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„What Challenges Do China and Russia Pose to the Western Powers' World Leadership in Light of the West's Current Domestic Problems?“

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“On my honour as a student of the Diplomatic Academy of Vienna, I submit this work in good faith and pledge that I have neither given nor received unauthorized assistance on it.”

Martin Peter Brezovan

Abstract

The prevalent narrative at the end of the Cold War in the West was that the future is bright. One can read between the lines of many Western, especially American scholars' writings from that period a sense of near certainty that the next years, decades, perhaps even a whole century, would belong to America and would see a relentless trend toward transformation in the direction of Western-style economics and politics around the world.

This has not happened. The West itself has been plagued by problems, starting most prominently in the late 2000s with the economic and financial crises both in the US and in Europe. Gradually, the economic difficulties have contributed to problems with social cohesion and combined with other issues, such as migration or the Left-Right divide, resulting in instability and an atmosphere of pessimism.

Meanwhile, Russia recovered unexpectedly fast from its own economic catastrophes that had hit the country in the late 1990s. Not only that, the new leadership under Vladimir Putin soon made it clear that the mission for Russia was to regain its great power status – a status that it had traditionally enjoyed. Finally, China, which became the 'factory of the world' after its economic reforms started in the late 1970s, amassed thanks to these reforms great economic wealth and prepared a solid ground for its next step – to take its own spot among the greatest powers on the world stage. This shift has with no doubt happened in the last couple of years, especially under the current strong leader Xi Jinping.

The combination of domestic problems and of the successes of Russia and China means that the vision of a post-Cold War world defined by peace under Western 'supervision' is today increasingly at odds with reality. In other words, the world order itself is getting unstable and increasingly threatened.

This thesis tracks the development of Russia and China in the post-Cold War era and presents compelling evidence of how these two countries have, in the short span of less than 30 years, transformed from weak to powerful in the areas of military might, economy, and diplomacy. As is visible from the evidence, Russia and China have become serious competitors for the West and have been making historic progress especially in the last 5-10 years. What is more, their development at a fast pace is likely to continue.

The West cannot easily influence the development of its competitors, but it can influence its own internal situation and its own progress. Stability and strengthened unity of the European nations, as well as in the relations between Europe and the USA, is the key toward a successful Western response to the challenges posed to the world order by Russia and China.

Résumé

Am Ende des Kalten Krieges war der Westen voll von Optimismus. Die Zukunft sollte den westlichen politischen und ökonomischen Idealen gehören, die sich in die ganze Welt ausbreiten sollten.

Dies ist nicht passiert. Auf einer Seite ist der Westen selbst auf Schwierigkeiten gestoßen. Hauptsächlich die ökonomische Krise von 2009 und die mit ihr verbundenen Probleme haben die innere Stabilität des Westens erschüttert.

Auf der anderen Seite sind Russland und China in den letzten Jahren unerwartet schnell vorangekommen, wodurch sie sich von relativ schwachen in zwei der allerstärksten militärischen, ökonomischen sowie diplomatischen Weltmächten transformiert haben. Beide sind dabei heute von starken, nationalistisch denkenden Persönlichkeiten geführt – Präsident Putin in Russland und Generalsekretär der Kommunistischen Partei Xi Jinping in China. Darüber hinaus ist es wahrscheinlich, dass die erfolgreiche Entwicklung der beiden Länder weiter fortsetzen wird.

Alle diese Faktoren haben zur Bedrohung der existierenden Weltordnung beigetragen. Die Vision einer friedlichen Welt unter „Supervision“ des Westens ist immer mehr im Widerspruch zur Realität. Wenn der Westen effektiv auf die von Russland und China dargestellten Herausforderungen reagieren will, muss er vor allem einig bleiben und innere Stabilität kontinuierlich verstärken und pflegen.

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I. Introduction

Not so long ago, Francis Fukuyama's argument that the end of the Cold War meant the end of history was taken in all seriousness by many, especially in the West. It is rather stunning how much things have turned around since then. China's unprecedented progress in the past couple of decades not only calls Fukuyama's thesis into question; it also puts it beyond doubt that sustainable economic progress can even in the 21st century be achieved without democracy and capitalism as we know it in the West. Meanwhile, the re-emergence of Russia as a great power since Vladimir Putin took office has been another proof that the 'end of history' is, at least for now, a utopian dream.

Charles Krauthammer spoke in the 1990s about a 'unipolar moment' and even a 'unipolar era'. The US dominance was at that time, after the fall of the Soviet Union, truly unprecedented. Today, however, the landscape of the international stage looks much different. The term 'cold war' is again becoming more and more used, with the added word 'new' before it, to describe the current relations of the West (especially the US) with Russia and with China. This is no coincidence, and it should not be taken lightly – regardless of how far from the 'old' cold war the current situation is, or how far it seems to be.

The hypothesis of this essay is that there are significant challenges to Western dominance of the world order posed by China and Russia. The essay aims to gather evidence showing the extent to which this is indeed the case, drawing from authoritative sources.

The Importance of the Topic

The importance of this paper lies in its very essence, which is the addressing of what could well be the most defining issue in global international relations in the

next years, perhaps even decades – namely, the challenges to the US and European (or Western) dominance in the globalised world.

It has been contended by experts in the field of international relations that whenever the dominant power in the international system is challenged by a rising power, the world is set for trouble. China in 2013 became the world's largest trading power, taking over from the US. This same pattern can be seen in several economic indicators in the past few years. On the other hand, a closer look reveals that this is a result of long-term developments – China has since the end of the Cold War clearly outperformed the US as well as Europe economically (this is most strikingly evident from annual GDP growth rates), enabling it to build itself into a full-fledged superpower.

Russia, for its part, has since 2000 regained substantial amounts of its lost power. Yes, it is less powerful than it was before 1991, but its revisionist and nationalistic yet capable leadership has managed to cause major complications for the Western powers and their designs in the international arena. Ukraine and Syria are the most profound proofs of the real potency and resolve that Russia has had lately to seriously – and effectively – challenge the West. On top of that, Russia has maintained its pre-1991 arsenal of nuclear weapons, which is the largest in the world.

No other non-Western powers today are as powerful overall and no other powers pose such challenges for the West as do Russia and China – and that is the reason why they are the focus of this thesis.

Disciplines, Method and Structure

This paper will combine the disciplines of history, politics, and international relations. The author, despite his idealistic heart, is an IR realist, and thus realism is the underpinning theoretical framework of this essay when it comes to considerations related to international relations. It examines the posed research question from

three angles: the military, the economic, and the diplomatic. This should be a broad enough approach to cover all the essential facets of the Russian and Chinese challenge to the West, yet it is a manageable scope allowing for relatively deep analysis.

Overall, the paper is divided into five main chapters. The first chapter discusses the issues making it harder for the West to remain the globally dominant power. In particular, these are the financial and economic problems since the 2007/2009 crises; problems with internal social cohesion – particularly polarization, the rise of secessionism and separatism (especially the cases of Scotland, Brexit, and Catalonia), and Euroscepticism; as well as the deeper issue of the rise of democracy-threatening forces, both in the US and in Europe.

The next chapter addresses the military challenge of China and Russia to the West. The USA and Europe, united to a large degree in the NATO alliance, are still by far the strongest military force, and the US is still investing incomparably more into defence than any other power. However, Russia and China have shown recently that they are increasingly dangerous if they want to be. Both have undertaken massive military reforms in recent years, and both are nuclear powers.

The third chapter deals with the economic challenge posed by Russia and China to the West. Both Russia and China belong to the world's largest economies. However, at the same time, they are still both considered emerging economic powers, or emerging markets (they are both BRIC countries, which are considered as some of the most promising future economic players). It suggests that the two powers, powerful as they already are, have great potential to grow still further. This chapter looks particularly at how China's economy has skyrocketed in the last couple of decades and what this means for the West and the world, as well as at how Russia has dealt with its economic troubles and why it may be more viable than many analysts seem to suggest.

The fourth chapter analyses the recent diplomatic successes of Russia and China. The nature of the challenge in this area has a couple of layers. One is the potential of China and Russia to win over countries that are becoming disenchanted with the West – and especially with the US-dominated world order. Another one is the increasing diplomatic effort and skill that has been demonstrated by both Russia and China recently. In the case of China, this has been manifested in projects such as the Asian Infrastructure Investment Bank (AIIB) and, most notably, the One Belt One Road initiative. In the case of Russia, the country's diplomatic capabilities have been clearly shown for example in the establishment of the Eurasian Economic Union, as well as in Russia's tackling of relations with Turkey.

In the final chapter, the thesis attempts to identify what is necessary for the West to do to not get overwhelmed by the challenges posed to its influence by Russia and China. In particular, the unity of Europe and the continuation of a strong bond between continental Europe, the UK (even as it leaves the EU), and the USA will be discussed, along with some other ideas.

Important Definitions

To help the reader understand the research question properly, we must first define our terms as they are used in this work. 'Western democratic powers' refers to countries of the European Union (including the UK and also the EU as an entity in itself, where appropriate), plus the United States of America. Although countries such as Australia and Canada are also Western democratic powers, due to their relatively low importance in global geopolitical events they will be referred to only when essential.

'Current domestic problems' of the Western democratic powers entails several issues. They will be discussed in the first chapter as background for the subsequent chapters dealing with the three main areas of challenge posed to the West by Russia and China. In essence, they are all either external events or internal

developments or structural problems that threaten unity, democracy, and economic growth in Europe and the USA.

Literature Review

The sources informing this essay are books, journals, but also reports, newspaper articles, and other media. The goal is to draw from and interpret a sufficient amount of quality analysis carried out by other scholars. These can range from long-established, pioneering authors all the way to specialized analysts and reporters. A combination of works of purely theoretical nature and those that analyse real-world developments is important in order to acquire as full an understanding of the discussed topics as possible. In addition to this, statistics, graphs, as well as historical facts and other data are important for this research and will be used.

More recent developments are naturally more widely covered in journals, magazines, newspapers, and other media rather than in books. This goes especially for events that have taken place since the start of the Ukrainian crisis in 2013 and what has been dubbed a 'new cold war' between the US and Russia. However, the media have been writing ever more about China, too, especially in the light of its growing ambitions manifested in the country's assertive approach in the Pacific region and the developmental projects initiated under Xi Jinping.

The theoretical framework that underpins this research paper is defined by the IR school of realism, which traces its tradition back to Thucydides and his *The History of the Peloponnesian War* and whose modern version is represented most famously by John Mearsheimer and Kenneth Waltz. Mearsheimer's *The Tragedy of Great Power Politics* masterfully describes the functioning of international relations, and particularly great power relations. It builds on evidence stronger than anything else – history – showing that each state is 'in it' primarily alone and will seek to improve its lot when it comes to power. Belief in this theory is especially important to understand the seriousness of the challenge that ever-more powerful countries like

China and Russia pose for the Western democratic powers. Kenneth Waltz's work appropriately complements that of Mearsheimer. The author of this paper is aware that the two theorists have slightly differing versions of realism (namely, offensive realism in the case of Mearsheimer, and defensive realism with Waltz). However, these are intertwined with each other, and there is plenty of evidence to support both – so although one cannot predict with certainty the exact behaviour and motivations of each given great power every time, the main principle still holds – great power relations are a power struggle with little trust and much selfishness on all sides. It can therefore never be in one power's long-term interest, and thus cannot be acceptable, that a different power gets more powerful.

Graham Allison's 2017 book *Destined for War: Can America and China Escape Thucydides's Trap?* is another important source and can be seen as a book that presents a more focused version of the broader realist theory. Namely, it depicts neatly how a power struggle between an established world power and a rising world power seems to be inherent in the nature of the functioning of international great power relations, even if it does not always lead to war.

The introductory chapter starts by reflecting briefly on the West's blissful optimism immediately after the end of the Cold War. The West was unprepared for a resurrection of Russia and a rise of China such as we see it today. Francis Fukuyama's *The End of History* is naturally going to be mentioned, along with Charles Krauthammer's contributions. From here the chapter moves on to the problems of the Western world today.

Regarding the economic situation in the US and Europe, this will be mostly illustrated by statistics that shall provide an image of how the situation has changed (for the worse) because of the 2009 economic and financial crisis. Media reporting and expert analyses will mostly be used to illustrate the other points of concern regarding West's internal state – for example Peter Foster's 2016 Telegraph article *The Rise of the Far Right in Europe is not a False Alarm* is a valuable contribution

on the subject. It is clear from the writings on these topics that the state of domestic affairs in the West is far from stable and the view of many experts far from positive. However, criticism and even scepticism are arguably better than denial.

After the first chapter, focused on the West itself, the thesis turns to the West's main competitors, China and Russia, and the challenges they pose. Russia has been well analysed by various authors both when it comes to its domestic regime and policy and its foreign policy. Andrei Tsygankov's (2010) *Russia's Foreign Policy: Change and Continuity in National Identity* is one particularly useful work as it provides an understanding of Russia's foreign policy, including specifically in relation to the West, as it is rooted in Russia's domestic context. Various articles, scholarly and media ones, are used as sources to talk about the military reforms and operations, and the diplomatic efforts that Russia has been undertaking, as well as what it means for the West. The same applies to the questions of the economy. Neil Buckley's *Financial Times* article 'Russian Agriculture Sector Flourishes Amid Sanctions' (2017), for example, shows the economic challenges posed by Russia to the West may come from less expected areas.

The literature on China is ever-growing as the country is gaining in global importance. Henry Kissinger's (2011) *On China* gives an invaluable account of the development of China and its leadership in recent decades. Recent articles and news about developments in China and the related international issues will again be of essential informative value. Moreover, the thesis also uses official declarations and texts from the Chinese authorities – these reveal much about the country's diplomatic work, as well as its plans and visions – and therefore also potential problems for Western global primacy.

II. The Current Problems in the West – What is Suffocating Western Dominance from the Inside

Charles Krauthammer had reasons to talk about a unipolar moment in his 1990 essay. Francis Fukuyama even wrote in 1989 the now notorious essay *The End of History?* followed in 1992 by a book with a similar title. The Cold War was over, the new Russia and also China were weak, and there was a great push from former socialist states, especially in Europe, towards Westernization. The US had few and very weak enemies.

