

# EURÁZSIA

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Volume IV Issue 1



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# INTRODUCTION

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## EDITOR'S FOREWORD

The main focus of this year's first issue of *Eurázsia Szemle* is on East Asia, a region that has been at the centre of academic interest for decades with its economic dynamism, world-leading innovation capabilities, cultural diversity and uniquely complex geopolitical situations. East Asia is one of the hubs of our interconnected world, and events happening there can have global implications – therefore, the importance of multidisciplinary research regarding the region cannot be overstressed.

Several of the world's leading economies are located in the East Asian region. China is the second-largest economy in the world, and South Korea, also an economic powerhouse, currently ranks as the fourteenth-largest. These countries are integral actors on the world stage, influencing economic policies, technological advances and cultural trends worldwide. Both are at the forefront of the ongoing technological revolution, and a significant portion of the technologies that will shape our future will originate from here. For us Hungarians, it is particularly significant that in recent years, either China or South Korea has brought the most direct foreign investment into our country, and cumulatively, these nations are gradually growing to match traditional investors like Germany. Moreover, these investments occur in industries which, being related to e-mobility, will be pivotal in the next decades.

East Asia is important not only for its economy and technology but also for its enormous cultural and religious reverberations across the globe. Countries here represent high civilisations of several millennia; their traditions continue to live and flourish, attracting more and more academic and public acknowledgement worldwide. They have given much to the world not only in modern popular culture including generation-shaping impacts through their music, arts, gastronomy and fashion, but also in traditional culture. With the development of the times, the formation of norms and values in East Asian countries has received new connotations and has had a profound and complex influence on the local people and the ways they perceive and connect to the world.

As the region is at the forefront of change in corporate governance, trade, sustainability and digitalisation, the world's political-economic centre of gravity is also increasingly shifting here. The region provides the scene for both integration and serious strategic competition, and several of the world's most dangerous geopolitical tensions can be found here. China's growing economic weight is transforming relationships in the region by itself, forcing not only the countries of the region but all actors in the international arena, including the Association of Southeast Asian Nations and the European Union, to rethink their positions and adapt their policy-making. Before our very eyes, China's development is leading to the end of the "unipolar moment". What the new world order that will take its place will look like, we cannot yet know, but it is certain that China will play a major role in it, and that it will not be easy for the other Eurasian states to find their proper status and place.

As the interests of the great powers directly collide, the geopolitical tensions in Eurasia are heightened, adding new elements and layers to the multifaceted nature of political and business risks. The fact that China, Russia and the United States are engaged in fierce strategic and geopolitical competition in the subregions of the continent is essential to keep in mind when we interpret the daily news in domestic and international politics or reports about national and global economy and advances in technology. Local territorial conflicts such as those in the East China and South China Seas are interspersed by great power competition, whilst similarly serious are the state-level tensions caused by the ongoing war in Ukraine.

In addition to its geopolitical tensions and conflicts, the region faces many additional problems. The populations of all the countries in the region are declining and aging, and it is questionable whether technological breakthroughs, the use of robots and advances in artificial intelligence can offset the lost labour force, and whether the region in demographic crisis can maintain its economic dynamism. Modernisation has come with a serious environmental burden; there are still unresolved problems in the region today, such as dependence on nonrenewable energy resources and non-sustainable business practices. These challenges have global effects, as do the attempts at solutions originating from East Asia. For example, while China is the world's largest emitter of carbon dioxide, it is also a world leader in solar panel and wind turbine manufacturing, new energy transportation, and a range of new green technologies. Major challenges are posed by urbanisation and its accompanying phenomena such as often-unaffordable real estate prices; other concerns include growing social inequalities, the alienation and the disintegration of traditional social networks that comes with modernisation, the mismatch between education systems and employer expectations, the unpredictable effects of disruptive technologies, and issues in the labour market and healthcare system. These problems also have and will continue to have global impacts due to the strategic significance and weight of the countries in question.

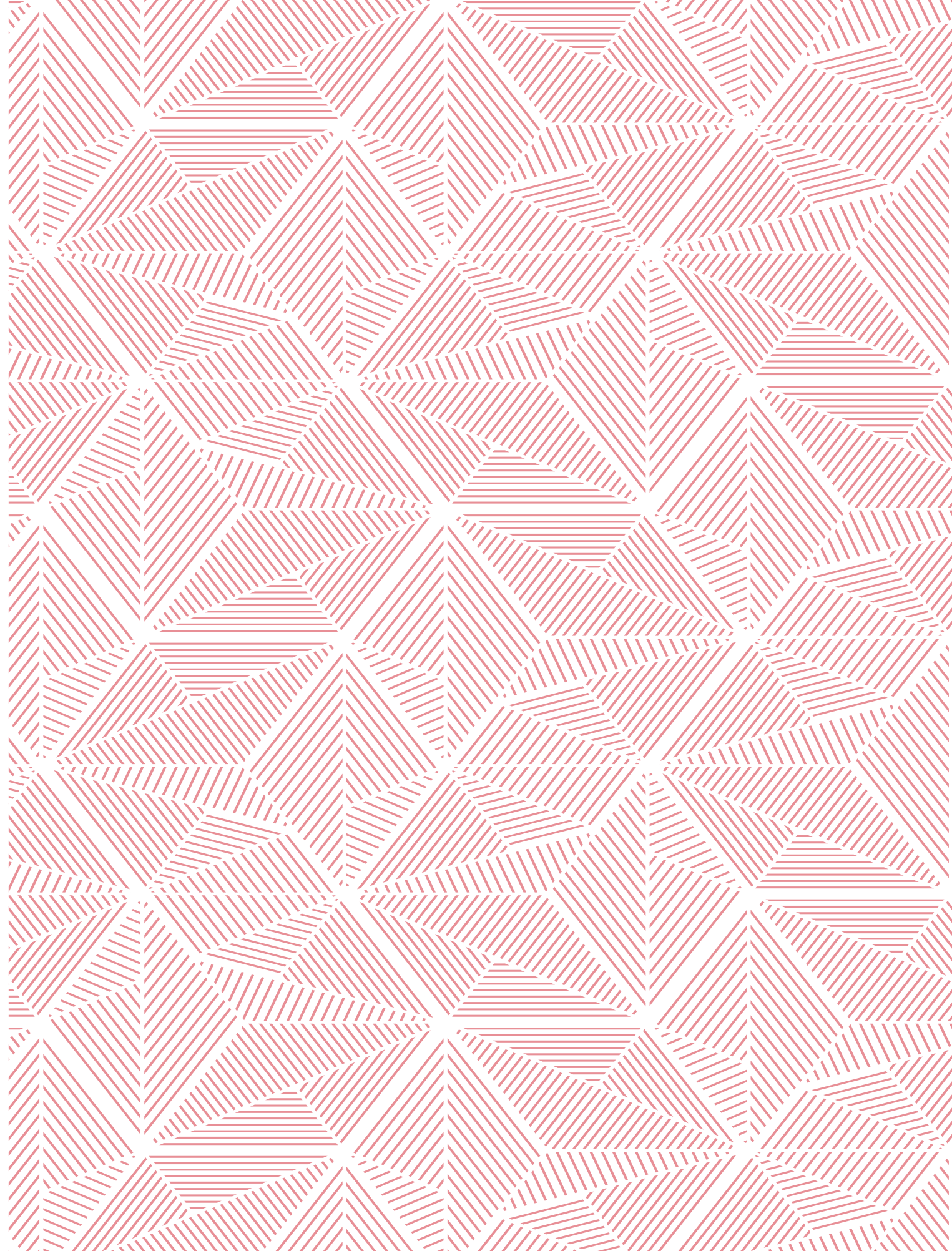
In this issue of *Eurázsia Szemle*, the articles explore developments in this diverse and important continent. The study of contemporary Eurasia and its subregions, as reflected in our Columns, is not just an academic pursuit but a necessary endeavour to grasp the nuances of the regions that are integral in shaping the future of our global economy and society. Throughout this issue, we aim to provide our readers with comprehensive analyses and insights that reflect the complexity and importance of these dynamic regions. As intended by the Editorial Board, the journal is aimed at providing appropriate and up-to-date information and insight into the unfolding advancement and evolution of Eurasia.

