right man for America in these troubled times. In his speeches Obama consistently comes across as a much more international-oriented leader than his predecessor, out to restore faith in America and its intentions. It will by no means be an easy task, but to realize that America has to face a crisis and upcoming forces is the first step to take. In light of what I have discussed, the second step should be to acknowledge that America cannot, and *does* not have to 'rule the world' by itself. In any case, America will face impending change. It is up to Obama to decide how America will deal with it.

4.5: Conclusion: A world with or without the West

Over the course of the 20th century, the United States of America rocked the very foundation of the world, surpassing every other nation with its steadily growing wealth and military power. The Soviet

Union dissolved when the Cold War came to an end, and along with it, America's last remaining opponent. By then, America had become the leader in technological advancement and scientific development, but also in consuming goods and resources. It is a taken that nowadays, in either a direct or indirect way, America influences the lives of virtually every human being on the planet. American soldiers have fought and died in numerous armed battles, varying widely in both magnitude and popularity. American brands, goods and services are sold all over the world, Hollywood entertainment and Coca Cola are available in even the most desolate outskirts. Indeed, to many, globalization is the equivalent of Americanization.

But currently, the United States of America finds itself in a multi-layered crisis. New opponents have taken the stage, and decisive action must be taken if America wishes to hold on to its position. Not only is America's vast economy and the very system behind it weakened, but eight years of George W. Bush has severely damaged its international allure. To an increasing amount of people in the rest of the world, America is not (or no longer) the beacon of hope or the 'city on a hill' that so many Americans envision it to be. While the European worldview is becoming more appealing to western-oriented nations, deviating Asian, African and South American regimes begin to turn to China for guidance. Anti-Americanism is nothing new, and has always been regarded as part of the burden of being the world's wealthiest and mightiest power. But the way the Bush-administration handled the post-9/11 years has magnified and intensified resistance to American hegemony, a situation which already has produced noticeable consequences.

There is no simple answer to the question whether America, as the number one superpower, has brought good to the world. It is primarily a matter of perspective and opinions vary widely across the globe. There is, however, an easy answer to the question whether or not the world would be better off without a strong western-minded leadership. The answer is no.

Our system is by no means perfect, but we can adjust where needed, evolve. And quite frankly, there is no plausible alternative. If, for example, more countries take up the Chinese communist version of capitalism, the environmental consequences alone would be catastrophic. Furthermore, China consistently displays a disregard for safety, ethics, human rights and the value of natural resources; it lacks a proper appreciation of the value of life in general. And the Russian government is hardly anything other than a dictatorship, reminiscent of Cold War-times, that tries to disguise itself as a bonafide democratic government. Although -through temporary economic revival- Putin and his circle have fooled the Russian people into believing that they have no use for western-style democracy, it is hard to imagine that any reasonable person who is able to see the complete picture will choose Putin's Russia over the western system.

Kohut and Stokes have established in American Against the World that Americans are willing to share the responsibilities of being a leading superpower, and from the previous chapter we have learned that Europe is ready to do its part. Even though many believe that the West, implying America and Europe, is breaking up and moving on in separate ways, our political and global interests, shared history and ideals still sharply contrast with, for example, those of China. And now, maybe more than ever, America needs Europe and vice versa. Both America and Europe show true concern for global problems and work hard to solve them, though their responses are still disjointed and too much in regard to self-interest. Both the USA and the EU should pull together and take this unique opportunity to revive the West, and to lay a solid foundation for the near future. Declining resources,

an ever growing population, increasing pollution and additional upcoming global players are only a few of the very real challenges that pose a threat not only to our standard of living, but to our way of life. The best way to manage this is to stay on top of it, and in order to stay on top, a strong, unified Western leadership is still the best option in my opinion. Among their own respective shortcomings, the EU is still young and lacks the internal unification needed to acknowledge the Russian threat while America is currently too weakened by the economic crisis to put in real leverage when dealing with China. Even though China is far from earning the title 'superpower', both the American and European economies become increasingly dependent on China. The economic relation with the West is by far the largest factor of China's remarkable growth, and both American and Europe should help China build an economy based on sustainable growth, while at the same time enforce western rules and standards. So far, economic growth has been China's holy grail, but the Chinese need to take responsibility for the environmental and social implications of this growth. Of course, the West should continue to set an example by doing the same. The current approach of leaving the dealings of communist China largely unattended have to be regarded not as a long-term policy, but as a temporary necessary evil. But pressuring China into submitting to Western law and ideals will do little good either, and alienating the fast rising nation will be even worse: the idea of China gathering and investing in likeminded allies as an alternative to a tighter bond with the U.S. should unnerve many officials in Washington. It is simply undesirable and too dangerous to exclude China, forming a closer relationship is the West's best bet of blunting China's rough edges. The fledgling superpower China can turn into a valued ally, but still has lots of pressing work to do before it should be treated as such. So far, China has only made minimal reforms to its system in order to keep the economic growth at a satisfying pace. Despite Western hopes, wealth has not automatically brought democracy to China, its communist regime has proven itself to be quite resilient and adaptive. Thus is China the perfect case study for the West on how to deal with rising nations, which can only be beneficial in dealing with two of the other upcoming powers, India and Brazil. Although currently still small in economic size and political influence, these two nations share important similarities with China: large geographical areas, large populations and fast growing economies. These two nations are only part of the set of challenges America and Europe have to face in the near future – they should prepare themselves.

In any case, President Barack Obama has his work cut out for him: First of all, he needs to get the American economy back on track. But beyond that, Obama must restore the respect and trust of the international community in the U.S.A. The withering relationship between the U.S. and Europe should be addressed and renewed in order to strengthen the key values our western civilizations are based on. It is in America's best interest to take the lead and to guide the world in its future development, to create interdependence through shared values, intertwined economies and treaties so that the world's leading nations share responsibilities and aim to forge a sustainable future. Simply put, together we stand strong; Neither Europe nor America desires to be the world's only hegemon, and rising nations such as China demand and deserve guidance. If America does not act, it will find itself in a position where it can no longer exert the influence it currently can. We have to believe that our system is still the best one out there, despite its obvious flaws. Because to me, a world without the West is not only highly undesirable, but downright unthinkable.

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Figure 1: Bush: Mission accomplished

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Epilogue

In the months that I wrote this paper, a lot happened that was in line with my findings. The economic crisis is currently still raging on, but already Asia (and China in particular) shows strong signs of economic revival, while the U.S. remains in murky waters with an unemployment rate of 10.2%. President Barack Obama is spending billions of dollars to create jobs and to rebuild the American economy. To his credit, Obama continues to speak out for public healthcare, despite the dire times. However, Obama has also stated that he wants to prolong the presence of American ground forces in Iraq and Afghanistan, vastly increasing the number of troops in the latter country.

Across the Atlantic, the European Union has “chosen” its first president ever, thus the process of unification has taken another huge leap. Although the American and European economy are tightly linked, it appears Europe is being hit a lot less hard by the enduring crisis. In the meanwhile, Russia is continuing down the road Putin has set: While exporting gas remains the primary focus, the necessity to invest in a diverse economy seems to have been acknowledged. Furthermore, Putin is as popular as ever, and far from ready to let go of power. Instead, Putin recently hinted at the possibility of another term as president.

So in the end, the relevancy of this paper remains: What will and *can* the U.S. do? Can America respond and adjust to these challenges? Or, as many predict, will its power and status decline in the near future? These are exciting times, and while of course nothing will change overnight, the foundations of a new world order might be in the making.