More than a decade later, in 2002, Krauthammer, instead of becoming more pessimistic, went rather in Fukuyama's direction, writing about an American 'unipolar era'. In fact, in the light of the then still persisting US unchallenged dominance, his writing was not completely unreasonable. Despite the events of 9/11, the US managed to demonstrate its uncontested might as it invaded Afghanistan and Iraq, running especially in the latter case against not only Russia's but also its own allies' views. Meanwhile, Europe was doing quite well, too, with the EU growing further (most significantly in 2004), and with the Euro being introduced in new member states.

But things have changed. Gideon Rachman (2013) titled his *Financial Times* article 'The west is losing faith in its own future', and he points out a Pew Research Center survey according to which 33% of Americans, 28% of Germans, 17% of Brits, 14% of Italians, and a mere 9% of French believed that their children would be 'better off than their parents'. By contrast, 82% of Chinese, 59% of Indians, and 65% of Nigerians believed so. It is a staggeringly large discrepancy that apparently divides the Western and the developing world. Statistics such as these, which show a great deal of pessimism in the West today, could be seen as evidence of an atmosphere that is common to, and fuelled by, all the specific problems the West has faced in the last decade. That atmosphere reflects what happened in the 2000s.

First, the end of the American post-Cold War unchallenged dominance started to become apparent as the US failed to deliver a decisive victory over terrorism. But a perhaps even more important factor in ending the American dominance, and the factor that has most contributed to the West-wide pessimism described above, is the 2009 economic crisis. Nine out of the 16 years between 1991 and 2006, US economy grew by more than 3%. The number of these cases has dropped to 0 for the 10 years between 2007 and 2017 (Amadeo 2017). In other words, economic growth has never returned to the pre-crisis levels.

The effects of the crisis spread to Europe, where even the strongest developed economies have also suffered: the UK, for example, had experienced a consistent economic growth, growing in every quarter between the fourth quarter of 1991 and the second quarter of 2008. Since then, by contrast, contractions in GDP have become frequent (*The Guardian* n.d.).

In fact, Europe was hit even harder by the crisis due to its peculiar weak spots that were not present in the US. Most notably, some EU member states' economies have had to be rescued via bailouts of enormous proportions. This has driven a wedge between some of the member states – most markedly between the Germans and the Greeks, with the former feeling like they must pay for Greece's irresponsible economic management, and the latter seeing the drastic reforms forced upon them (with this pressure often coming most loudly out of Berlin) as ineffective and destructive to the Greek economy. The second serious economic trouble for Europe has been youth unemployment. This spiked with the 2009 crisis and has been causing concern ever since, reaching well above 20% in early 2010s. Since 2014, it has been declining (Eurostat 2018). But this does not mean the problem is definitely solved, just like in the case of the overall economic situation in Europe. Moreover, Mario Draghi, the European Central Bank President, warned in 2017 that youth unemployment causes anger among the young and can negatively impact cohesion, trust in public institutions and European societal values, as well as

Europe's innovation potential, and thus must be continuously tackled (Reuters 2017).

This reveals an important aspect of the crisis in the Western democracies today – namely that the individual problems are interconnected, and take place in a general atmosphere of pessimism, as mentioned above. In Europe, unemployment stemming from economic problems can produce serious social consequences. In the US, one could see the economic crisis as having contributed, among other things, to the election of the self-proclaimed anti-establishment businessman-turned-politician, Donald Trump.

The new US president has been quickly identified as a force that fits in with and further propels a trend of retreating globalisation, as he has taken measures such as the abandonment of the Transpacific Partnership agreement or the withdrawal from the Paris climate deal, as well as protectionist trade policies (the latter mainly vis-à-vis China). Indeed, anti-globalisation ideas have been getting more and more traction in the West recently. And it is not only economic considerations that are behind this trend. Especially in Europe, the growing number of terrorist attacks and the waves of migrants flowing in from Africa and the Middle East cause fear and increasing reluctance toward the trend of ever-more diversity among the populations. That goes hand in hand with increasing support for politicians who embody the people's fears and offer solutions based on isolationism and nationalism. As Dannon Linker (2016) notes, even though most experts would claim, having solid evidence, that globalization has been good for the West and its citizens, more and more of those citizens are starting to turn their backs on globalisation. They connect for themselves the dots between terrorism, migration, stagnant wages, all combined with and often reinforced by fear-mongering reporting by tabloids, and they conclude that they have had enough of globalisation.

Reflecting well the increasingly messy condition of Western societies today is the trend of polarization and of the rise of far-right voices within the societies. It is almost

unbelievable what is happening especially in the US these days. Right across the society, the political scene, and also the media the media runs a dividing line that reflects a ferocious enmity between liberals and conservatives. While many of the latter hold rather extreme anti-immigrant and anti-Islam views, or archaic views on gender and race (some of them even being all-out racist), the liberals act as self-proclaimed defenders and embodiments of morally right opinions and try to impose them on the whole society. This often involves forceful methods such as banning speakers that have opposing views from campuses. One recent example of this behaviour is the decision of the Chicago Review of Books not to review any 2017 books published by the Simon & Schuster publishing house – the reason for it being that Simon & Schuster published a book by the controversial Milo Yiannopoulos (Morgan 2017). This creates a situation where alleged far-right behaviour is countered by equally abusive means.

Still, the clearest illustration of the division of the American society today is probably the election of Donald Trump as president. It has shown that the Americans are deeply divided not only on the economy or foreign policy, but also on questions of political correctness, gender roles, and others. There have been dozens of protests against Donald Trump both before and since his election, many of which turned violent, including one in Washington, D.C. on Inauguration Day itself (Krieg 2017).

In Europe there are similarly serious debates and rivalries within the individual states. The potentially most disruptive process ensuing from this is the threat to the integrity of the European Union. Euroscepticism has gained traction especially in recent years and has been connected to the rise of far-right (and sometimes far-left) parties across the continent. The nationalistic United Kingdom Independence Party (UKIP) has championed the road to Brexit, which has become the first real full-blown manifestation of the increasing frustration with the EU among many Europeans. Touching again on the interconnectedness of the West's problems, this anti-EU sentiment has been only strengthened by problems such as the terrorist attacks 'at home', or the migration crisis. As Peter Foster (2016) correctly writes, to ignore the

far-right is dangerous. The 'status quo parties' will have to put a lot of work into convincing Europeans about the importance and benefits of the European Union if they want to prevent further disintegration. Moreover, the Brexit negotiations themselves have proved to be a protracted process and pose another burden for the EU to deal with, which is naturally only further weakening Europe.

One more European problem is regional separatism or secessionism. The drive for independence in Scotland (most recently through the very close 2015 referendum) and in Catalonia (most recently, and probably most seriously, in the autumn of 2017) threaten the integrity of two major European states, and, as at least of 2017, of two major EU members. Even though Scotland and Catalonia would, as they themselves have declared, like to be members of the EU, their efforts paradoxically undermine the EU's stability and strength, not least due to their weakening of stability and economic growth within their own countries. Therefore, their efforts at independence must be regarded as undesirable from the perspective of anyone wishing for a strong Europe and a strong European Union.

To bring this chapter to a close, it is useful to return to the 'loss of faith' issue, discussed at the beginning as a sort of an invisible force which permeates most of the problems faced by the West. Anti-globalist tendencies, anti-democratic tendencies, the increasing and even violent polarization, or the scepticism about established economic models, fuelled since 2007 due to the crisis, all of these have in common a loss of trust and belief in what has been the Western values system and, ultimately, Western civilization. As David Brooks (2017) writes, the progressive grand 'Western civilization narrative', propelled by the likes of Will and Ariel Durant and built on great cultures' legacies, inventions, progress and exceptional individuals' accomplishments, is now close to dead. The tangible chaos that has been plaguing the West in the last years, and the tangible loss of relative importance of the West on the world stage, may well have at their root an intangible cause, namely a loss of faith and of a sense of direction. But there is another side to that root – and that is precisely the unignorable rise from the ashes of Russia and rise

from isolation to the centre stage of China. These are processes that accompany the West's own problems in a decisive way in calling into question the West's dominance of the world order after the Cold War. Let us explore how this has happened and how it looks from the military, the economic, and the diplomatic perspective.

III. The Military Challenge of Russia and China to the West

The military aspect of the challenge of Russia and China to the Western, currently dominant conception of world order, is the 'closest to the surface'. That is, it is the most visible aspect and therefore this paper will address it first. Below follows an analysis of Russia and China, respectively, which consists of a brief overview of military reforms and changes undertaken since 2000, an overview of the numbers around the two countries' armies, comments on their defence budgets, their military technology, the organization of their armed forces (including patterns in exercises and location of bases), and finally some of the most significant recent events and an overall outlook for future military activity by Russia and China.

RUSSIA

The 1990s were a disastrous decade in many ways for Russia (the progressively worsening economic situation being the hallmark of this), and this also applied to the army. As Pavel Felgenhauer (1997) described, those years were simply a failure, with military reforms vaguely planned but never truly agreed upon, let alone implemented.

After Vladimir Putin became president in 2000, he first had to deal with the broken economy and to try to get the society back on its feet (for example, by eradicating some of the booming crime from the streets as well as from the highest political circles). This he did, and, aided by a favourable development of world commodity prices, particularly oil, the country was recovering quite fast. Putin approved a new *State Programme of Armaments (GPV)* in 2006, which envisioned rearmament plans up to 2015 (de Haas 2011: 13-14).

Then, in 2008, the Georgian war showed the continuing problems of the military and served as tangible proof that comprehensive reform of the military had to take place. The subsequent reforms could be characterised by one word – cuts. Unlike under Yeltsin, when numbers of troops were cut drastically, but no real reforms were made

(de Haas 2011:9), this time the cuts were much more systemic. On the personnel level, the officers were hit particularly strongly, with only some 40% left in place, while other cuts came via decrease of the numbers of military units and in the chain of command (Sputnik 2009). These reductions' primary purpose was to increase the effectiveness of the Russian military from command and communication to on-the-ground mobility. Combined with plans for arms modernisation, institutionalized for instance in the *GPV* armaments programmes, these efforts meant that the Russian army has been undertaking a major rejuvenation with the goal of being ready to promptly and decisively intervene wherever and whenever needed.

Hand in hand with the discussion of reforms goes the discussion about military spending. SIPRI (2017) statistics, a reliable data source, show clearly a significant trend of a consistent, year-by-year increase of Russian military spending since 2000, which is strongly contrasted with the fall in the first post-Cold War decade. The 2016 military budget was just above 70 billion US dollars, putting Russia in third place globally behind the US and China. The budget came a long way from its low-point of just 14 billion US dollars in 1998. In 2007, it was still just a half of that of 2016. With the amounts of money spent in the last years, Russia's military capabilities are surely far greater today than at any point since the end of the Cold War. So how does the Russian military look today?

According to raw data, Russia has clearly one of the strongest militaries on the planet. It is of course difficult to rank militaries by their 'strength', and there are few sources that can be considered trustworthy. However, one can mention the relatively well-established website www.globalfirepower.com, which provides a detailed breakdown of all kinds of aspects that contribute to countries' military potential, deriving the evidence and data from some solid sources such as the CIA World Factbook. According to this website, Russia has currently the second most powerful military, behind the US. It has around 800, 000 active military personnel, some 3, 800 total aircraft, and 20, 000 tanks. In most of the statistics presented,

Russia is in the top five globally, and leading in some of them, such as in the number of tanks (globalfirepower.com n.d.).

Of course, it is not to be forgotten that Russia is one of the few nuclear powers in the world, and – at least by the number of total warheads – it is the greatest one (Federation of American Scientists 2018). In relation to Russia's nuclear arsenal it can also be noted that it is probably precisely that which makes this country nearly 'untouchable' militarily. In the context of this essay, that means the West cannot simply get rid of Russia militarily, but rather has to rely on finding other ways of dealing with the challenges to the world order that Russia poses. That can turn out to be a long-term reality, similarly to the Cold War.

The Russian military challenge becomes still clearer when Russia's technological advancements are taken into account. Russia is often noted for its deficiencies in advanced production and its economic dependence on commodities such as oil and gas, in contrast to the high-tech-driven Western and Asian advanced economies. However, if there is one area where Russian technology is on par with the West's, it is militarily. Here, Russia can build on a long history of research and development that was done in the Soviet era. With the large amounts of money dedicated to the development of the military since 2000, Russia today has some of the most advanced military assets.

For example, the S400 anti-aircraft system has been called 'one of the best air-defence systems currently made', which has also been recognized by countries such as China and most recently Turkey, both of which are buying this advanced and extremely expensive technology from Russia (The Economist 2017).

In the air, the brand-new Su-57 is the first Russian aircraft employing stealth technology, and one that is emerging as a serious competitor to top US jets, most notably with the F-22 Raptor (Roth 2018).

Finally, Russia's electronic warfare (EW) systems have been described as outperforming the US and NATO's comparable technologies, which is a significant red flag as electronic warfare has great potential and seems to be one of the technologies of the future (Bendett 2017).

These are, of course, just some of the highly advanced technologies that Russia has at its disposal. Moreover, it is important to note that much of the newest technology is probably kept secret, especially that which is still in development. The same goes for technologies from special areas such as chemical weapons – the Novichok nerve agent, for example, was developed by the Soviet Union but its existence became known only some 10 years after its development because it had been kept secret (Griffin 2018). Thus, it is likely that Russia, like other countries, has more extremely advanced military technology than is known.

Let us now look at the organisational side of the Russian military might. Under Putin, Russia's military organisation has arguably become much simpler, but also more effective and straightforward. One example of this is the reduction of military districts to five today, down from eight in 1998. Military exercises are also systematically held, on a rotating basis, in these districts.

The president himself is significantly involved in planning and oversight of activities such as procurement – for example, two times a year there is a meeting in Sochi where new strategies for military industry are discussed (Boulègue 2017). This keeps the processes, as well as the key actors' knowledge about them, up to date.

Russia's military bases, although less numerous than America's, are strategically well located. Apart from its own territory, Russia has bases in several of the former USSR states, such as Kazakhstan, Tajikistan, Kyrgyzstan, Armenia, and Belarus. Perhaps even more significant is the fact that Russia has direct, permanent presence in several major seas and oceans, from northern Europe to Japan, thanks to the location of its naval bases: Kaliningrad is home to the Baltic Fleet; Sevastopol

is the HQ for the Black Sea Fleet; Astrakhan, for the Caspian Flotilla; Severomorsk, for the Northern (Arctic) Fleet; and Vladivostok, for the Pacific Fleet. Russia's position was further strengthened in 2014 after the annexation of Crimea, as Russia now does not need to worry about negotiating its use of the Sevastopol port with the Ukrainians.