We invite our readers to engage deeply with the articles and book reviews presented here, which are penned by well-known scholars in their respective fields. Their research not only informs us but also challenges us to think critically about the transformations occurring in Eurasia and their global implications.

*Gergely Salát, PhD habil.*  
Deputy Editor-in-Chief



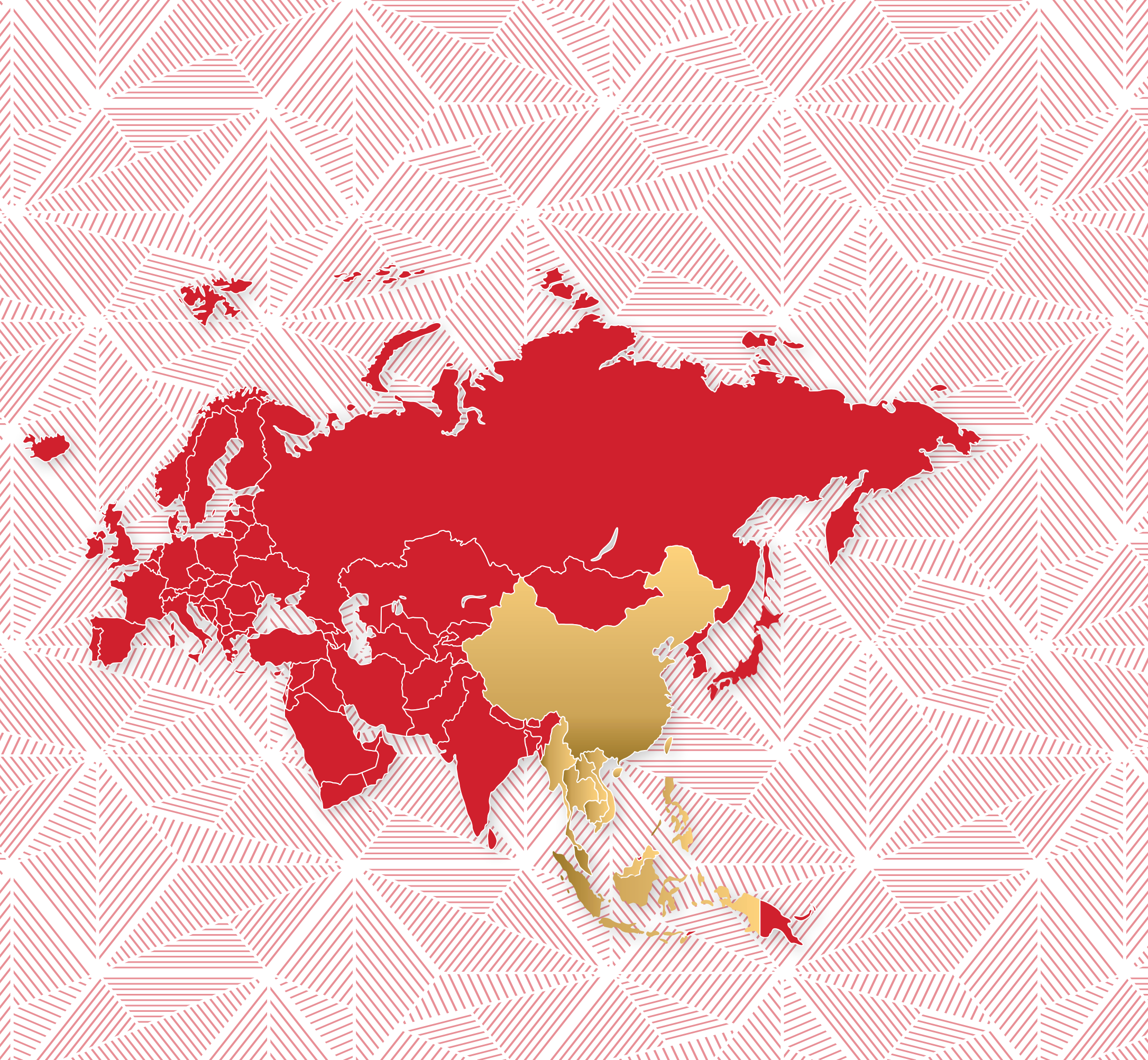
**I**  
**EAST ASIA**  
**COLUMN**



GYÖRGY IVÁN  
NESZMÉLYI

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The Development and Challenges  
of the ASEAN-China Partnership





# THE DEVELOPMENT AND CHALLENGES OF THE ASEAN-CHINA PARTNERSHIP

GYÖRGY IVÁN NESZMÉLYI<sup>1</sup>

## Abstract

China is already the most important trade partner of the Association of Southeast Asian Nations (ASEAN), while – together – the countries of Southeast Asia represent the most important market for China. China is also an important investor in Southeast Asia, not least during the implementation of the Belt and Road Initiative (BRI) announced by President Xi Jinping in 2013, in which Southeast Asian countries play an important role. In addition to the dynamically expanding economic and trade relations between China and ASEAN, this study also gives a brief picture of the factors that from time to time overshadow their relations, namely the situation of the Chinese diaspora living in Southeast Asian countries, as well as the disputes related to control of the South China Sea, which presents an important security challenge to the greater Asia-Pacific region.

**Keywords:** Southeast Asia, ASEAN, China, trade, Belt and Road

## 1. Introduction

The relationship between China and the nations of Southeast Asia goes back centuries. The deep-rooted cultural and economic intertwining extends not only to the “mainland” countries, but also to the peoples and countries of the Southeast Asian archipelago. From the beginning of the 1990s, the partnership between China and the Association of Southeast Asian Nations (ASEAN) – as well as the framework of political dialogue and economic cooperation covering the wider region – complements this system of relations, which is still contradictory in many of its elements.

China is already the most important trade partner of the ASEAN region, while – together – the countries of Southeast Asia represent the most important market for China. China is also an important investor in Southeast Asia, not least during the implementation of the Belt and Road Initiative (BRI) announced by President Xi Jinping in 2013, in which Southeast Asian countries are given an important role. In addition to the dynamically expanding economic and commercial cooperation, however, from time to time relations are overshadowed by the situation of the Chinese diaspora living in Southeast Asian countries, as well as by disputes over control of the South China Sea, the latter also presenting an important security challenge to the wider Asia-Pacific region.

In geopolitical terms, ASEAN countries balance between the great powers, above all the United States of America and China, and they strive to avoid unilateral commitment and to fulfil the role of a bridge. ASEAN needs to maintain its relevance by repositioning itself between the great powers as a bridge and a geopolitical buffer. An ASEAN-centric buffer also serves the interests of America and China, the region being particularly significant in a geostrategic sense to both countries, which enhances its importance (Luo, 2021). Southeast Asia plays a central role in China’s BRI, and it is also crucial to America’s Indo-Pacific Strategy (Klemensits, 2021). In consequence, it is in the interest of the ASEAN region to maintain good relations with both great powers, to preserve the political balance of power, and to stimulate economic relations in both directions. ASEAN states are not interested in trade wars between China and the USA, or even in the escalation of the tensions along the Taiwan Strait that intensify from time to time. All ten ASEAN countries follow the “one China” principle, and although they also maintain significant trade relations with Taiwan, since the early 2000s the extent of those relations has been significantly lower than the volume of trade and investment relations with the PRC (Neszmélyi, 2020). Although from political and partly from military points of view, the role of the USA is dominant in the region, from an economic point of view, the relationship with China is becoming more and more significant.

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## 2. Relations between ASEAN and China – the Institutional System of Political Dialogue and Economic Cooperation

Older names for Southeast Asia – “Back India” or “Indochina” (used for a narrower area of the region) – refer to the fact that this region, which currently includes ten countries, has for centuries, if not millennia, been closely connected by countless threads to Asia’s two most populous countries: India and China. However, an in-depth analysis of the above would exceed the scope of this study, so the author primarily wishes to summarise the characteristics of the last few decades, building on the ASEAN cooperation. The Association of Southeast Asian Nations was established in 1967 by five countries (Thailand, Malaysia, Singapore, Indonesia and the Philippines) and it was later enlarged by five additional members (Brunei, Myanmar, Cambodia, Laos and Vietnam). The 10-member ASEAN, together with candidate East Timor and observer Papua New Guinea, is actually a forum for political dialogue and economic, social and cultural cooperation between 12 countries. ASEAN is an intergovernmental organisation where decisions are based on the consensus of all of its members. It is not – nor was it ever intended to be – a supranational entity acting independently of its members. In the past, Southeast Asia as a term was a purely geographical definition, not a political one. As a political concept, it only spread after the Second World War, since there had never been a power (political, military, economic or cultural-religious) that would have dominated the region as a whole according to today’s interpretation (Sipos, 2022).

**Table 1: GDP growth rates in ASEAN and its member states, 2019–2023 (%)**

	2019	2020	2021	2022	2023
ASEAN	4.7	-3.2	2.9	4.9	5.2
Brunei Darussalam	3.9	1.1	-1.5	4.2	3.6
Cambodia	7.1	-3.1	3.0	5.3	6.5
Indonesia	5.0	-2.1	3.7	5.0	5.2
Lao People’s Democratic Republic	4.7	-0.5	2.3	3.4	3.7
Malaysia	4.4	-5.6	3.1	6.0	5.4
Myanmar	6.8	3.2	-18.4	-0.3	2.6
Philippines	6.1	-9.6	5.6	6.0	6.3
Singapore	1.1	-4.1	7.6	4.3	3.2
Thailand	2.2	-6.2	1.6	3.0	4.5
Timor-Leste	2.1	-8.6	1.8	2.5	3.1
Vietnam	7.0	2.9	2.6	6.5	6.7

Source: Asian Development Bank (2022)

Today, ASEAN represents one of the world’s most dynamically developing regions due to its economic growth indicators (see Table 1) and its rapidly growing population of nearly 700 million people (see Table 2). It is also one of the world’s most attractive markets and investment target regions.

**Table 2: Demographic growth and forecast for ASEAN and its members, 2015–2050 (population in millions)**

	2015	2020	2030	2050
ASEAN	632	665	721	785
Brunei Darussalam	0.43	0.45	0.50	0.55
Cambodia	16	17	19	23
Indonesia	256	269	293	321
Lao People’s Democratic Republic	7.02	7.65	8.81	10.6
Malaysia	31	33	37	42
Myanmar	54	56	59	59
Philippines	102	110	128	157
Singapore	5.62	6.05	6.58	7.06
Thailand	67	68	68	62
Vietnam	93	97	102	104

Source: ASEAN UP (2018), based on UN Urbanization Prospects: The 2014 Revision

### 2.1. The Political Dialogue and its Forums

The direct dialogue between ASEAN and the PRC, which follows the path of economic reforms marked by the name of Deng Xiaoping, began in 1991. It needs to be recalled that China’s reform and open-door policy began with the adoption of a new economic development strategy at the Third Plenary Session of the 11th Central Committee of the Chinese Communist Party (CCPCC) in late 1978. In July 1991, Chinese Foreign Minister Qian Qichen attended the ASEAN Foreign Ministers’ Meeting as a guest of the Malaysian government. China later received the status of a so-called dialogue partner (at the 29th annual ministerial meeting in July 1996). In 2003, China and ASEAN signed the Joint Declaration on Strategic Partnership for Peace and Prosperity, heralding the beginning of a prosperous and solid relationship between Asia’s emerging superpower and the regional power bloc (Kee, 2019; Overview of ASEAN–China Comprehensive Strategic Partnership, 2023).

Based on the logic of an interdependent, globalised world, China advocates the creation of a political (and economic) environment in which it can cooperate with like-minded partner states while helping the formation of a multipolar world order that is dominated by regional powers but

not fundamentally restructured (Vörös, 2022). The ASEAN countries fit well into this pragmatic framework of thinking based on common interests and not common values. After all, the state institutions and political systems of the ASEAN countries differ significantly not only from those of China, but also from one another, despite which, the cooperation of the ten states can be said to be successful. There are several fields in which cooperation has brought about the most significant results, such as the cooperations in politics and security, the economy, and the social and cultural spheres. Since they were adopted by the 2003 Declaration of ASEAN Concord II (Bali Concord II), these fields have been represented in the three main pillars of the ASEAN Community, namely the ASEAN Political-Security Community (APSC), the ASEAN Economic Community (AEC) and the ASEAN Socio-Cultural Community (ASCC) (Chiam, 2009). In addition to the direct, bilateral framework of the dialogue between ASEAN and China, the East and Southeast Asian regions are included in numerous international cooperation organisations, which are also part of the dialogue on political, partly economic, but above all security issues. These, following a concentric-circles pattern, are APT, EAS and ARF.