Moreover, Russia has recently acquired two strategically very important bases in Syria – the Khmeimim/Latakia air base, built in 2015, and the Tartus naval base, originally a smaller facility used by the Soviets during the Cold War and whose use by Russia was renewed in the 2000s. Since then, it has been modernised and its full status as a Russian military base was approved in 2017 (TASS 2017). This not only gives Russia direct access to the Mediterranean from 'own' bases, but it also cements the Russian position in Syria, making it more difficult today than ever for the Western powers to get the upper hand there.

Syria has, since the autumn of 2015, provided also the most prominent illustration of Russia's military resurrection on the global stage, and of the military aspect of the challenge that Russia has come to pose to the West. By directly having its forces strike in Syria and thus shaping the whole local political developments (by helping the local government stay in power), the Russians have performed a kind of intervention that, since the end of the Cold War, had only really been done by Western powers, most notably the USA. It is essential to mention that the intervention meant that Western plans for the removal of Assad's government were de facto prevented by the Russian action – showing that, effectively, the West cannot achieve regime change with such ease as was the case for instance in Iraq in 2003 or in Libya in 2011. With Syrian government forces now controlling most of the territory and Russian bases firmly established on it, the Syrian intervention can, at least as of early 2018, be called nothing but a success for Russia.

Similarly, Russia has successfully thwarted much of Western ambitions in relation to Ukraine. Russia's military reforms undertaken since 2008 aimed at improvement

of effectiveness and agility have arguably proven successful – as Maksym Beznosiuk (2016) argues, it was the new, more agile and compact special forces that secured a swift occupation of key buildings and areas in Crimea. Despite the fact that the West, especially America, has been increasingly supporting the Ukrainian government's forces, including by sending lethal offensive weapons (Rogin 2017), the Russians seem to be managing the crisis just fine, using local insurgents as convenient proxies and ensuring that the country cannot get back on its feet until Russia is presented with a solution to this dispute that it finds satisfying.

Apart from these two major battlefields, Russia also militarily addressed the challenges of Georgia and Chechnya in the 2000s. Although the two wars in 2008 and 1999/2000, respectively, are seen as rather weak performances by the Russian military, they can be seen as successes; Georgia has been weakened and its ambitions to join NATO for now thwarted, while Chechnya has been 'tamed' and held by Russia with leaders more or less loyal to Moscow (Osborn and Solovyov 2017). If nothing else, the Russian actions in both these cases demonstrated the willingness of Russia to use its military when it deemed necessary or useful – a sign to the West that there is a limit to what Russia will tolerate in regard to what it sees as being against its interests or security.

Looking into the near future, Russia's military power is approaching some important milestones. Hypersonic speed weapons systems are expected by early 2020s, catching up to a large degree with the Americans and the Chinese (Gady 2016). More advances in electronic and cyber warfare are expected, too, as is regular strengthening of all branches of the military – air, navy, land, and nuclear – as planned by the government and laid out most recently in the *State Armament Programme 2027*.

Somewhat surprisingly given the unceasingly tense international situation, Russia cut its military budget significantly in 2017, and according to reports it should remain at lower levels in the following three years, too (Zhavoronkov 2017). On the other

hand, wages and pensions for the military sector should go up in this period (RIA Novosti 2017). It can be argued that while the military may have less to spend on new weapons, the increased remuneration for its people can result in armed forces that are more loyal, motivated, and so perhaps more effective, too.

Given the apparently vastly improved competence of the Russian military, it is reasonable to expect that the military challenge to the West that Russia has come to pose is not going to decrease but rather increase. As the head of US European Command General Curtis Scaparrotti said reflecting on Russia's progress: 'Given their modernization, the pace that it's on...we have to maintain our modernization that we've set out so that we can remain dominant in the areas that we are dominant today' (Tucker 2018). Even then, as the case of mainly Syria has shown, Western dominance on the ground around the globe is uncertain as Russia's current willingness to directly intervene, unseen since 1991, will be difficult to counter.

CHINA

Like the post-1991 Russia, China has become a full-fledged military challenger to the West only recently, and, like Russia, it is also likely to remain so. As Drew Thompson (2010) writes, China's increased interest in the development of its military started in the 1990s, after the first Gulf War, which the Chinese saw as a wake-up call; before that, under Deng Xiaoping, the focus was on civilian spending and economic transformation. But although the movement toward military modernisation started around the end of the Cold War (which in itself must have been a somewhat disturbing spectacle to watch for the communist leadership), the most significant changes came only in the 2010s under the ambitious leader Xi Jinping.

What Russia did after 2008, China has been doing since 2015. In that year, the country's 'biggest military shake-up in a generation' was announced (*The Economist* 2016). In January 2014, the information got out that China was planning

a restructuring of its military command, most significantly a reduction in the number of theatre commands (an equivalent to Russian military districts) from seven to five. The process was completed in 2016. Importantly, it has been noted that this reorganization is part of a broader design of Chinese planners to make the country more prepared to face external rather than just internal threats (Stratfor 2014). It seems that the Chinese reforms are, similarly to the Russians', focused more on reorganization for the purposes of increased effectiveness and strategic logicity rather than simply on increasing the numbers of military assets. Technological modernisation is, of course, also important (and will be described below) and enabled to a large degree by the growing military budget.

Chinese military spending is way ahead of even Russia's (the third highest in the world), taking the second place right behind the USA. Indeed, with its fast-growing economy the potential has opened up for spending more on the military without sacrificing finances for other, civilian areas. As SIPRI (2017) data show, China's military budget has increased from some 23 billion USD in 2015 USD in 1991, to 80 billion in 2005, and with further steady increases year-by-year it reached the level of almost 226 billion USD in 2016. This means a 10-fold increase over the last 25 years. Just for perspective, US military spending in the same period was much higher every year, but it decreased significantly between 2010 (its peak) and 2016, and, being around the 500 billion USD mark already in the early 1990s, its 2016 level of some 600 billion USD shows a stagnating budget compared to that of China.

The analytics website www.globalfirepower.com (n.d.) ranks China as the third most powerful country in the world, behind the US and Russia. It gives 2.26 million as the number of active personnel, although it was reported in March 2018 that a cut by 300,000 troops, announced in 2015, had been just completed (*The Economic Times* 2018). Either way, China has the largest army in the world by active personnel. According to globalfirepower.com, China also has some 3, 000 aircraft, 6, 500 tanks, and 700 naval assets; in the latter two categories it surpasses even the USA, although it is behind Russia in the number of tanks, and behind North Korea in

number of naval assets (the North Korean primacy is due to its extraordinarily large number of patrol vessels, which are however rather useless in combat, especially at open sea). In any case, China makes the top three in all the mentioned indicators.

China, like Russia, is also one of the nine recognized nuclear powers (when North Korea and Israel are included). Its stockpile is the fourth largest, way behind the US and Russia, and a few warheads behind the UK (Federation of American Scientists 2018). Still, the 270 or so warheads represent a solid deterrence.

What makes China an even more formidable potential rival for the Western world, however, is its fast-paced progress in military technology. There have been several articles written about this in the recent years. For example, Elsa Kania's (2017) article shows just how far the Chinese have already come in the field of artificial intelligence (AI), a key facet of military technology of the future. In terms of quality of research, the article reveals that Chinese work is already today regarded as basically equally substantial and significant as that of American scientists.

Another article warns about China's fast-growing capabilities for space warfare, for example in form of technologies that can blind satellites. The head of US Strategic Command, Admiral Cecil Haney, even implied the new Chinese capacities related to space technology could mean a threat to 'national sovereignty and survival' (Gady 2016).

China is currently also at the centre of what has been dubbed a hypersonic arms race, in which it competes with the US. It is interesting to see that a Google search reveals virtually no mentions of a Chinese hypersonic weapon before 2010, but that this has changed dramatically in the last couple of years, with many articles written on the topic. Moreover, the Chinese DF-21d missile, developed in the 2000s, is credited with being the world's first hypersonic anti-ship ballistic missile (Kazianis 2013).

Finally, one can mention the new J-20 fighter jet introduced in 2017 and which, similarly to the new Russian Su-57, has been identified as a competitor for the American F-22 Raptor (Ait 2018). And as it was mentioned in the case of Russia, it must be remembered that China may well be keeping some of its most modern and most advanced technologies and plans secret – thus, especially with the pace at which even the visible progress happens, it cannot be known what revolutionary new technology can come from Chinese laboratories and development centres any day.

As was already mentioned, China, like Russia, made reforms and now has five instead of the previous seven military districts (or theatre commands as it is usually termed), with plentiful domestic land, air, and naval bases. However, unlike Russia, which has multiple bases abroad (even if most of them are in former USSR countries), China had no such bases – until 2017. In August of that year, China's first foreign military base was opened in Djibouti, a strategic place right at the mouth of the Red Sea at whose other end is the Suez Canal (Reuters 2017). It is worth noting that the Chinese base is located literally just a couple of kilometres from an American one, and China's presence is clearly causing US uneasiness (Ali and Stewart 2018).

Moreover, even though Chinese ports are all located in the Western Pacific Ocean and so China lacks the direct access to as many waters as Russia has, it seems it can compensate for this thanks to its partnerships with other countries. In recent years, China has been active in terms of exercises and general military presence around the globe in a way it had never been before. In 2011, a Chinese navy vessel, albeit merely a hospital ship, sailed to Cuba for what was the first naval mission of the Chinese in the Caribbean (Franks 2011). In 2012, Chinese military ships appeared for the first time ever in the Black Sea (Radio Free Europe 2012). And this is not the last 'first time'; in July 2017, the world witnessed what Neil Connor (2017) reported for *The Telegraph* was 'the first occasion that Chinese warships have ever carried out manoeuvres in the strategically important Baltic Sea.'

Moreover, this took place as part of joint military exercises with Russia. The two superpowers also had joint military exercises – also the first ever – in the Mediterranean Sea in May 2015 (Reuters 2015).

To summarize, in the last seven years China has been present for the first time in three major seas (Caribbean, Black, and Baltic), and has built its very first foreign military base (in Djibouti).

Ying Lin's (2018) article details how the reforms taken since 2015 have impacted the Chinese military's practical capabilities such as operational agility, including for example in logistics and the cooperation between land and air forces. China now tests the new system, its planes flying and ships sailing around the East Asian region more than ever. One particular issue these actions are certainly related to is the dispute over the South China Sea. Though never an undisputed area, the sea was kept relatively calm in the early years of the 21st century, 'under the wings' of the US as the dominant naval power and main keeper of peace in the region. This has changed in the 2010s, and more precisely since 2014, when it became clear that China was creating artificial structures, often whole islands, on several reefs that it claims as its own in the South China Sea; the US Pacific Fleet Commander Harry B. Harris (2015: 4) now somewhat famously called the Chinese creations a 'great wall of sand'.

These developments mean that China has virtually irreversibly gained in its influence in the South China Sea, and the US is (and probably should be) growing ever more annoyed by this. The area that is disputed is crossed by goods worth 'more than half of the world's annual merchant fleet tonnage' and by 'a third of all maritime traffic worldwide' (Kaplan 2014). This, together with its geographic location, means there are no viable alternative routes, thus making it a vital part of the world for the US (and the West as a whole), both commercially and geopolitically. In the longer-term, however, should war be avoided, the South China Sea dispute will probably be decided by diplomacy; which of course does not mean

that some parties will not gain more than others. The diplomatic element of the conflict is elaborated later in the chapter on Russia's and China's diplomatic challenge.

The South China Sea is, for now, the only major area where China more or less directly and actively militarily challenges the Western (dominant) position. However, with the construction of the first military base abroad, as well as with China's increasing military presence around the globe, the threats for the West seem to have a rising, rather than a receding trend.

Looking into the future, some predictions can be made. First, to follow from the previous paragraphs, one can point out the discussions about new potential Chinese military bases abroad. These have followed especially after the opening of the Djibouti base, and it has been reported China was planning new bases in places like Pakistan (Chan 2018) and Vanuatu (Wroe 2018). Africa could also see new Chinese bases built in the future. As the US General Thomas Waldhauser noted, sounding rather convinced, 'Djibouti happens to be the first – there will be more' (Ali and Stewart 2018). On the nuclear front, China will likely increase its stockpile of nuclear warheads, and possibly quite significantly so, in the coming years. This is expected because of the arguably relatively low level of deterrence that the current stockpile provides (Keck 2017).

Recently, news also came out that China is planning the most drastic cut in military personnel in history – the already mentioned 300, 000 troops cut announced in 2015 and completed in 2018 was, it seems, just one step toward the final goal of gradually trimming the Chinese army down to 'just' around a million men (Ni 2017). China, like others, apparently recognizes the growing importance of technology and the increasing obsolescence of mere 'numbers' when it comes to who is more powerful. By cutting the number of military personnel, money that would have been spent on around a million soldiers' wages and maintenance will now be available for potentially much more destructive means of warfare.

One such means is cyber warfare, into which the Chinese government plans to invest and expand China's capabilities massively over the next years. This includes creating several dedicated cybersecurity schools (Yang 2017). One can also mention the proclaimed ambition of China to 'lead the world' in artificial intelligence by 2030 (Kania 2017). All signs show a true commitment of the Chinese leadership to swift and carefully planned progress, which means the West must be alert, because it *will* be challenged by that progress.

The Military Challenge – Conclusion

As was shown above, Russia and China have both massively upgraded their militaries in terms of equipment and organisation, as well as operational capability, and they also hold joint military exercises. Yes, the US still spends far more on the military, and the NATO countries are together militarily superior to any other state or group of states, but their relative power has clearly decreased over the last years. It is needless to say that a potential Russo-Chinese alliance would mean a huge counter-balancing force to the West and a serious challenge to the current world order where the West has been a leader at least since the end of the Cold War. And even if a Russo-Chinese alliance seems today rather unlikely, it is definitely more likely than a Russo-Western or Sino-Western alliance. With the alienation between these two countries and the West continually increasing, the military strength of Russia and China should be recognized as a real challenge, and even as a threat.

IV. The Economic Challenge of Russia and China to the West

Joseph Nye (2011), in an article for *Al Jazeera*, offers a balanced view of the interplay between military power and economic power, and his conclusion is clear – military power remains essential, but it ‘requires a thriving economy’. Also, he writes, ‘Economic resources can produce soft-power behaviour as well as hard military power’. It is, in fact, rather common-sensical that to be able to build and maintain a strong military, a country needs money – which means a large, strong economy. Of course, there are exceptions, perhaps most notoriously the Nazi German case, but these are extreme cases when pure design for war triggers massive economic activity, and thus output, due to the production and other activities necessary for a fast military build-up.