ASEAN Plus Three (ASEAN+3/APT) is comprised of ASEAN plus China, Japan and the Republic of Korea. The APT cooperation process began in December 1997 with an informal summit between the leaders of ASEAN and the other three nations on the sidelines of the 2nd ASEAN Informal Summit in Kuala Lumpur. The partnership was formalised in 1999, when leaders issued a Joint Declaration on East Asian Cooperation at the 3rd APT Summit in Manila. The Joint Declaration defined the main goals, principles and further directions of APT cooperation for the first time. In their statement, APT leaders resolved to strengthen and deepen East Asian cooperation at various levels and in multiple fields, especially in the economic, social and political spheres (APT, 2023).

The East Asia Summit (EAS) comprises ASEAN Plus Three plus Australia, India, New Zealand, Russia and the USA. EAS was launched in 2005 with the convening of the 1st East Asia Summit in Kuala Lumpur. At its inception, the East Asia Summit included 16 participating states: the ASEAN-10, Australia, China, India, Japan, New Zealand and the Republic of Korea. The United States and the Russian Federation joined at the 6th East Asia Summit in Bali in 2011. The East Asia Summit has identified six priority areas of cooperation: environment, energy, education, finance, global health issues and pandemic diseases, and natural disaster management, as well as the ASEAN Connectivity 2025 project. Plans of Action have been developed to promote cooperation in these priority areas. The East Asia Summit also conferred on cooperation in other areas and discussed emerging issues such as food security, trade and economics, maritime security and cooperation, and traditional and non-traditional security issues (EAS, 2023).

The ASEAN Regional Forum (ARF) is comprised of the East Asia Summit plus Bangladesh, Canada, Mongolia, the Democratic People's Republic of Korea, Pakistan and Sri Lanka. It was created following the agreement of the participants of the 26th ASEAN Ministerial Meeting and Post-Ministerial Conference, which took place in Singapore on 23-25 July 1993, and its inaugural meeting was held in Bangkok on 25 July 1994. The goals of the Forum were declared in 1994 in the First ARF Chairman's Statement; in addition to fostering constructive dialogue and consultation

on political and security issues of common interest and concern, they include making efforts towards confidence-building and preventive diplomacy in the Asia-Pacific region. In 1994, the 27th ASEAN Ministerial Meeting declared that 'The ARF could become an effective consultative Asia-Pacific Forum for promoting open dialogue on political and security cooperation in the region. In this context, ASEAN should work with its ARF partners to bring about a more predictable and constructive pattern of relations in the Asia Pacific' (ARF, 2023).

In the broad thematic and institutional sphere, many issues could be put on the dialogue's agenda, such as the security policy situation of the wider region – especially the tensions affecting the Korean peninsula – and new types of security challenges. At the same time, the parties continue to try to resolve on a bilateral level those sensitive issues in which there is a significant difference of opinion between China and the individual ASEAN countries. An example of such an issue is the settlement of disputes related to the South China Sea, in which ASEAN is currently characterised by division (Chap, 2023).

## 2.2. The Characteristics of Economic Cooperation between ASEAN and China

Due to its spectacular economic growth and large population, the ASEAN region is a promising market for traders and investors worldwide. This is especially so in the case of China, where the position of Chinese companies is generally strong – on the one hand, due to geographical proximity, and on the other hand, due to the aforementioned historical and cultural roots and links. Entering ASEAN markets also meets many of the core needs of Chinese firms: to enter fast-growing new markets, diversify the scope of their businesses and establish international bridgeheads. Additionally, BRI-driven forays into the ASEAN market have the potential to make these companies more competitive internationally, to boost regional connectivity and to create new trade and infrastructure networks. Thanks to all of these things, trade turnover and Chinese investments in the region have both grown rapidly in recent years. It is known that, in order to maintain its economic performance, China is turning increasingly to the import of certain raw materials and to energy carriers. Some of the latter are available in the relatively nearby ASEAN countries, which are interested in acquiring advanced technologies from China, as well as in importing electronics and machinery. Although China has already become ASEAN's number one supplier (and the reverse is also true), the exchange of goods is "one-sided" – in the sense that China's exports to the ASEAN countries contain significantly more added value than Chinese imports from ASEAN (Tan, 2023). Rapid growth in exports and FDI inflows between ASEAN countries and China have thrived based on the horizontal division of labour in manufactured goods and complementarity in resource-based products. Nevertheless, China's economy is incomparably larger than that of the ASEAN countries combined. In 2021, ASEAN's combined GDP at market rates was USD 3.3 trillion (ASEAN Statistical Highlights, 2022), which is roughly comparable to the economic performance of the United Kingdom's USD 3.14 trillion (World Bank, 2023), but by no means in the same weight category as China with its GDP value of 17.96 trillion (World Bank, 2023).



In addition, it is a widely known fact that the ASEAN countries are extremely different in terms of economic development, population and wealth of natural resources. To continue the previous analysis, in general it can be stated that the economic performance of ASEAN's five founding member countries is the highest, especially that of Indonesia (with a GDP of USD 1,022.5 billion, which makes up almost a third of the Association's total amount – Charting Database, 2019). The members who joined later – including the extremely dynamically developing Vietnam and also Brunei, which is outstanding in terms of GDP per capita – come only after the five founding members (ibid., 2019). Therefore, despite the evidently favourable developments in economic relations, the considerable gap in terms of economic performance between the founding five members and the rest must still be taken into account.

The Framework Agreement on Comprehensive Economic Cooperation for the establishment of the ASEAN–China Free Trade Agreement (ACFTA) was signed in November 2002, and it can be called an important historical precedent from the point of view of the economic and commercial relations between ASEAN and the PRC. ACFTA was implemented on 1 January 2010 and it took full effect on 1 January 2015. Based on the agreement affecting more than 2 billion people, about 90% of the ASEAN countries' exports to China became free of tariffs (Kee, 2019).

China has been ASEAN's top trading partner since 2009. The importance of ASEAN to China has also been increasing, especially in view of the prolonged US–Chinese trade tensions. China–ASEAN economic cooperation is expected to be further boosted as China seeks new markets to reduce its reliance on the United States. In view of the geographical proximity, ASEAN is likely to benefit tremendously from China's consumption growth (Kee, 2019).

Trade between ASEAN and China has more than doubled since 2010 – from USD 235.5 billion to 507.9 billion in 2019 (18% of ASEAN's total) – and it has almost quadrupled since the ASEAN–China Trade in Goods Agreement came into force in 2005. From 2010 to 2019, ASEAN's exports to China grew at an average annual rate of 10.4%, compared to 12.5% for ASEAN's imports from China during the same period. Between 2010 and 2019, ASEAN's trade deficit with China increased from USD 10.4 billion to 102.9 billion. In 2019, before the onset of the Covid pandemic, FDI flows from China to ASEAN reached USD 9.1 billion and China became the fourth largest source of FDI among ASEAN's Dialogue Partners (ASEAN–China Economic Relations, 2020).

The broad range of cooperation between ASEAN and China is characterised by the following milestones:

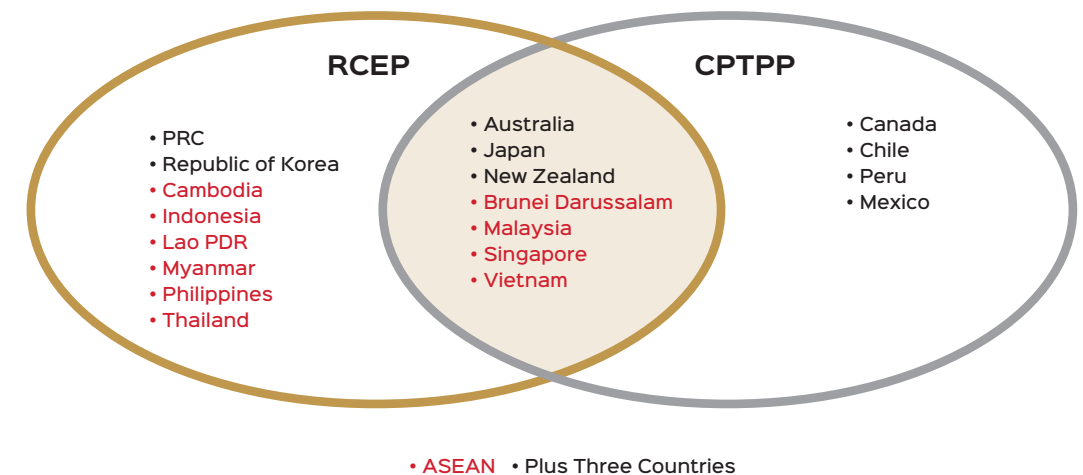
- ASEAN and China have agreed to synergise common priorities in MPAC 2025, the Master Plan on ASEAN Connectivity, and China's BRI.
- 2018 was designated as the ASEAN–Chinese Year of Innovation to explore and enhance cooperation in new areas under Industry 4.0, the fourth industrial revolution.
- 2020 was designated as the Year of Digital Economy Cooperation, and the Initiative on Building ASEAN–China Partnership on Digital Economy.

- As far back as 1997, the ASEAN–China Cooperation Fund (ACCF) was launched to support the implementation of joint projects. Since 2019, China has increased its annual contribution to the ACCF to USD 10 million (ASEAN Secretariat, 2023b).

### 2.3. The Development of Regional Economic Partnerships (RCEP and CPTPP)

RCEP is a free trade agreement among the Asia-Pacific nations. Signed in November 2020, it has 15 member countries (including all ASEAN members). RCEP comprises 29% of the world's population (2.2 billion people), 28% of global GDP (USD 30 trillion) and 28% of global trade, so it is the largest trade bloc in the world. While trade disputes, tensions and the post-Covid-19 “phenomena” have weakened its trade with the USA and other developed economies, ASEAN remains a safe backyard for China. In the meantime, since 2020, ASEAN has also become China's largest trading partner (Flach et al., 2021). Mention must also be made of another trade grouping of countries in the larger region, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) which partially overlaps RCEP (see Figure 1). While RCEP and CPTPP are both mega trade deals, their breadth and depth differ. Overall, the degree of liberalisation within RCEP is not as deep as in CPTPP, and the coverage is less comprehensive. However, in terms of economic size, RCEP is much bigger, CPTPP accounting for only 13% of global GDP, 14% of global trade and a population of 507.7 million. Furthermore, RCEP is expected to catalyse renewed momentum for intraregional trade and to strengthen value chains among the “plus three” countries, as well as between them and other members. While RCEP is the first free trade agreement simultaneously covering the PRC, Japan and the Republic of Korea, it is worth mentioning that it is also the first to include two of the world's three largest economies. Unlike CPTPP, RCEP does not include provisions to harmonise regulatory standards on the environment or labour markets (ADB, 2020).

Figure 1: Regional trade groupings involving ASEAN+3



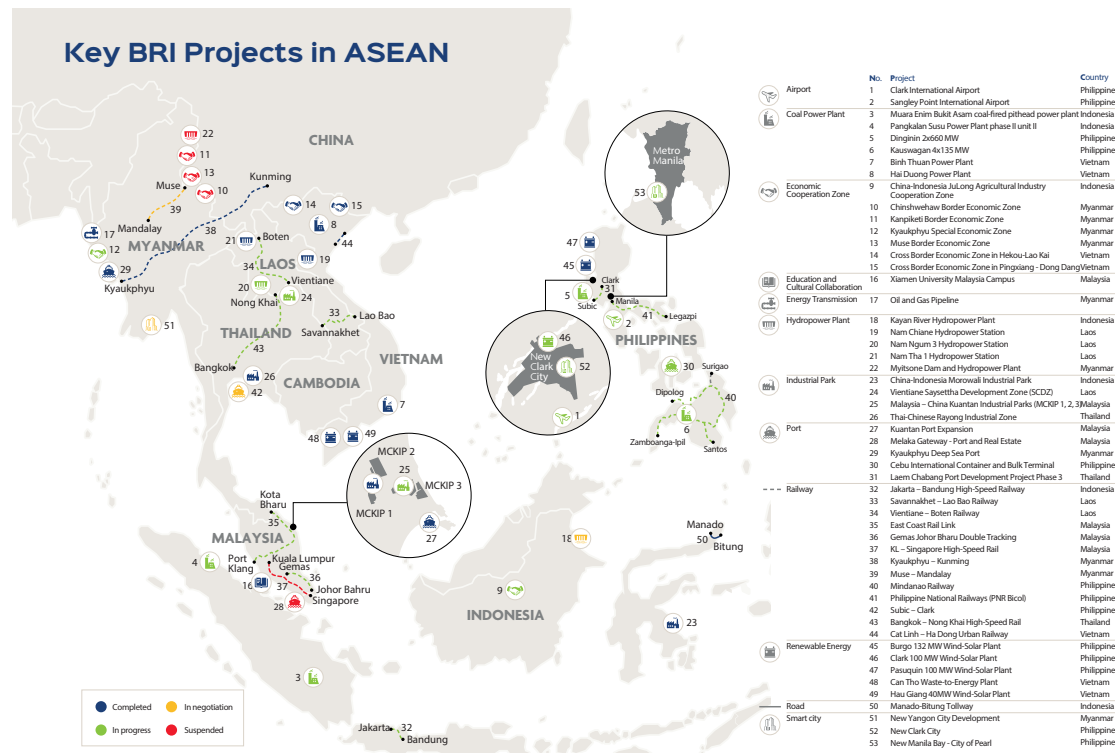
Source: ADB (2020, p. 5)



### 3. A Specific Area of the Economic and Political Cooperation: Southeast Asian Aspects of the Belt and Road Initiative

The Chinese government approaches the Belt and Road Initiative in a transparent manner, its declared aim being to increase trade and investment in various regions of the world (Szatmári, 2023; Engelberth & Sági, 2017). No matter how spectacular the trade relations between China and the ASEAN countries may be, in the long term, China also expects that a significant part of its exports and imports will be carried out with distant continents. In addition to the American market, in the transportation of Chinese exports to Europe, and in its imports from Africa, the BRI will play a key role (Tarrósy, 2020; Erdeiné & Késmárki-Gally, 2015). Accordingly, in addition to land logistics connections, it is also a very important aspect for China to shorten maritime transport routes wherever possible, which is central to the concept of the 21st Century Maritime Silk Road. Although China has a long coastline in the eastern direction, it lacks a free route to the Indian Ocean, direct access to which would mean significant savings in terms of distance, time and, ultimately, money concerning shipping in the direction of Africa or Europe. This is why China is interested in connecting the railways and, partly, the highways of the ASEAN countries, especially the continental states, with its own transport infrastructure, undertaking the renewal or the extension of existing networks. Investments partially or fully financed by China in the ASEAN region are illustrated in Figure 2.