This has not happened in any of the major powers since the Cold War, and it is thus all the more impressive how much both Russia and China have developed economically over the last 20-30 years. Below follows an analysis of this development, first in Russia, then in China, with focus on the progress they have made and on special areas related to the economy in which each of the two countries does particularly well and which make them particularly tough competitors for the West.

RUSSIA

In 1991, the Soviet Union still belonged to the most powerful economies of the world – it was 10th. Eight years later, the new Russia’s GDP counted for not even half of the 1991 figure, and was smaller than that of Austria or Belgium. Fast forward to 2013, Russia has recovered and has increased its nominal GDP more than ten-fold compared to 1999, making it the 8th largest globally (The World Bank n.d.). Despite the subsequent crisis caused by low oil prices and partly also by the Western sanctions imposed after 2013, Russia’s GDP in PPP terms decreased only marginally, particularly between 2014 and 2015. Since then, it has again had a rising

trend; as of 2016, it was the 6th highest in the world, and some four and a half times higher than in 1998; the US, meanwhile, managed to increase its GDP in PPP terms only two-fold in the same time period (The World Bank n.d.).

From this short summary it should be clear that Russia has in the last couple of years been economically much stronger than it had been in at least the first 15 years since the end of the Cold War. Its economic strength is, in other words, a new phenomenon in the post-Cold War world. Therefore, in light of the developments of the last years, a new wave of Russian economic influence in the world is not surprising, and not expecting its continuation means being stuck in the 1990s paradigm of unchallenged, upcoming Western and most prominently US dominance as it was envisioned and embodied in concepts such as the ‘end of history’ or initiatives such as the Project for the New American Century.

Let us begin by looking at the sources of Russia’s wealth. The country has been described as economically dependent on production and export of oil and gas. There are three things to be said about this. First, it is true that oil and gas have a significant place in Russia’s economy. Revenues from these resources provided around 50% of the Russian budget and accounted for some 70% of all exports in 2012 (US Energy Information Administration 2014). A strong relationship between oil price and Russia’s GDP growth is also arguably real (see for instance figure 3 in Movchan 2015).

However, the dominant position of oil and gas in the Russian budget is not as unshakeable as it is sometimes presented. According to Russian Ministry of Finance data, oil and gas contributed less than 50% compared to ‘non-oil-and-gas’ revenues to the budget between 2006 and 2011. Then, between 2012 and 2014, oil and gas contributed slightly more than half; however, since 2015 the trend has reversed again and in 2016, the ratio of oil and gas to non-oil-and-gas contributions was around 36% to 64%. In 2017, this changed to 40:60; however, the non-oil-and-gas revenues have nominally increased compared to 2016 by more than 10% – it

is just that the oil and gas revenues increased even more. Overall, the budget has more than doubled between 2006 and 2017 (Ministry of Finance of the Russian Federation 2018). Thus, even if revenues from oil and gas dramatically decrease, the Russian budget today seems to be so strong that Russia could hardly be worse off than it was, say, 15 or perhaps even 10 years ago.

Secondly, Russia has showed a certain capacity to influence the price of oil. This is enabled to a large degree by the fact that low oil prices are not only against Russia's but also against several other countries' interests. In practice, this has meant that a deal was made by Russia and the OPEC cartel to cut production, starting in 2017 and thereby to incentivize oil prices to go up. This deal has, according to Russia's Energy Ministry, already brought in over 40 billion USD from oil sales thanks to the rise in oil price since the implementation of the agreed cuts (RT 2018).

The third thing to say about Russia's supposed dependency on oil and gas exports is that while oil price fluctuations may have a negative impact on the economy, the two commodities will remain a reliable source of income and Russia's position as a significant oil and gas exporter remains and will remain unthreatened. Moreover, Europe is actually just as dependent on Russia's gas and oil as Russia is on the European market, and the geographic position as well as the capacities and the infrastructure and positive reputation that Russia has as a supplier all mean that this highly interdependent economic relationship is likely to continue for many years to come, according to the International Energy Agency (Crisp 2014). Alternative sources of energy could change this, but these definitely are not expected to replace traditional fuels in the foreseeable future (see for instance AP 2016). Finally, there have been calls for diversification of suppliers of energy to reduce European dependency on Russia; one option could supposedly be US liquified natural gas (LNG) that has been produced in growing amounts in recent years. However, as for instance Tim Daiss (2018) writes, the US offer suffers from higher costs (and thus price), mainly due to the complicated transportation process, and is also less practical for most of Europe due to the well-built infrastructure of pipelines currently

used to supply Russian gas. Indeed, there has not been any large-scale systemic action that would indicate a European shift away from Russian gas – on the contrary, Germany, which has a very close economic relationship with Russia, recently approved the building of the Nord Stream 2 pipeline from Russia. This approval was granted despite US and other allies' protests and claims that it threatens the energy security of Europe (see for example Goettig and Kelly 2018).

As Germany is a key part of the Western world (not least by the virtue of its NATO membership and its key position within the EU), the West looks rather incongruent in its economic strategy towards Russia, making itself potentially vulnerable. In other words, there is confusion or division (or both) in the Western approach – both condemnation but also close cooperation with Russia. This makes Russia both more hostile to but at the same time almost indispensable for the West (particularly Europe). That sounds like a 'double loss' for the West.

Russia's Economic Relations with Other Countries

Another trend in the development of the economic challenge of Russia to the West is Russia's extensive building of partnerships with non-Western countries. This trend has become even more pronounced since the mutual alienation between Russia and the West caused by the events in Ukraine, which has included mutual economic sanctions and prompted Russia to look for more intensive economic ties elsewhere. So which countries or regions outside of the West are economically most involved with Russia?

First of all, there is China. The Asian giant is today already Russia's biggest trading partner with mutual trade having risen from some 8 billion USD in 2000 to some 56 billion in 2008 and peaking at more than 95 billion in 2014; then, after a big drop due to the economic crisis in Russia in 2014-2015, mutual trade has recovered again, rising from 68 billion USD in 2015 to 84 billion in 2017, and the Chinese and Russian leaders are hoping to reach the 200-billion mark in 2020 (bne IntelliNews

2018). Although this may prove unrealistic due to the mentioned problems in the mid-2010s, the ten-fold increase within 15 years of trade relations is a remarkable phenomenon, and a continuing strong rising tendency is clear, particularly when the political and economic climate is not disturbed.

In 2014, pushing for a close in reaction to the Ukraine crisis, Russia closed a deal with China on gas supplies after 10 years of negotiations; and even though the agreement was depicted in many media outlets as one where China dictated the conditions, including the price, it still is a deal that secures billions of dollars for the Russian treasury for the next 30 years (Luhn and Macalister 2014).

The two countries cooperate on oil, too – thanks to several deals concluded since the late 2000s China is now Russia's number one purchaser of oil and Russia China's top supplier, having surpassed Saudi Arabia in 2017. The most recent deal, from 2017, will provide China with over 60 million tons of crude oil from Russia over a period of five years (Reuters 2017). Both the gas and the oil deals also mean that new pipelines have been and are to be completed – meaning massive economic developmental projects in the last 10 years or so and unprecedented at least since the end of the Cold War.

Another important relationship has been the one with Turkey. Bilateral trade between them rose dramatically from less than 5 billion USD in 2000 to more than 30 billion USD in just 8 years' time (Champion 2010). There was a brief freeze of the relationship in 2015-2016 due to the downing of a Russian jet by the Turkish air force for a violation of Turkey's air space, but the relations went back to normal as the Turkish president Recep Erdogan apologised for the incident. Russia and Turkey cooperate extensively in the areas of energy and construction. A subsidiary of the Russian Rosatom, for example, is building Turkey's first nuclear power plant, which is to be completed in 2022. In fact, Rosatom 'holds first place in terms of the number of simultaneously implemented nuclear reactor construction projects', with seven in Russia and 33 abroad, particularly in Bangladesh, Belarus, China, Egypt,

Finland, Hungary, India, Iran, and the one in Turkey (Rosatom n.d.). All these projects were started in the 2010s, and the Rosatom websites offers an impressive summary, including pictures, of the projects it is currently undertaking. There is also the joint Turk Stream project, which is a gas pipeline that, if eventually realized, would further enhance Russia's dominant position in the European energy market, supplying gas to much of South Eastern Europe – and as this region might join the EU in the future, the Turk Stream would inevitably mean an even greater dependence of EU countries on Russian energy. Similarly to the Nord Stream 2 pipeline project, there were protest voices from the West, most notably from the US; and like in the case of Nord Stream 2, they did not stop the project – Turk Stream is steaming ahead at 4 kilometres per day, having been acknowledged by the Turks as a project that is beneficial for them 'politically and economically' (Sputnik 2017).

But it is not all about the major partnerships with countries such as China and Turkey; Russia has successfully increased its economic involvement elsewhere around the globe, too. India, Latin America, even Africa are all regions with which Russia has revitalised previously dormant or weak economic cooperation and today trades successfully in various areas of industry. Latin America is the export destination for 75% of Russian fertilizer exports, while the third largest Mexican airline, Interjet, decided to replace its Boeings with the Russian Sukhoi Superjet planes when they were introduced in the late 2000s (Jeifets 2015: 94-98). As for Africa, it is worth mentioning that although Russia's economic involvement there is still much smaller than that of the US or some European countries, its trade with that continent increased more than ten-fold between 2000 and 2012, and Russia has also started to finance big industrial projects there (Campbell 2015).

In terms of the structure of trade, arms sales can be pointed out as probably the most significant area in which Russia is truly globally engaged, particularly as an exporter. While in 1990 the value of Soviet arms exports was some 16 billion USD, in 1999 Russia was selling arms worth less than 4 billion USD (BBC 2001). Since Vladimir Putin took power in 2000, these numbers have massively increased again,

making Russia the second largest arms exporter after the US and coming close to the 1990 levels in the 2010s (Connolly and Sendstad 2017: 22).

New Institutions and Structures

Also important is Russia's participation in new institutional initiatives that are essentially 'non-Western'. I would like to briefly mention three – the BRICS, the Eurasian Economic Union (EEU), and the Asian Infrastructure Investment Bank (AIIB), with focus on their economic aspects. They also have important diplomatic dimensions, and those are addressed in the chapter on the diplomatic challenge of Russia and China to the West.

The BRICS are, unlike the EEU and the AIIB, a rather loose grouping, with the original acronym BRIC introduced by a Goldman Sachs economist in 2001. Still, the involved countries (Brazil, Russia, India, China, and South Africa) have been meeting regularly at formal summits, since 2009 (South Africa joining in 2010), and although it is no firm alliance of any kind, it does represent a formalized platform for cooperation between these countries. More importantly, they position themselves as a sort of a counterweight to the West-dominated world order; their 'first pillar' for example being about 'efforts towards reforming the structures of global governance, especially in the economic and financial fields – Financial G20, International Monetary Fund, World Bank' (Ministry of External Relations of Brazil n.d.). This represents a clear proactive effort by the non-Western BRICS countries to shape world institutions more according to their own views and interests – which is not bad per se, but it may well be against the West's interests at a time of strategic competition, especially with Russia and China.

The Eurasian Economic Union has brought about a customs union between five states so far, all of them former Soviet states. The Union was established only in 2015 and is another sign of the freshness of the post-Cold War Russian economic revival and thus the challenge to Western dominance. It is too soon to assess its

success. However, Evgeny Vinokurov (2017: 54), whose study seems to be one of the most in-depth so far, concludes that the EEU is overall proving to be a 'functioning customs union', with benefits stemming, for example, from the common labour market it established. Given that Ukraine was hesitating between joining the EEU and the EU when the revolution took place there in 2013-2014, and with Russia desperately wanting Ukraine to opt for the EEU, it seems that this organisation is one that is a real counterforce to the West as a political and economic organisation.

Finally, the AIIB is a Chinese initiative bringing together many countries. It will be mentioned in more detail in this chapter when discussing China. However, Russia's significance in it is that it was one of the first signatories and that it holds the third largest number of shares in the institution after China and India (AIIB.org n.d.). With a great potential foreseen for the AIIB, which started to operate only in 2016, this gives Russia yet another platform for economic development that the West may be missing out on. European countries, as well as Australia and Canada do hold shares in AIIB, but their involvement may be more limited, and the US is not a member at all.

A last point to mention regarding Russia's challenging of Western dominance on economic terms is the country's current and future potential for self-sufficiency. This is a topic that is not mentioned very much in the media, and especially the Western media. However, Russia's economic self-sufficiency is real, is growing, and most importantly, it covers some of the most vital areas of the economy, rendering the country very hard to blackmail or otherwise exhaust by economic means from the outside. That must be, of course, a comforting feeling for the Russian leadership and people. So, which are those vital areas in which Russia is particularly self-sufficient?

First of all, Russia is self-sufficient in energy. Thanks to its enormous reserves of gas, oil, and coal, it does not ever need to worry – unlike Europe, it should be

mentioned – about how it will provide the fuel that households, companies, and the country need.

Secondly, Russia is self-sufficient in the area of military industry. As was already mentioned, this is one of the few areas in which the Russians are truly world-class producers of technology, including nuclear technology, and they have all the know-how they need, being also able to build on decades of experience from the Cold War era. The country's capacity to defend itself is therefore both great and independent from foreigners.

Thirdly, Russia is nearly self-sufficient in food, and Vladimir Putin made it a goal for the country to be fully self-sufficient in this area by 2020. As Anatoly Medetsky, Matthew Campbell and Yuliya Fedorinova (2016) write in their article for *Bloomberg*, Russia reduced imports of foods by 40% since 2013, while its exports were on the rise; profits from food sales exceeded those of arms sales; and the total value of crop production between 2000 and 2015 increased ten times. Moreover, Neil Buckley (2017) notes that while Russia is today the world's biggest grain exporter (having overtaken the US), just fifteen years ago it was a net importer of these goods. Russia has also 'fully substituted imports with domestic production of pork and chicken', Buckley writes. Arguably, this process toward self-sufficiency in food has been only helped by the ban on Turkish food imports in 2015, as well as by the retaliatory sanctions against Europe that have banned European food imports since 2014.

Finally, perhaps a less known development is the increasing Russian self-sufficiency in pharmaceuticals. In 2009, Russia introduced a plan called *Pharma 2020* envisioning a future of vastly improved self-sufficiency in the pharmaceutical sector. For example, the share of domestically produced medicines from the Essential Drug List should reach 90% by 2020; in 2016, it already had reached 77% (Deloitte 2017). And even if all the goals of this plan are not reached by 2020 (as may well happen due to the ambitiousness of it), it is likely that sooner or later they

will be achieved, and Russia will thus become largely independent of Western medicines.

Thanks to its complete or at least high self-sufficiency in energy, military, food, and medicines production, one can say Russia is de facto prepared to survive ‘anything’, even complete economic isolation should that ever happen (which is, of course, unlikely). This is apparently a conscious design on the side of the Russian government – domestic production in all the mentioned areas, and in others, currently less developed ones such as computer technologies and electronics, is emphasised as a key objective in the *Russia’s National Security Strategy to 2020* (Stratfor 2018). The ultimate goal is to be what could be seen as ‘totally sovereign’, independent from other countries economically, not easily impacted by any economic sanctions or breaking off of ties – and ready for tough strategic competition.

The Russian economy seems fitter than ever since the end of the Cold War, and able to support the country in its return to global great power politics – not only is it more self-sufficient, its network of economic relations is stronger and more diversified (especially in the non-Western world). It has also returned to economic growth which, although it is relatively modest for now, still matches the average performance (as well as projections through 2019) of advanced economies according to a paper by the World Bank (2017). Looking into the future, with completion of projects such as Nord Stream 2 and Turk Stream, and if the Russian government’s diversification efforts in both the economy’s structure and economic relations are further pursued (which seems likely), Russia is set to be not a weaker, but an even stronger economic contender to the West in the future.

CHINA

Though not an ‘objective’ indicator, public perceptions can tell one what the general sense, the ‘atmosphere’, the dominant opinion in a society is on a given topic. And

America, as the beacon of Western economic power, is not doing great here. Results published by the Pew Research Center (2017) reveal a significant shift that has been taking place in the last decade. In Europe, data from five important US partners (the UK, France, Spain, Germany, and Poland) show that while 45% of the people viewed the US as the economic leader in 2009 and only 28% chose China, this has since changed, and the US has never again achieved more than 40% of the 'vote' while China received over 45% in five of the next eight years. The US remains perceived as the world's leading economic power by the majority of states (42% to China's 32%), but the trend is indeed in China's favour. And no wonder.

If Russia's economic resurgence since the turn of the centuries is spectacular, China's resurgence is just as spectacular – China has also increased the size of its economy roughly ten times since 2000, but because it had an economy around five times the size of Russia's already, the consequence of its massive growth has been that it is now the second largest in the world, head and shoulders above any other and amounting to about 65% of the economy of the world leader, the US. In 2000, it was barely 12% (World Bank n.d.).

Moreover, in 2013 the Chinese economy for the first time in modern history surpassed that of the US in purchasing power parity (PPP) terms (World Bank n.d.). But this has not been the only 'shock' for the West and its image as the economically leading section of the world.

China is also the world's number one trading power, overtaking the US in 2013 and surpassing the 4 trillion USD mark (Monaghan 2014). Since 2000, China's share in the world's trade has roughly tripled, and since 1990 this increase has been almost six-fold, from some 2% to almost 12% (The State Council Information Office of the People's Republic of China 2016). In 2010, China also became the world's largest manufacturer by output, in 2010. As Peter Marsh (2011) wrote for *Financial Times*: 'The last time China was the world's biggest goods producer was in about 1850'. This, he writes, was followed by some 50 years of UK leadership, and then by a

century of US primacy, meaning Western dominance in this area of economic activity (as both the UK and the US are Western countries) that lasted for around 150 years – and that has just come to an end.

The replacement of the US by China in several indicators includes many areas of production. China is today the biggest producer of things like steel, coal, cotton, tobacco, cars, beer, and of course other products; those mentioned are ones in which the US used to be number one, in several cases until the early years of the 21st century, but in which it has now been overtaken by China (24/7 Wallst. 2012).

The Chinese economic boom has important domestic implications, too. Perhaps the most astounding is the fact that the country has lifted out of poverty some 800 million people since 1978 (World Bank 2017). Although per capita the Chinese are still a rather poor nation, the country's middle class is today the largest in the world, having overtaken the US in 2015 according to an analysis by the bank Credit Suisse (*The Telegraph* 2015). These remarkable achievements are of course all interconnected – the successes in the area of international economic cooperation to a large degree make the rapid domestic improvements possible – and it is mostly thanks to the economic reforms started in 1978 by the then leader Deng Xiaoping. His remarkable work, then followed up by the subsequent leaders, has been described by many with knowledge of this; Henry Kissinger and his *On China* (2011) is one source to go to where one can follow the journey of China's inner transformation from a strict, closed, dormant giant into a thriving, globally integrated, and active economic power.

China Around the World

China is becoming a serious competitor to its Western counterparts in the big game of global economic influence, and this is visible on all continents. In its 'backyard' in Asia, China has naturally always had strong economic contacts. However, even here it was until recently not the number one economic player – Japan had this

position throughout most of the 20th century. A 2005 article in *Der Spiegel* mentioned that Japan worried ‘that it is being replaced by China as the region’s leading economic power’. The article also mentions that China replaced the US as Japan’s biggest trading partner in 2004 (Wagner 2005). A few years later, the Japanese concerns turned into an undeniable reality as China surpassed Japan to become the world’s second largest economy in 2010 in terms of GDP; just five years prior China’s GDP was half of Japan’s. By 2010, China had also overtaken the US and Japan as the biggest trading partner for most of its regional neighbours (Barboza 2010).

The 2010s have only brought more economic dominance of China in the region. But apart from further investment and trade growth, the current decade has been defined by something even more interesting – namely, large-scale, multilateral Chinese development initiatives. The two most prominent ones are the AIIB and the Belt and Road initiative.

The AIIB was briefly mentioned earlier in connection with Russia. Starting its operations in 2015, it serves the purpose of financing developmental projects in and beyond Asia and has been dubbed by many media as a rival of the World Bank. For that reason, the US even openly criticized the UK for ‘constant accommodation of China’ when the UK decided (along with several other European countries) to join the AIIB (Kynge 2017). The US, as well as Japan – its key Asian ally – have not joined. These are clear signs that the West is divided on this issue, and it is significant that the US, as the West’s strongest component, apparently views the AIIB as threatening or at least undesirable.

Meanwhile, virtually the whole of Asia, with the notable exceptions of only Japan, Taiwan and North Korea, have joined, showing an openness of China’s neighbours to Chinese ideas, and perhaps even leadership. That openness is arguably mostly motivated by the promise of increased investment, trade, and other benefits, but it also undeniably shows that the Chinese initiative makes sense and is regarded by

countries as viable and worthy of involvement. The real test of China's leadership potential in the region – and beyond – will, however, be the Belt and Road initiative.

Introduced for the first time in 2013, the Belt and Road is possibly the biggest developmental project in history, meant to build and re-build massive infrastructure, land and naval, for purposes of trade and intercultural exchange (Phillips 2017). Chinese media have reported extensively on the benefits of the project, including for South East Asia and the traditionally US-aligned ASEAN states. Asia is naturally at the centre of the Belt and Road initiative, with most of the planned new infrastructure (railways, ports, roads) to be built on that continent. A land route from the Chinese city of Xianjiang to a port of Gwadar, Pakistan; a new 'port city' in Colombo, Sri Lanka; a railway from southwestern China to Singapore; a dry port on the Kazakh-Chinese border – these are just some examples (Hancock 2017). The new infrastructure shall serve not only as connective 'veins' between Asian countries, but also as the first part of the long route for all kinds of goods on their way to Europe and Africa.

The African continent was for a long time a 'domain' of Western colonial powers (one can recall the 'scramble for Africa' in this connection). One thing the powers have always done is to pour in money to build the countries' infrastructure and cities and, of course, to invest in promising commercial activities such as mining. Cecil Rhodes, the famous British industrialist, for example, envisioned a 'Cape to Cairo' railway that would traverse the African continent from North to South. At the time the British possessions in Africa were such that they would permit the railway to be built almost entirely on British territory – and, as is clear for example from Williams (1921), the plan was still well alive in the third decade of the 20th century. It has never been completed, but its very existence (and partial success) show the scope of European (or Western) dominance over Africa some 100 years ago. Of course, several other European nations possessed their own numerous colonies there.

After the Second World War, the Europeans started to gradually lose their grip on the continent, while the US emerged as the most influential player there in the last couple of decades. Still, apart from the Western powers there was little outsider influence.

Today, ‘thanks’ to China the situation is different. According to reports by the Ernst&Young (EY) consulting company, China became the single largest contributor of foreign direct investment (FDI) into Africa in 2016 (China Daily 2016). A few years prior, in 2009, China also overtook the US as Africa’s biggest trading partner; Sino-African trade rose at a stellar rate in the 21st century, from 10.5 billion USD in 2000 to 40 billion USD in 2005 and to 166 billion in 2011. Chinese firms also receive huge contracts in Africa (Ighobor 2013). It is a cooperation that can continue virtually indefinitely due to Africa’s massive potential for development.

In Europe, too, the Chinese economic machine, driven largely by the state through its state-run companies, has been making waves. Unlike in Africa, where Chinese companies come to work on huge infrastructure and other projects, in the much more developed Europe China’s focus has been on acquiring or investing in local enterprises.

KUKA Roboter is a premier German producer of automation equipment. In 2016, it was sold to the Chinese Midea group for close to 5 billion euros in a deal that had to be (and was) approved by the German government. As *Deutsche Welle* (2016) reported, there were voices in Europe against this deal on grounds of concerns ‘about the transfer of high-end technology to a Chinese company’, but these did not prevent the deal. Data show a shocking spike in Chinese investment in Europe – from less than 1 billion EUR per year prior to 2011 (with the exception of 2006), to 4 billion or more annually ever since (Hellström 2016: 15), and further spiking in the 2014-2016 period to reach some 35 billion EUR in 2016. This spike also meant that Chinese FDI in Europe surpassed the EU countries’ FDI in China for the first time. After being roughly equal at around the 10 billion EUR mark somewhere between

2013 and 2014, the Chinese surge followed, while at the same time the EU countries' FDI in China actually declined to less than 10 billion EUR in 2016 (MERICS 2017). KUKA thus is inevitably just one of many examples of major European brands being acquired by capital-rich Chinese companies since 2010.

Other big firms the Chinese firms have full or partial ownership in include: the Swedish car maker Volvo, the French car maker Peugeot, the Italian tyre producer Pirelli, also Italian, the grid holding CDP Reti, the Portuguese financial services firm Caixa Seguros, the British restaurant chain Pizza Express, the Norwegian silicon producer Elkem, the Finnish mobile game developer Supercell and, since 2017, the Swiss Syngenta AG, the world's leader in agrochemicals which the Chinese acquired as their biggest foreign acquisition to date for 43 billion USD (Shepard 2016). As of now (April 2018), Chinese entities also are shareholders in the Heathrow Airport, one of the world's largest, and in the largest Greek port, Piraeus. With all these (and many more similar) acquisitions having taken place only since 2010, in less than eight years, it is undeniable that China has capitalized on the money it has made largely out of being the 'world's factory' in recent decades.

Finally, China has been increasingly economically active in the Americas, too. In the US, Chinese acquisitions also have been a new trend, the vast majority taking place since 2010. Billion-dollar purchases of US firms have included companies such as AMC, the country's largest movie theatre chain, Smithfields Foods, GE Appliances, the technology distributor giant Ingram Micro, and the phone maker Motorola Mobile. The Chinese also paid 2 billion USD for the famous New York Waldorf Astoria hotel, for example (Morris 2017). In Latin America, the economic challenge China poses to the West is clearer. The importance of this region in the context of this paper is well brought home by Torres and Woods' (2018) assertion that Latin America is where 'China's emergence as a global economic rival to the U.S. is perhaps most obvious'. They mention that China surpassed the US as the largest trading partner of several of the region's countries, including Brazil. The countries cooperate with China in construction, agricultural products, the chemical

industry, and others. Overall, Sino – Latin American trade in 2013 was about 25 times higher than in 2000 (Elson 2014: 45). The pattern of development of China's economic relations in this region is thus similar to the other continents when it comes to volume and timing – it is a trend that is new (not only in the post-1991 world, but also since at least 1945), and it is massive, with economic exchange growing from comparatively small numbers upwards so much as to outshine any other country's bilateral relationship, be it in Asia, Africa, or Latin America. Thus, although the US influence on this continent is historically very strong, it has been undermined here, too. But there is another, equally important facet of the economic challenge posed by China.

The Chinese Economic Emancipation

China is no more just a 'production plant', a 'factory' for 'the world' (basically meaning the West and particularly Western companies). Surprisingly, most media articles on China's prospect of decline in its position as 'the world's factory' portray this as something negative from the Chinese perspective (So 2014). Increasing production costs (due to rising wages) are cited as an important cause why many companies consider moving their production elsewhere. In the opinion of the author of this paper, this is actually good news for China as it shows the progress it has achieved. No country would want to remain 'the world's factory' indefinitely, especially when it is striving for global leader status. Of course, if Western companies that produce in China closed their factories there suddenly and *en masse*, it would be a major problem for the economy. However, that is not likely to happen. Still, China apparently realizes the downsides of being reliant on foreign investors, and that it is perhaps not the best strategy to rely on mere factory production for foreign companies in the long-run. Education, as well as support of domestic entrepreneurship and innovative ideas are key for creation of a China that can stand on its own and not be dependent on foreign capital.

This process has already begun, and it could be argued that it is in fact well underway. Although probably qualitatively behind the West, Chinese education has been growing massively, with millions of graduates produced every year in all kinds of fields, and with ever more international collaborative relationships between universities (including with elite Western universities) being established. Moreover, more and more of those Chinese youngsters that decide to pursue their education abroad return back to China after graduation. According to China's Ministry of Human Resources and Social Security, more than 430,000 graduates returned home after their graduation abroad in 2016, which accounted for 82% of the overall number of Chinese graduates abroad; 10% more than in 2012, and around 50% more compared to 2006 when only about one in three returned (Koiviola 2017).