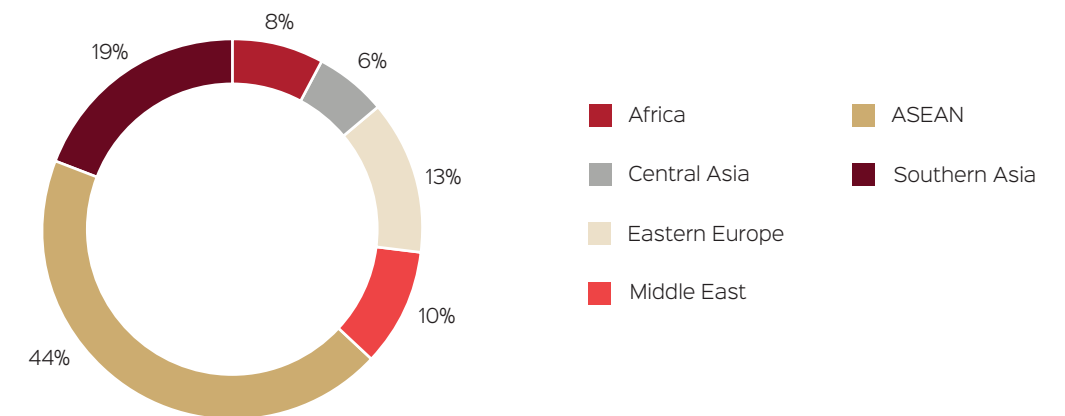
Figure 2: BRI-related Chinese investment projects in the ASEAN region



Source: Park et al. (2021)

On 3 October 2013, China-ASEAN cooperation reached a milestone when, during his address to the Indonesian Parliament in Jakarta, President Xi Jinping called for the joint construction of the 21st Century Maritime Silk Road. Stretching across the South China Sea, the 21st Century Maritime Silk Road passes through the Indian Ocean, linking China's seacoast with East Africa and Europe, while the overland China-Indochina Peninsula Economic Corridor connects the PRC with its immediate neighbours, "mainland ASEAN" (Kee, 2019). With the help of large-scale infrastructure development projects implemented with China's active participation, the economic cooperation between Southeast Asia and more distant regions can be further strengthened, proving that the progress of Eurasian integration will result in a further improvement in the economic position of Southeast Asia in international comparison (Klemensits, 2021). It is therefore no coincidence that the ASEAN region markedly represents by far the largest share (44%) of China's BRI-related working capital investments (see Figure 3). Morgan Stanley estimated that by 2027, China's BRI-related costs (for the 65 participating countries) could reach USD 1.2-1.3 trillion (Morgan Stanley, 2018).

Figure 3: FDI from mainland China (BRI Regions) – the economic importance of Southeast Asia to the BRI (2010–2018)



Source: Park et al. (2021, p. 4)

The official goals of the BRI are to promote five connectivities: policy coordination, facilities connectivity, unhindered trade, financial integration, and people-to-people ties. Under the initiative, China has helped to finance large infrastructure projects with the support of its state-owned banks and sovereign wealth funds, and it has encouraged mainland Chinese firms to undertake FDI projects in the participating countries. These projects are to establish a network of transnational economic corridors, multimodal land and maritime routes, oil and gas pipelines, and electrical grids that will assist mainland China and the participating countries in hedging against the inherent geopolitical risks of single trade routes. The ambitious scale and scope of the initiative means that multinational

and domestic firms alike should have a keen interest in monitoring the new business opportunities created by BRI projects (Vasa, 2020; Park et al., 2021; Vasa & Bárkányi, 2023).

Under the BRI, China is expected to fill the gaps in ASEAN's necessary infrastructure investment, enhancing regional integration and boosting the economic development of ASEAN countries. Malaysia's East Coast Rail Link, the China-Thailand and China-Laos Railways, Indonesia's Jakarta-Bandung high-speed railway and the China-Myanmar Gas and Oil Pipelines are all instances of the ASEAN BRI infrastructure projects built and funded by Chinese companies. Further to these examples, to mark its first decade, a list of the BRI's achievements was announced by Beijing at the Third Belt and Road Forum in 2023. The most prominent of these are as follows:

- Building a multidimensional Belt and Road connectivity network. China will speed up high-quality development of the China-Europe Railway Express, participate in the trans-Caspian international transportation corridor, host the China-Europe Railway Express Cooperation Forum, and make joint efforts to build a new logistics corridor across the Eurasian continent linked by direct railway and road transportation. Building of the New International Land-Sea Trade Corridor and the Air Silk Road.
- Supporting an open world economy. China will establish pilot zones for Silk Road e-commerce cooperation and enter into free trade agreements and investment protection treaties with more countries. China will remove all restrictions on foreign investment access in the manufacturing sector.
- Carrying out practical cooperation. China will promote both signature projects and 'small yet smart' livelihood programs. The China Development Bank and the Export-Import Bank of China will each set up an RMB-350-billion financing window. An additional RMB 80 billion will be injected into the Silk Road Fund.
- Promoting green development. China will continue to deepen cooperation in areas such as green infrastructure, green energy and green transportation, and step up support for the BRI International Green Development Coalition. China will implement the Green Investment Principles for the Belt and Road, and provide 100,000 training opportunities for partner countries by 2030.
- Supporting people-to-people exchanges. China will host the Liangzhu Forum to enhance dialogue on culture with BRI partner countries. In addition to the Silk Road International League of Theatres, the Network of Silk Road Arts Festivals, the International Alliance of Museums of the Silk Road and the Silk Road International Alliance of Art Museums have all been founded. The Chinese government will continue its Scholarship-Silk Road Program (Chair's Statement of the Third Belt and Road Forum, 2023).

In November 2018, China and Singapore renamed the Southern Transport Corridor as the New International Land-Sea Trade Corridor, a multimodal and multifaceted economic link that serves as a bridge between the Silk Road Economic Belt and the 21st Century Maritime Silk Road. It is a trade and logistics passage that connects Southwest China's Chongqing to Qinzhou by rail, and

continues from Qinzhou to Singapore and beyond by sea, thereby enhancing connectivity between China, Southeast Asia and the rest of the world (Kee, 2019).

The BRI supports large-scale infrastructure projects and promotes other dimensions of connectivity between mainland China and ASEAN countries, although it is too early to tell how BRI projects will shape the development trajectories of the host countries. All the same, the scale and scope of BRI projects commands the attention of anyone who is on the lookout for profitable investment opportunities in one of the world's most dynamic and rapidly growing regions (Park et al., 2021).