Regarding support for domestic business, one ought to mention the ambitious 'Made in China 2025' plan, 'which aims to boost manufacturing innovation and promote home-grown products' (Hsu 2017). It is essentially an initiative toward highly increased self-sufficiency and toward global competitiveness in several key tech-related sectors, from computer chips and industrial robots to trains and eco-friendly cars. It is initiatives like this that can, over time, elevate China to the position of a true advanced economy.

Let us close this chapter by looking more closely at the phenomenon of the rise of Chinese companies as an important part of China's beginning transformation into a modern advanced economy. The Forbes Fortune Global 500 ranking of the largest companies in the world by revenue included 14 Chinese firms in 2004 (Kwan 2004). In 2017, this number was 115, 17 more than just one year prior, and clearly placing China right behind the US in terms of companies represented (Ge 2017). Most of them still are state-run companies, including the three giants that took second, third and fourth place, but, as Ge (2017) writes, privately owned companies are increasingly visible, too. Huawei has become 'the world's largest maker of telecommunications equipment' and is ranked 83rd, while Alibaba also makes the top 500. Huawei is also becoming an increasingly popular phone maker. What is

even more impressive is the fact that, according to data for 2017, three out of five of the biggest smartphone makers (by number of units shipped) are Chinese – Korea’s Samsung clearly leads the charts, America’s Apple was second, and the next three spots, accounting for a combined market share approximately double that of Apple, were taken by the Chinese firms Huawei, Oppo, and Xiaomi (IDC n.d.). It is worth noting that Oppo and Xiaomi are very young companies, founded in 2004 and 2010, respectively. Meanwhile, Alibaba has become a giant often compared with the American company Amazon; and although it has far lower revenues than Amazon, its distinct business model allows it to have much bigger margins from sales, and thus higher net income and profit (Chauhan 2017). Tencent and JD.com are two other examples of fast-growing, Chinese, privately-run giants with market values in the hundreds of billions of dollars, while Lenovo is an example of a well-established, long-known high-tech company.

Clearly, the above evidence confirms China’s improving economic sophistication and capability in recent years. One more proof of the economic change in the most populous nation on Earth can be found in a seemingly petty but certainly not irrelevant area – tourism. Between 2000 and 2013, Chinese’ spending on outbound tourism increased from less than 20 to more than 120 billion USD per annum, giving the Chinese the biggest share in the world in this regard, surpassing by far the Americans, the Germans, or the Brits who had dominated the statistics just some five years prior; moreover, spending by Chinese tourists is expected to triple by 2020 (The Economist 2014). *The Economist* called the article in which these data are presented ‘Chinese tourists, coming soon to a beach near you’. It seems that this may indeed be a trend that will be ever more visible, including on European and American coasts.

The Future

The Belt and Road initiative shows that China is only at the beginning of its journey of fulfilling the potential it has as a global economic superpower. This particular

initiative is actually more than just an economic project, as it also pertains to the political landscape of much of the world, and China will need cooperative relations with many countries to make it happen. Therefore, it will be looked at more closely in the next and final chapter on the diplomatic challenge posed by Russia and China to the West.

Domestically, China plans to further alleviate the poverty of its citizens (hoping to eradicate it completely by 2022) and continue progress in its domestic economic situation (Reuters 2015). Sustained economic growth, which is not expected to decrease in any substantial manner in the foreseeable future, makes such goals feasible. Moreover, the combination of both powerful state-owned as well as powerful privately-owned enterprises may prove extremely useful for China as the government can, by directing the state-run businesses, determine to a large degree the future of China's economic presence and strategy around the world. The buying of private companies in the West by Chinese state-run giants is one concrete manifestation of this. At the same time, state ownership of large corporations prevents their sale to foreign entities. China is going to continue to be a formidable economic power, and its relative importance in this respect will very likely grow still further, which places great pressure on the West to find effective responses.

The Economic Challenge – Conclusion

Like in the military sphere, both Russia and China have made unprecedented economic progress in the last two decades and have also been developing ever-closer economic cooperation between themselves. Given the current political climate, with no signs of improvement in the Russian-Western relations and with increasing tensions between the West and China, not least because of the West's uneasiness about the Chinese rapid economic progress and increasing global economic ambitions (embodied in projects such as the Belt and Road), both Russia and China are likely to continue their own path of development, probably deepening their relations and activities in the non-Western world. Russia and China can end

up playing a similar role in the 'Third World' as the West played in the past two centuries. Therefore, the West should be wary of believing in its own indispensability for the world's economic development; that seems increasingly to be a thing of the past.

V. The Diplomatic Challenge of Russia and China to the West

This chapter focuses on how Russia and China have recently been initiating diplomatic cooperation, be it via dialogues on specific issues such as the Syrian crisis or via establishing and cultivating closer ties with various countries and regions around the world (including with each other). The chapter is expected to show that Russia and China have moved significantly in a direction of more active participation, even assuming leadership roles in the international diplomatic area in the last 10-20 years, and that they both are today very apt competitors to Western diplomats. Also, their ability to take bold steps and not get diplomatically too hurt in return (for example by being isolated by others) adds to the account of visible results and realities of their current diplomacy that tilt the power balance rather away from the West and towards Russia and China.

RUSSIA

In the 1990s, Russia's diplomacy was directed towards the West with an underlying hope and even excitement about the vision of a possible new era of cooperation. As Andrei Tsygankov (2010: 55-61) writes, the end of the Cold War meant a door became open for a new formulation of Russia's identity, particularly in its relation to the Western world. Andrei Kozyrev, the Russian Foreign Minister between 1990 and 1996, is cited as having said that 'The United States and other Western democracies are as natural friends and eventual allies of the democratic Russia as they are foes of the totalitarian U.S.S.R.' (Tsygankov 2010: 55).

As the 1990s were turning out to be increasingly disastrous for the new Russia, a disenchantment with the process of 'Westernization' and with the West itself started to grow among the Russians, together with a new sense patriotism (Ball 2003: 237:255). The 1999 NATO bombing of Yugoslavia of course did not help to strengthen the West's declining popularity in Russia.

Still, when Vladimir Putin came to power in 2000, in his first term as president he did come across as rather friendly and open toward the West – at least much more so than since. In 2001, he gave a speech in German in the Bundestag in Berlin in which he clearly presented his wish to have a strong, positive, cooperative relationship with Germany and Europe – and for which he received a standing ovation from the German parliamentarians at the end (see youtube video by ‘BlicknachOsten’ channel 2013). Putin was also the first foreign leader to call the US president George W. Bush after the 9/11 attacks to express his condolences and Russia’s readiness to support the US in the fight against terrorism. This was followed by deeds, too, for instance by what Jill Dougherty (2002) called the ‘stunning decision’ to allow the US military the use of formerly Soviet bases for operations in Afghanistan. Dougherty also mentions several other concessions of Russia in relation to the US, for instance its non-reactiveness to the deployment of US military training units in Georgia. However, Russia also benefited from its friendly approach to the West in this period – it was given a higher standing in relation to NATO (the NATO-Russia Council was founded in 2002), and a significant arms reduction treaty (known as SORT) was signed in 2002. On that occasion, president Bush even expressed his belief that there was now ‘an entirely new relationship with Russia’ (Sanger and Wines 2002).

However, fast forward a couple of years, the situation looks very different. Two important developments can be seen as principal causes. First, a new wave of NATO enlargement took place in 2004, which included the Baltic states and which Russia found difficult to stomach (Forsberg 2011). Secondly, Russia, like much of the world, reacted with resolute criticism to what was seen as illegitimate invasion of Iraq by the US and some of its allies (especially the UK) in 2003. Seeing that the Western countries did not hesitate to bypass even the UN (the one institution through which the Russians could influence US actions, especially thanks to their veto power), as was the case in Iraq, the Russians became convinced that they

must rebuild their country into a formidable great power again to have any kind of respected voice on the world stage (2005: 1189).

At the 2007 Munich Security Conference, Putin gave a landmark speech that is still cited today and that can be seen as the ultimate articulation of the turning point in Russia's approach to the West; meaning, of course, a change in the diplomatic course, too. In the speech, Putin criticised what he saw as arbitrary behaviour by the US and talked about a new world order that ought to be created by 'responsible and independent partners', with Russia's participation (Putin 2007). A clear sign that Russia was not going to play by the Western rules any more, or at least not without objections. The speech was what could be termed the first significant display of Russia's new post-Cold War boldness and fearlessness in articulating its position on the state of world affairs as a whole. It was also a genuine shift as in the first 10 years or so after the breakup of the Soviet Union Russia's diplomatic relations with the West were good rather than bad and improving rather than deteriorating. The 'diplomatic challenge' of Russia for the West can thus be traced back to 2007.

Since then, Russia has been something like a champion of the 'anti-Western' voices that exist across the world. Several leaders have been critical of the US – from Nicaragua's president Daniel Ortega to the Philippines' leader Rodrigo Duterte. This is not to say that they would not be critical of the US anyway, but it certainly always is an encouragement to have a leader with the strength of Putin and Russia 'on your side'. The clear articulation of anti-Western, and especially anti-US positions is something which distinguishes Russia even from China. In practice, the bold Russian approach to diplomacy has manifested on several occasions in the most recent years. Let me briefly summarize the most notable ones.

Since 2014, when the West imposed sanctions on Russia for its annexation of Crimea and involvement in the destabilisation of Eastern Ukraine after the 2013-2014 revolution there, Russia has not bowed to Western pressure. It imposed counter-sanctions against the West and one could argue that this situation has so

far been less damaging for Russia than for the West, particularly because of the internal divisions, especially in Europe, on the question of sanctions (see for example Erlanger and MacFarquhar 2017). In Russia the effect was opposite – the nation has rallied behind its leadership, which is reflected in Putin’s extremely high approval ratings in these last few years.

A second example of the success of Russia’s bold approach in diplomacy is the relationship with Turkey. The downing of the Russian jet in late 2015 did not scare Russia; on the contrary, Russia acted very boldly, banning several imports from Turkey, halting joint projects, forbidding Turkish companies to do business in Russia, and recommending that Russian citizens not travel to Turkey – which they then indeed did not (*The Moscow Times* 2016). As was also already mentioned, Russia’s president Recep Erdogan eventually sent Putin a letter that was understood as an apology, leading to renewal of the severed ties. This is a ‘success story’ for Russian diplomacy because Russia managed to both clearly show its self-confidence (via standard if unpleasant diplomatic means), and at the same time to eventually achieve a recovery of the severed relationship. Had Russia not reacted so strongly, Turkey (and others) could well lose some of their respect for this country. On the other side, had Russia not been open to restoration of its damaged relations with Turkey, it would have unnecessarily lost a strong partner.

Finally, the 2017 deal between Russia and OPEC (also mentioned in the previous chapter) can be seen not only as positive for Russia’s economy (thanks to the oil prices increasing), but also as a major diplomatic accomplishment. Russia and Vladimir Putin personally played a key part in the negotiations, as Putin managed to successfully work as an intermediary between the rivals Iran and Saudi Arabia, and was also the one who, together with Saudi prince Mohammed bin Salman, initiated the talks in September 2016 (Gamal, Hafezi and Zhdannikov 2016). The significance of Russia’s (and also of the OPEC countries’) diplomacy is even clearer when one considers the context in which the agreement was made – these kinds of deals usually do not last due to each party’s incentives to ‘cheat’; however, this time

the agreement, as of April 2018, is holding. Moreover, it has been reported, and Russian and Saudi officials talked about it publicly, that there is a 10-20-year deal in the making that should aim to continue to do what the current deal has been doing for the past year: to stabilize world oil prices, but over a longer term (Raval 2018).

These are some examples of when Russian diplomatic action (or reaction) has proved to work well for the Russian interests. But apart from boldly pursuing diplomacy that is openly about Russia's interests, the country has recently also tried to present itself as the leader in resolving conflicts by serving as the provider for multilateral talks in a style similar to that of the West.

The most important example of this new diplomatic role that Russia has been assuming is in Syria. The US and European efforts to bring to an end the civil war in Syria have proven insufficient and ineffective. Russia 'grab[bed] initiative from U.S.' in late 2016, as Stepan Kravchenko et. al. (2016) wrote. Emulating the style of usually West-led multilateral peace talks (which take place in cities like Geneva or Vienna), Russia, together with Turkey, agreed on establishing a new format, the so-called Astana talks, or Astana format, for peace negotiations regarding Syria. These talks have since become a 'competitor' to the Western-backed negotiations in Geneva held under UN auspices. There have been several rounds since January 2017, with various de-escalating agreements made (including ceasefires and establishment of de-escalation zones). Russia also organized a multilateral Syrian National Dialogue Congress in Sochi, Russia, in January 2018. Although these initiatives have not led to any enduring peace in Syria so far, neither have the Geneva talks. Even if one does not call the current Syrian situation a Russian diplomatic success, it is undeniable that Russia's involvement complicates the West's own diplomatic efforts. In other words, Russia effectively challenges Western dominance via diplomatic means. The Russian success in Syria will ultimately depend on the outcome of the war, which is difficult to predict, but for now at least it is a significant fact that Russia has managed to keep in power Bashar al-Assad fundamentally against the West's wishes.

But Syria is not the only case when Russia has taken diplomatic initiative in an international conflict. Since 2016, Russia has positioned itself and made efforts as a key mediator between Armenia and Azerbaijan in the Nagorno-Karabakh conflict, and is determined to remain in that role. Although the conflict has not been resolved (in fact, it is ongoing with breaks since the late 1980s), talks have at least been held and tensions reduced to a manageable level (Azarnews 2017). The Russians' taking the initiative in this conflict was described by Matthew Bryza (2016) as 'Putin fill[ing] another U.S. leadership void'.

In 2017, when several states broke-off diplomatic ties with Qatar, Russia was careful to express its neutral position and its wishes for a constructive restoration process; Russia's mediation role in this crisis has also been mentioned as potentially beneficial, although the nature of the crisis (which is still ongoing as of April 2018) seems to be making any quick resolution difficult as of now (Sputnik 2017). Most recently, Russia also announced its readiness to act as a mediator between the US and North Korea and has encouraged the two parties to hold talks (Reuters 2017).

A second major component of the Russian diplomatic challenge for the West is the important formal relations that Russia has established, rejuvenated, and cultivated over the recent years. China has been one of Russia's most important partners in the post-Cold War period. The two were close partners already in the first years of the Cold War; then their relations became strained by several disagreements, but were again normalized in 1982, and since then have had an improving tendency. Since 2000 especially, the two started to jointly voice rather anti-Western positions. In 2000, they warned of a new arms race in case of deployment of US missile shields; in 2001, they agreed on defending common interests and boosting mutual trade; in 2004, they resolved the long-standing border dispute they had had for decades; and in 2005, they held the first joint military exercises (Reuters 2008).

Latin America, including the Caribbean, has been pointed to as a region where Russia has also regained some of its appeal and soft-power-like influence. As Mac

Margolis (2017) writes, citing Paulo Velasco, a Brazilian academic, the partnership is of a strategic nature, as 'Brazil and its neighbors don't want to be prisoners of one big partner'. That 'one big partner' without a doubt refers to the US. Moreover, another academic cited by Margolis, Oliver Stuenkel from Sao Paulo, says that 'There's a fascination with Russia because of the way they stood up to the U.S. for so many years', and that this 'plays into the lingering anti-Americanism in the region'. Surely aspects like these can be more important than they seem and contribute to the complication of West's (and particularly America's) position in Latin America, which had not been contested since the end of the Cold War by any foreign power. On top of the generally improved formal ties with the region, Russia's relationship with it has also had a military cooperation and a relatively strong economic cooperation aspect (Fieser 2017).

Another important partner of Russia's is Iran. This relationship, however, is more purely diplomatic. Iran has little to offer Russia economically and vice versa as both countries' exports are mostly oil and gas, so the substance of their cooperation is rather small. But Iran is a strategic partner of Russia in the Middle East, including in Syria, due to Tehran's support of Bashar al-Assad. The two countries' diplomacies coordinate a lot of their behaviour in the region and act as a counterweight to the West and its allies there, mainly Saudi Arabia.

The Eurasian Economic Union also has a significant diplomatic dimension. It has been argued by some analysts that for Russia, the project is not just about economic benefits, but rather that it also embodies the idea of 'Eurasianism', which is important in Russia's conceptualizations of international relations (Putz 2018). There is therefore apparently a significant symbolic, or, one could say, diplomatic, value for Russia in the project of this Union. Also, as Oksana Petrovskaja (2015) noted, for the EEU to be a success, 'it is very important for Russia to preserve its attractiveness and positive image in the eyes of the political and business elite, as well as wide circles of society in the EEU countries'. This means a clearly diplomatic role for Russia within the EEU.

To 'put icing on the cake', at the time of the writing of this paper, in April 2018, it was revealed that the EEU and Iran are to sign a free trade agreement 'within months' (TASS 2018). This only shows how rapidly the very topic of this essay (that is, the actions of Russia and China that go in the direction of building their influence and thus challenging the West's own influence) is developing and confirms that this development is not ceasing.

To sum up, Russia's diplomatic revival came as part of its overall rebirth as a great power. In the last decade, Russia has championed the anti-Western sentiments felt from Latin America to Iran and has forged strong bilateral partnerships. Moreover, it has taken the initiative in resolving international disputes, something which had been virtually a solely Western domain in the post-Cold War years. If one adds to this Russia's successful preventing of Georgia and Ukraine from realizing their pro-Western course (at least for now) by supporting the independence of the pro-Russian Abkhazia and South Ossetia regions in the former and by annexing Crimea from the latter, and also the fact that Russia has managed to get away with this relatively lightly, one can only conclude that Russia's diplomatic moves and initiatives have been posing major challenges to Western primacy in this sphere. The West undoubtedly has an interest in a stable Ukraine and Georgia, which is reflected for instance in the EU's offer and eventual conclusion of Association Agreement with Ukraine, and in the NATO's expressed openness toward a future membership of both Ukraine and Georgia (Baker 2008). This means that Russia has been directly frustrating the West's own interests, or at least options.

CHINA

This paper argues that the Chinese diplomatic challenge to the West is based on a smart approach of minimal confrontation and maximum openness, combined with a strong set of red lines. This is joined by stepped up activities leading to gains in soft power and to greater diplomatic leverage over several nations and regions of the world. Moreover, projects like the Belt and Road also bring in an element of Chinese

diplomatic leadership – a leadership which is actually inevitable shall such a project be successful. Let us explore these aspects one by one, starting with the diplomacy of non-confrontation and openness.

China has maintained a low-profile style of diplomacy for decades – after balancing between the US and the USSR in the Cold War period (sometimes leaning more towards one, sometimes towards the other), it has, unlike Russia, generally held back from any strong positioning as either a ‘pro-Western’ or an ‘anti-Western’ power (see for instance Yafeng 2008). Since the economic reforms started in the late 1970s, the country’s diplomatic focus has been mostly about developing relations with the world, welcoming foreign capital, and promoting itself as open for business pretty much regardless of with whom. This was also logical, as the country’s poverty and relative backwardness, inherited from decades of isolation from the rest of the world, meant China could not compete for influence on global scale. Economic rather than political motives were (and still arguably are) primary in China’s diplomacy.

China’s economy-driven development into a great power seems to have indeed been a consciously thought-out strategy, laid down in official documents. In 2005, the government issued a white paper called *China’s Peaceful Development Road* (China.org.cn 2005). It illustrates clearly the country’s ambitions to become a modern, successful state, but it also tries very much to convey the message that that aim shall be pursued by peaceful means and with peaceful ends in mind. The name of the final, fifth chapter of that paper, ‘Building a Harmonious World of Sustained Peace and Common Prosperity’ is just one example of an apparent effort to present the national vision as a positive one not just for China, but for the whole world (thus presumably also for the West). In fact, the Chinese were apparently so concerned with conveying this message that they deliberately changed the ‘slogan’ to ‘peaceful development’ from the previously used phrase ‘peaceful rise’, as the latter was deemed as ‘sounding too provocative’ and as potentially invoking a sense of threat and direct challenge of others by the developmental process (Buzan 2014).

The 2005 paper was followed by a similar white paper, called *China's Peaceful Development*, in 2011.

Indeed, in virtually all the cases of major political crises in the 21st century, China took the approach of a relatively unbiased observer, relying on broad formal statements, expressing concerns in cases of violent interventions, and calling for peaceful solutions but not really going beyond that. China's positions have not significantly stirred the waters of conflict and have kept China in a position of being a generally peaceful power and, probably more importantly, a power that does not appear to have expansionist global geopolitical ambitions. This approach could be seen in the cases of the Iraq invasion of 2003 (see statements by Permanent Mission of the People's Republic of China to the UN n.d.), Libya in 2011 (China abstained from the decisive UN Resolution 1973), and even North Korea (see for instance Permanent Mission of the People's Republic of China to the UN 2017).

One positive effect of this for China has been that China has largely avoided creating enemies, something which the West, led by the US and its interventions in the Middle East, Africa, or Yugoslavia has definitely not managed to do over the last two decades. The unceasing stressing of peaceful visions and of the desire for peaceful solutions to crises makes it easier to see China as diplomatically constructive and in principle benign. It can be useful for China in that it is more difficult to criticize it. As the West has been much more confrontational than China, in Iraq, Libya, Syria, Ukraine, as well as North Korea, China's positive image as a constructive, peace-propagating power is arguably more intact than the West's.

On the other hand, however, the appearance of Chinese benignity may be rather illusory. Namely, it is not at all certain whether China's emphasis on peaceful means and ends is its genuine worldview and long-term strategy, or whether it serves a much more pragmatic purpose, motivated simply by China's interests.

There are two real-world pieces of evidence showing why China's self-promoted image as a peaceful rising power may be in fact more illusory than it seems. First, China has proved its ability to be just as belligerent, aggressive, and ruthless as any other power. Tibet, Taiwan, as well as domestic opposition to the ruling regime, political and civilian, are all cases where China has pursued a resolute, unyielding, even aggressive policy and diplomacy for many years now – in fact, so much so that it amounts to de facto absence of diplomacy. Secondly, China's presence in South China Sea in the last couple of years has been anything but non-confrontational. Although this sea can be seen as China's 'back yard' (similarly to what the Caribbean is for the US, or the Mediterranean for Europe), China's recent aggression there is unprecedented, at least since the end of the Cold War. Most worryingly, China has been building artificial islands (also mentioned earlier in this paper) with military infrastructure and conducting military manoeuvres in the disputed waters (Seidel 2018). In this case, too, there is a clear insufficiency of diplomacy – there have been diplomatic talks on the issue, but China still acts in decisive ways *without* having resolved the problem diplomatically first.

China arguably pursues this stubborn 'diplomacy' to a large degree because it believes that the clarity of its positions combined with its commitment to maintaining those positions and with its military might will deter anyone from challenging China in any more serious level than the diplomatic. Additionally, the behaviour of China in South China Sea could be a sign of China's awakening confidence about its competence to challenge the West directly. This confidence can in turn result from China's gains in power over the last few decades, and the situation might thus suggest that China tends and further will tend to become more aggressive as it becomes stronger. It is feasible, therefore, that the strategy of minimal confrontation will soon have run its course (or, it could be argued, has already done so), and that it may prove no longer needed for China. Indeed, as Chinese interests and ambitions naturally grow with its growing wealth and global activity, that strategy

may be eventually be impossible to maintain, too, even if China wanted to maintain it.

Moreover, it has been pointed out that China has, albeit just gradually and moderately, deviated a little from the above-described practice of taking neutral stances on most issues of conflict when it shifted its position on Ukraine from an initially neutral one more towards the Russian one (Kuznetsov 2016: 107). It has been argued as well that China has 'learned lessons' from the Libyan intervention and that was the reason why it vetoed the 2012 UN Resolution on Syria (and has done so with several other resolutions concerning Syria). Yun Sun (2012) writes there was a perception in China of 'gaining nothing and losing everything' by having let the UNSC Resolution 1973 go through. Actually, this point also applies to Russia – Russia felt like it was tricked by the West as the eventual intervention went beyond the mandate granted to it by the UNSC Resolution 1973. Sergei Lavrov, the Russian foreign minister, later said that Russia would 'not allow anything like this to happen again' (Allison 2013: 202). Therefore, these are additional reasons to believe that China may tend to be ever more assertive and unyielding to West's designs, even those pursued through UN structures – especially now that the apparently nationalistic leader Xi Jinping has been enabled to stay in power for life (BBC 2018).

In the end, then, one could make the argument that one facet of the Chinese diplomatic challenge for the West is the lack of diplomacy from the Chinese side on certain issues. This relates to the already mentioned traditional issues (Taiwan, Tibet, domestic opposition), as well as to potential future deliberations within the UN and, perhaps most worryingly today, to the South China Sea. The inflexible attitudes of China make it virtually impossible to get China to make any concessions that would be welcome by the West. It is therefore both the strategy of minimal confrontation, but increasingly today also the Chinese ignorance of diplomacy in certain matters, that represents a major challenge of diplomatic nature for the West as it strives to avoid military confrontation and solve the problematic issues by diplomatic means.

Let us move on and consider the second aspect of China's modern diplomatic prowess, namely the issue of soft power and diplomatic leverage. In this regard, Chinese influence has increased considerably, especially in Africa and Latin America – regions where the West has been dominant for centuries – but it threatens to significantly outgrow Western diplomatic leverage in Asia, particularly if China manages to win over their regional partners for the Belt and Road initiative.

In Latin America, reports on growing Chinese influence have mainly pointed to the money that China is bringing to the region. With Western-led international institutions such as the World Bank or the IMF having conditions for lending that are not met by many of the South American countries, China comes in as an alternative lender and investor – and it does not question the local governments' domestic behaviour, which they surely appreciate. Rex Tillerson, the then US Secretary of State, called the Chinese activities in this direction as China's 'pull[ing] the region into its orbit' (Calamur 2018). By any account, Chinese money is becoming a real tool of Chinese diplomacy as it leads to enhanced contacts and relations with the targeted countries. The bad news for the Western world is that China has lots of money, just like it has a lot of willingness to strategically invest it.

In Africa, China also practices the 'money diplomacy', but there is one other element of soft power that is very worth mentioning, and one with which the West probably can do less to counter China than in the area of money. In the case of Russia, it was mentioned that there is a certain sense of admiration, particularly in Latin America, for Russia's fearless, long-standing opposition to the US during the Cold War. With China, a similar, sentiment-based phenomenon appears to exist – namely, sympathy based on common colonial past. The Chinese particularly have started to challenge what they see as biased and unconstructive Western narratives of Africa, and the means to that is, quite naturally, the media. Since 2011, Chinese state media companies have established an English language news channel, CCTV (since renamed to CGTN), based in Nairobi, and they have also launched a print medium called *China Weekly* (Shek 2013).

China has clearly been aware of the shared past under Western colonial powers as a possible diplomatic inroad in Africa (a way to ‘win hearts and minds’, perhaps), as is documented for example in a text by the Ministry of Foreign Affairs of the People’s Republic of China (2004) claiming that ‘Chinese people and the people of Africa have all along given sympathy and support to each other in their struggles against colonialism and for national independence and liberation’ which has led to ‘profound friendship’. Admittedly, this point, namely the potential re-writing of narratives around Africa, and Africa’s preference of China due to its historical experience with the West, is for now more in the sphere of potential than already existing Chinese diplomatic challenges to the West. Also, from the African side I have not found any official or media sources that would suggest Africans explicitly welcome China as an alternative to the ‘Western colonialists’; indeed, Africa seems to be sensitive in this regard, and China will need to be careful not to become perceived as just a new colonizing power, or otherwise the competitive advantage that it currently may well have against the West there would disappear.

For now, China seems to be doing fine – according to a recent poll, 63% of the Africans asked said China has a positive influence on their country, while only 15% claimed the opposite (Morlin-Yron 2016). Considering that West’s dominance in Africa has been going on for some 200 years, while the levels of Chinese engagement there can only be compared to West’s in the last 10 years or so, the potential dangers for the West in this direction are great, although it is hard to say to what extent they will become a reality.

Finally, there is the new challenge of China’s diplomatic leadership, and this is most prominently manifested in The Belt and Road initiative, already discussed in the chapter on economic challenges posed by China to the West. It is indeed primarily a gigantic economic project, as it is about massive investment and massive trade volumes. However, the diplomatic aspect of the project is undeniable and equally important. Justina Crabtree and Cheang Ming (2017) argue that there are significant soft power gains for China in case of success of the project, especially in the other

developing economies of Asia likely to be cooperative in the Chinese initiative. With 65 countries involved in one way or another in the project, China's diplomatic efforts are bound to be stepped up to the maximum, and that alone must be seen as a challenge for the West, a challenge which may mean the West will need to get more diplomatically active itself, shall it retain its strong diplomatic position in Asia.