China believes that with the Belt and Road Initiative, in comparison with the West's zero-sum mentality, it has introduced a new, win-win approach into international politics (Horváth, 2013). It is indisputable that the BRI has the potential for both China and the respective ASEAN states to benefit from the aforementioned projects. The question is, to what extent? It is well documented in a number of analyses that China can improve its access to export markets and import sources via BRI projects. It also seems clear that infrastructural development projects may improve the transportation logistics within the recipient countries; however it might be interesting to examine how much the ASEAN partner countries would benefit individually.

The BRI has had a noticeable impact on the economies of ASEAN countries, especially in the cases of several "mainland" ASEAN members. This has also led to an increase in their economic dependence on China. Despite this, ASEAN countries show significant differences due to geographical, geostrategic, economic and cultural factors. The economies of Cambodia, Laos and Myanmar are heavily dependent on China. However, Thailand and Vietnam strive to balance between the major powers and keep a respectful distance from Beijing (Zoltai & Klemensits, 2020).

#### 4. The Situation of the Ethnic Chinese Diaspora in Southeast Asia

Although emigration from China has a history of at least 2,000 years, the most intensive wave of migration occurred from the mid-nineteenth century onwards, when the country was thrown into disarray by dynastic decline and the West's imperialist campaigns (Liu, 2016). Ethnic Chinese have long played a dominant role in Southeast Asian business life, even dominating a significant part of the local economies and forming the economic elite. This is why other local groups – moreover the majority of the population – envied them, leading to increased tensions sometimes culminating in physical atrocities or legal discrimination against the Chinese in their host countries. The extent to which these Chinese communities abroad are related to the Chinese motherland – in practice to the People's Republic of China and "genuine" Chinese identity – has been discussed for a long time. The term re-Sinicisation has been applied to the revival of hitherto devalued, occluded or repressed "Chineseness", and more generally to the phenomenon of the increasing visibility, acceptability and self-assertiveness of ethnic Chinese in Southeast Asia and elsewhere. The phenomenon of re-Sinicisation has undergone a significant transformation since the 1950s and 1960s, when China

served as a model for the localisation of socialism and the propagation of socialist revolution in parts of Southeast Asia, when Southeast Asian “Chinese” were viewed and treated as being economically dominant and culturally different, with the politically disloyal “Others” to be “de-Sinicised” through nation-building discourses and policies. All this illustrates the non-linear, reversible and reinforcing characteristics of Sinicisation (Hau, 2012). However, since the early 2000s, in line with the rise of China as an economic and political superpower, the meaning of re-Sinicisation has changed, and now the business connections and ideas of the most “Sinicised” communities may come to the forefront. Sinicisation may be a creative strategy for these people, yet they must still face and overcome the anxieties it generates.

The ASEAN countries are now home to the world’s largest and most concentrated overseas Chinese population, with more than 73% of this diaspora living in the region. At the beginning of the twenty-first century, the number of overseas Chinese in Southeast Asia reached 25.26 million, accounting for 4.82% of the total population (See Table 3). Most overseas Chinese and Southwest Asian nationalities in China share a common origin. They have a close affinity and similar customs and practices. These overseas Chinese play a vital role in geo-economic cooperation between China and ASEAN countries (Wang et al., 2017).

Table 3: Proportion of overseas Chinese in ASEAN countries, 2017	
Country	Proportion of overseas Chinese (%)
Singapore	76.99
Malaysia	24.06
Brunei Darussalam	14.71
Thailand	10.72
Indonesia	3.28
Lao People's Democratic Republic	3.14
Cambodia	2.56
Myanmar	2.04
Philippines	1.30
Vietnam	1.27
Total in ASEAN	4.82

Source: Wang et al. (2017)

Although Chinese people in Southeast Asia have been considered an ethnic minority known as “overseas Chinese” or “Chinese abroad”, now that the PRC has risen in the global political-economic space, they attract much attention (Choi, 2015).

The total number of ethnic Chinese in Southeast Asia can only be estimated. Contrary to the above figures of Wang et al., other authors indicate different figures. Han estimates a range of 30-40 million people adding that by now, the majority of overseas Chinese in Southeast Asia have most likely acquired local citizenship (Han, 2017).

Mention must also be made of the only ASEAN country where ethnic Chinese form the majority. This is Singapore, which became an independent nation in 1965 when it was “expelled” from the Malaysian Federation. Although it might be assumed that the separation was due to the predominance of the Chinese population, the root cause was rather the deep political and economic differences between Singapore and Malaysia’s ruling parties, which created tensions resulting in racial riots in July and September 1964. As Table 3 illustrates, ethnic Chinese make up over three quarters of Singapore’s total population, while in every other ASEAN country that proportion is under a quarter, and typically considerably less than that. According to estimates, the contribution of overseas Chinese to national GDP is 70-70% in the Philippines, Malaysia and Indonesia, 60% in Thailand, and 50% in Malaysia. Be that as it may, certain sectors of ASEAN economies are virtually under the complete control of the Chinese population. For example, the ethnic Chinese stake in Thailand’s trading and industry sectors has reached 90% (Larin, 2014).

Furthermore, it should be noted that Chinese people have not only been living in Southeast Asia for many generations, but also that a new wave of southward migration has been witnessed in recent decades. In their study on migration and trade, Zhuang and Wang mentioned the reason for the Chinese government relaxing its policy forbidding emigration. As a result of this – and, moreover, the improving political and economic relationship – in the two to three decades up to 2010, some 2.3-2.65 million Chinese migrants settled in Southeast Asia, predominantly businesspeople, professionals, students, technicians, and skilled and unskilled workers. Among them, more than a million settled in Myanmar, 350-400,000 in Thailand and 350-380,000 in Singapore, while Malaysia, Indonesia, Vietnam, Cambodia and Laos each received 50-120,000 new Chinese migrants (Zhuang & Wang, 2010).

The contribution of Chinese minorities to Southeast Asian economies is somewhat ambiguous. These economies are definitely experiencing gains from Chinese labour, capital and business skills. Chinese minorities are contributing to increases in GDP, exports and average incomes. Chinese international business ties have assisted Southeast Asian countries in integrating into the global market. Generating no high-tech of their own, the ethnic Chinese have brought proven technologies from the industrialised world. It is notable that several Southeast Asian companies led by Chinese migrants are already listed among the world’s 500 largest transnational corporations. Chinese emigrants have also considerably contributed to the development of economic and cultural ties between Southeast Asia and the PRC. At the same time, the ethnic populations of the host countries regard some of activities undertaken by the Chinese diaspora as infringing upon their own interests and it may be assumed that discrimination towards Chinese minorities on economic grounds has been a key reason for the delayed transition of Southeast Asian countries into high-efficiency industrial economies (Larin, 2014).



## 5. Disputes and Contradictions over the South China Sea

The disputes over the South China Sea (SCS) revolve around both island and maritime claims among sovereign states, and the issue has long been a point of debate in international politics. It involves not only the countries at loggerheads, but also other major world powers, including the United States. Its important strategic location and abundant resources make the SCS a target of contention among the claimant countries, and the ruling in the case of the Philippines vs. China in July 2016 gave the issue a new momentum (Kipgen, 2018). Although the disputes over the South China Sea and East China Sea (ECS) involving China and its neighbours may at first appear to be the wrangling of faraway countries over a few oceanic rocks and reefs that are of seemingly little importance to the United States, the SCS and ECS can engage American interests for a variety of strategic, political and economic reasons (O'Rourke, 2023).