Also, it has been mentioned that cultural diplomacy is a little debated (except for in China) but much promoted and very real aspect of the Belt and Road initiative. Tim Winter (2016) presents in a fascinating article the possibilities and the already achieved successes connected to what can be called cultural and particularly heritage diplomacy. In particular, China tries to frame the Belt and Road project in conjunction with narratives of continuity from age-old inter-civilizational exchanges and interactions, including people-to-people contacts. Similarly to the situation in Africa described above, it is too soon to say whether these Chinese efforts are dangerous to the Western position in the region today. However, it is clear the potential for cultivation of diplomatic relations is immense for China, and that if it manages to implement even just a half of what it is envisioning, it would amount to major reshuffling in the region along diplomatic lines – it 'could forever reshape regional politics and security', as Winter (2016) writes – and it would not be in a direction strengthening the West's position, but rather the very opposite.

China's diplomatic behaviour and its results could be captured by the phrase 'less is more'. China is clear on what its core interests are (and then simply conducts the relevant policy, without much further discussions), and it remains largely detached from most other events going on in the world, avoiding conflicts and remaining neutral, if not proactively doing constructive diplomatic work. This is a smart strategy as the West today may be diplomatically more active, indeed almost 'hyperactive' (see for instance the endless diplomatic games around Syria, Ukraine, or Turkey's EU membership), but its diplomacy does not seem to be very effective and it actually seems often to complicate the West's own 'life' rather than making it easier, not least by being quite aggressive (and actually less diplomatic) compared to the

Chinese. But, as was argued, China may well find itself losing its carefully created image as a peacefully rising power, be it voluntarily or inevitably, as its interests and especially its ability and willingness to defend those interests grow further into the Asian region and beyond. China must be careful to balance between its assertiveness for example in the question of the South China Sea and its cultivation of good relations with regional partners, as these are indispensable for China's ambitions, not least the Belt and Road Initiative, to be realized. However, if it manages to do this, or if it at least manages to convince others that it offers more than it takes, then China can feasibly supersede the West as the diplomatic leader in large parts of the world. Plus, the West still struggles to effectively change China's firm stance on older issues such as the question of Taiwanese or Tibetan independence – these thus pose additional diplomatic challenges.

The Diplomatic Challenge – Conclusion

This chapter has shown that there is much evidence clearly proving some major developments and trends on the diplomatic front – both Russia and China have shown their capacity and willingness for diplomatic leadership (for instance by its mediating role in conflicts in the case of Russia, and the Belt and Road initiative in the case of China). Both countries are also diplomatically engaged building partnerships around the world, be it in Latin America, Africa, or the Middle East, more than ever in the post-Cold War period. Together with their undeniable tendency and increasing resolve to assert themselves and thus to act counter to the West's own diplomatic efforts and strategic goals (such as has been the case in Syria or in the South China Sea), the diplomatic facet of the Russian and Chinese challenge to the West is no less significant and developing in no less worrying directions than the military or economic areas of that challenge.

VI. Solutions for the West

Having examined in the preceding chapters the West's internal troubles and the three areas in which Russia's and China have and will continue to challenge the West and the world order, what are the options that the West has to retain its global leadership? This last chapter briefly discusses some of the most notable measures that have already been taken to address the Russian and Chinese challenge, and also suggests some further solutions.

As regards Russia, major responses to the effects of its increasing influence have followed since the Ukrainian crisis – which is logical as before then Russia had not really seriously challenged the post-Cold War order, in Europe or elsewhere. On the official policy level, economic sanctions have been imposed on Russia, as well as on some of its companies and individuals. The sanctions policy has been pursued for several years now and it is not unlikely that it will be further expanded in the future.

But the sanctions against Russia have so far proved to be a flawed strategy. Their effects have been close to zero, as for example Darko Janjevic (2018) explains. Thus, their economic impact on Russia has been far too small to incite domestic pressure on the leadership to change its behaviour. Combined with national pride, this has meant that Russia has not changed its behaviour. The sanctions could be seen at best as a signal from Western countries that the West is united in that it does not accept the kind of aggressive behaviour that Russia has shown in Ukraine. However, even this is problematic. As mentioned in the previous chapter, the sanctions have been causing internal divisions and tensions within the EU, with several countries as well as business elites regularly calling for their withdrawal or expressing reluctance against their further deepening.

What is more, sanctions are not only inefficient, they also make Russia even more alienated from and hostile towards the West. As was mentioned in this paper, Russia was initially very 'pro-Western' after the breakup of the USSR. If it acts in

ways that the West deems unacceptable, it is, from Russia's view, only in reaction to the West's own actions (like the expansion of NATO). Therefore, it is unlikely that a punitive policy toward Russia (that is ineffective itself) could yield any results but further deterioration of the relations and increased animosity – and thereby increased challenging of the West and the world order by Russia. The Russian efforts toward increased self-sufficiency, or those toward having ever-closer relations with China, are just two examples of how this deterioration of relations can manifest itself in practice.

The increased NATO presence that has been going on in Russia's proximity (especially in Poland or the Baltic states) since the Ukraine crisis is similar to the sanctions – the value of these actions is more symbolic than practical, and it can, logically, only exacerbate the divisions in opinion on Russia within the West. This is not to mention that it further perpetuates deterioration of relations with Russia. In effect, it could work as a self-fulfilling prophecy, where the West brings on itself ever more danger from Russia precisely by taking measures that are supposed to diminish that danger. Surely it should be made clear that some of Russia's actions, especially the annexation of Crimea, cannot be accepted. But overall, the West would be wiser to try to at least keep Russia as a neutral neighbour, especially in light of Europe's strong links and close proximity to this country. Of course, if the West will want to continue to play the 'blame game', it is impossible to improve relations with Russia (and thus it is impossible to diminish the security risks coming from Russia), because the argument that NATO's moves are a reaction to Russia's invasion of Ukraine is indeed valid. It may be, therefore, a choice between what is 'truer' and what is pragmatically more useful from the West's point of view.

With China, the West seems to have realized that its vision of China's place in the world is not compatible with China's own development and plans, especially when it comes to international politics. Kurt Campbell and Ely Ratner (2018) describe in detail this divergence between Western ideas about China and the actual reality and call for 'doing away with the hopeful thinking that has long characterized the

United States' approach to China.' With the arrival of Trump in the White House, such a shift in strategy indeed seems to have been taking place. To date, this has been most visibly reflected in new, restrictive trade and economic policies.

Most recently, headlines were made by the news that a planned 117-billion USD deal to take over the American telecommunications equipment giant Qualcomm by the Chinese Broadcom was blocked by the US government due to national security concerns. This was just the latest of several similar deals that Donald Trump's government has prevented since taking office in 2017 (McLaughlin 2018).

Re-assessment of the up until now very liberal stance on Chinese acquisitions of domestic firms has been lately getting traction in Europe, too (see for instance analysis by Shearman & Sterling 2017); a clear sign that Europe is feeling the Chinese economic weight and is acknowledging it at the highest levels as increasingly threatening. Like in the US, efforts to control the amount and nature of Chinese investments are thus growing stronger, and are likely to continue to do so.

The blocking of sales of huge companies of potential strategic importance is, in the opinion of the author of this paper, a sensible policy – a domestic owner is always easier to deal with than an overseas one, and it means the intellectual property, including key technological know-how, remains 'at home'.

Throughout 2017 and 2018, news about new tariffs as well as potential further tariffs has also become a regular occurrence, triggering talk of a potential trade war. Tariff policies need more time to be assessed as either successful or unsuccessful. However, as Milton Ezrati (2018) argues, in case of a trade war, the US is likely to have the upper hand. Joseph Nye (2011) writes with a similar point – the US and China are heavily economically interdependent, but in case of an economic fallout between them, China could bring the US to its knees, but by doing so 'would bring itself to its ankles'.

When it comes to military reactions to China's new expansionism, particularly in the South China Sea, the US has been strengthening its presence in the region recently, and Europe, particularly the French and the British, are joining their ally in 2018 by sending ships to demonstrate their opposition to the territorial claims Beijing makes in the region (Sputnik 2018). This is reminiscent of the NATO moves in Eastern Europe, although it is a completely distinct situation. Still, the efficacy of such moves is doubtful, causing diplomatic escalation. The ultimate message behind such moves inevitably is that there is a readiness to fight – an outcome that should be prevented whenever possible. On the other hand, the moving of military assets to the region may be a relevant signal to send to China and perhaps the effect will be that China decides to back away from at least some of its claims in the South China Sea. In that case, the strategy would have to be deemed a success.

If the Western response to (and acknowledgment of) the Russian and Chinese challenges should be summarized in one piece of evidence only, that piece of evidence is the 2018 US National Security Strategy. In it, Russia and China clearly dominate the agenda, being explicitly singled out as the two greatest sources of threats to US national security, replacing terrorism in this role. They are identified as aggressive powers that are threatening to the US, its allies, and the international order (U.S. Department of Defense 2018).

Apart from the strategic policies already taken or launched, described above, this thesis wants to suggest and stress three points that are essential for the West's successful tackling of the challenges posed by Russia and China. The first and most important point is the preservation and possibly further strengthening of the transatlantic relationship. This is vital as it basically equals the preservation of the West as an albeit loose, yet still somehow existent entity. It is the kind of relationship where, when push comes to shove, the two sides will always stand together. And it is that kind of a relationship that is much needed today and will be needed in the near future because the security environment, as this thesis has demonstrated, is indeed increasingly dangerous; those with strong partners have an enormous

advantage. The key to having such a relationship lies in awareness about these facts and of course in strong political and diplomatic ties, including cooperation within organizations such as NATO.

Secondly, it will be vital for Europe to be as united as possible. The more the Europeans are pre-occupied with their internal problems (such as is the case for example because of Brexit or the situation in Catalonia today), the less they can actively participate externally and help shape the world according to Western values and interests. Internal weakness and external strength can hardly go together. The consolidation of the EU, and Europe as such, is something where practical policy must be combined with an ‘emotional’ side. The French President, Emmanuel Macron, has come the closest to what is meant by this idea by expressing the belief that Europe needs a sense of a ‘common goal, common imagination’, as people ‘are motivated because of a big narrative’. As he also said, ‘No one falls in love with the single market, the financial market, labour reforms or budget perspective’ (Williamson 2017). It is the idea of a great narrative about that has arguably been a key to power for Vladimir Putin as well as the Chinese establishment, and of course Donald Trump (showing perhaps a shift in the West that has started in the US and may continue in Europe, too). Having a ‘grand narrative’ also does not mean giving up practical policy making; it may simply be something that is necessary to rally a nation (or, in the case of Europe, nations) together – and the so-called establishment politicians would be wise to do this before the destructive radicals, left and right, come into power with their own interpretations and solutions.

Finally, the USA needs to also preserve social order at home, and the elites (not just political, but also intellectual and cultural) should play their part in leading the population in such a way that the people can put the good of the nation as a whole above any intra-national rivalries. Donald Trump, in other words, should not be regarded by any American as a bigger ‘enemy’ than China or Russia.

If Europe and the US can maintain their internal stability and their mutual close relations, then the West's chances of preserving the current world order are real. A stable situation at home would enable a stronger focus outward, with a concentrated and resilient effort to solidify and further shape the world according to the West's worldview and values – a worldview and values that have created the open world as we know it today. Forging new alliances could then be a critical mission for the West. One such alliance, particularly serving to counterbalance China in Asia, could be with India. A movement in this direction seems to be on some Western leaders' minds already. In 2017, the EU committed to strengthen trade and security cooperation with India, while the UK, it has been reported, plans to make India its number one priority in its post-Brexit future (Grobe 2017).

VII. The Possible One-Sidedness of this Paper

Some could argue that this paper is way too one-sided in that it only offers the 'negative' side of the situation from the Western point of view. It could be said that Russia's and China's capacities and capabilities are overly emphasized, while the West's are downplayed or ignored.

To a large extent, such criticism would be valid. However, the author of this paper wants to make clear that what could be called 'one-sidedness' is actually the point of this whole paper. Of course, the West is still more powerful than any country, and the combined North American and European economies and militaries are superior to both Russia and China, and even to those of Russia and China combined. Also, the world order as it was established by Western powers after the Second World War and then globally spread after the Cold War is still the major framework within which global politics takes place. Moreover, China and Russia do have their own domestic problems and challenges, be it demographic, economic, or others.

However, the evidence that the West's share of power in the world has been receding is undeniable, and the trend has been long and serious enough so that this paper was conceived to give the reasons why the West *should* worry. Although optimism is always more pleasant, the author of this essay believes that the developments over especially the last decade and the predictions for the future should incite the West's openness and striving to find new solutions and directions in light of the presented challenges, and not encourage 'living from the past' and pointing to facts that may be in the West's favour today but that may not be so in the near future.

VIII. Conclusion

The challenge posed to the West by Russia and China described in this thesis is not an old threat; it is a new threat. It may be seen as similar to the Cold War, but the circumstances are significantly different. We live in a multipolar world (as opposed to a bi-polar), and ideology plays a far less prominent role in the great power struggle, while international territorial disputes and the domestic political situations within the great powers are becoming essential again. Still, it could be said that the situation is not worse than was the Cold War. But for the millennial generation (those born since approximately 1985), the current great power struggle means that this generation may well be headed for its first experiences with what can be called the darker realities of politics, particularly of international politics, where propaganda and fear-mongering become part of daily life.

To downplay the potential of Russia and China as serious threats, for example by pointing at the fact that Russia is weaker than was the Soviet Union or at China's economic growth slowing down to 'just' 7%, will not do – especially not in light of the West's own problems, described in the first chapter of this thesis. It can only be argued by those who *want to* see such implications; it is wishful thinking. Macro trends, rather than specific or short-term deviations or even some current realities, are what have a better chance of being predictors of the future. And from what can be seen in the overall post-Cold War trends and in current developments, the reality is that both China and Russia have rapidly developed into full-fledged global players. In military, economic, as well as diplomatic terms, they do and most likely will still increasingly pose major challenges to the Western-dominated world order created after 1945. That is the conclusion from the examination of the facts and figures presented in this work.

This does not necessarily mean, however, that Western pre-eminence in the shaping of world order will come to an end. As the last chapter of this thesis tried to show, some promising steps have already started to be taken, and if certain

conditions are met – particularly that of preserved internal stability and unity – the West can remain dominant.

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