Looking at the map, we can see that China lies along the Pacific Ocean and that it also has a significant stretch of coastline and large ports. However, in reality this means not a direct, but rather an indirect relationship. China can reach the open ocean through the ECS or the SCS, but Taiwan lies on the border of the two seas (not only the main island, but the Taiwanese administration also owns many other islands and archipelagos: Matsu, Penghu and others). In a peaceful situation this is not a problem, but in a critical situation, or in the case of a military conflict, it would make navigation impossible for China.

On account of all this, China focuses more on the South China Sea. Firstly, this is because it is still the PRC's main maritime trade route (nowadays 80% of Chinese imports arrive via the SCS); secondly, there are significant deposits of oil and natural gas beneath the seabed; and thirdly, China probably believes that in this region, states with conflicting interests to its own can enforce them less effectively. China believes that 90% of the South China Sea – an area within the so-called nine-dash line drawn by China on the map – is its sovereign territory (Kiss, 2021). However, this line is very close to the other coastal countries (see Figure 1), so it harms the interests of Vietnam, Malaysia, Singapore, Brunei, the Philippines and Indonesia (although not all to the same extent), as well as Taiwan, which considers itself an independent entity.

It is known that within the framework of ASEAN cooperation, the Southeast Asian countries do not formulate or pursue a common foreign policy, so – for the time being – no unified position on this issue has been developed. ASEAN is not equipped with the legal mandate or bureaucratic capacity to enforce compliance with regionally accepted principles and rules, and it has therefore yet to devise an optimal response, although a unified position can be identified in ASEAN's endorsement of an updated version of a Code of Conduct for the South China Sea. Despite this, the picture seems even more complex if we consider the fact that the territorial disputes do not affect all ASEAN countries, and in several cases those that are affected have issues not only with China, but also with each other in the approximately 3.5 million km<sup>2</sup> of the South China Sea.

The problem is further escalated by the fact that in the last decade, China has started significant developments on many disputed islands in its possession, and has even created artificial islands by means of land reclamation.<sup>2</sup> Between December 2013 and June 2015, sand was dredged onto 11.7 km<sup>2</sup> of reef. On these new islands, China built airports, ports, communication facilities and garrisons. According to China's official explanations, these projects were carried out for peaceful goals, but in reality they are facilities that can also be used for military purposes. All of this provoked the disapproval not only of the ASEAN countries, but also of the United States (Klemensits, 2017).

Figure 4: The South China Sea and its zones



Source: China Sage

An important factor that further complicates the resolution of the conflict is that the basis of the Chinese claims and those of the ASEAN countries is also different. While China bases its claims on historical traditions, the ASEAN states follow the principle of effective occupation, and they interpret the concept of the continental shelf and the 200-mile exclusive economic zone in accordance with the United Nations Convention on the Law of the Sea (1982). While China wants to find a solution to the issue through bilateral negotiations, ASEAN prefers a multilateral solution. The United States would support the latter. In the light of the South China Sea conflict, the following important dates are worth mentioning from the perspective of China-ASEAN relations:

- 1992: South China Sea Declaration (the SCS is mainly part of China);
- 1997: ASEAN-China Joint Declaration;

<sup>2</sup> It has to be noted that island building in the South China Sea – primarily by Vietnam and the Philippines – has been practised on a small scale for decades. In contrast, China's activities are recent but on an unprecedented scale.

- 2002: Declaration on the Conduct of Parties in the South China Sea;
- 2003: China's accession to the ASEAN Friendship and Cooperation Agreement;
- 2004: ASEAN-China Joint Working Group;
- 2011: Failure of the 2011 Regional Code of Conduct;
- 2015: 26th ASEAN Summit: an effective code of conduct and the idea of a constructive solution;
- 2017: Framework Agreement on the Code of Conduct (Klemensits, 2017).

It is worth mentioning that only one country – the Philippines – has thus far filed a lawsuit against China at the International Court of Justice in The Hague. The decision of 12 July 2016 was apparently favourable to Manila, it stating that China's reference to historical rights and the nine-dash line expressing Chinese sovereignty were invalid under international law. In addition, China's island reclamation activities were declared to be illegal and to have caused irreversible environmental damage to reefs and endangered marine species. In addition to the above, the ruling confirmed the position of the Philippines in several other points, for example, it stated that the fishing rights around Scarborough Shoal also belong to the Philippines, and that China's activities to prevent this are illegal. However, the actual enforcement of the decision faces serious obstacles. China refuses to recognise the jurisdiction of the court and does not accept the verdict, so the procedure has not contributed to the solution of the South China Sea conflict (Eszterhai & Klemensits, 2016).

The website of the Mission of the People's Republic of China to ASEAN published a comment on the result of arbitration by a 'Beijing-based scholar of international relations and international law', in which it was claimed that the verdict (referred to as an 'award') was strewn with errors that jeopardised the tribunal's credibility. In the opinion of its author, 'First, it is critical to go through the 2009–2011 Sino-Philippine exchange of notes verbale to know the nature of their disputes and agreement. Second, the Philippines is fabricating China's SCS maritime claims on groundless evidence and reasoning. Third, even the Philippines considers some of the islands and reefs in the Kalayaan Island Group to qualify as islands. Such a position of the Philippines' defeats all its Submissions in this arbitration. Fourth, the overlapping Sino-Philippine exclusive economic zone and Continental shelf claims in SCS and the ensuing sea boundary delimitation disputes are undeniable' (Mission of the People's Republic of China to ASEAN, 2016).

In July 2023, China and ASEAN agreed on a series of guidelines to conclude a nonaggression pact aimed at preventing conflicts in the contested waters. China, however, has dragged its feet on an agreement that would limit its increasing assertiveness in the disputed territory. On 28 August 2023, Beijing published a new version of its national map asserting possession over nearly the entire SCS, drawing strong protests from its neighbours, according to The Associated Press. China dismissed the complaints, with Foreign Ministry spokesperson Wang Wenbin saying that the revisions of the map were a 'routine exercise of sovereignty in accordance with the law' (Chap, 2023).

In the case of territorial disputes in the South China Sea, even the outlines of a long-term and satisfactory solution for all parties are yet to become visible. The conflict is multifactorial, and the ASEAN countries have so far been unable to formulate and present a unified position. The reason for this is, on the one hand, that the states directly involved in the conflict have disputes not only with China, but also with each other, while even those who are not involved into the conflict remain passive as they do not wish to risk their burgeoning economic relations with the PRC. In addition, the United States has been unable to act meaningfully and effectively in the debate, either by diplomatic or military means, and although it has tried to increase its military presence in the wider region, this is viewed in a dim light not only by China, but also by certain ASEAN countries.

According to a White House readout, Vice President Kamala Harris said that the United States is 'committed to the Indo-Pacific and ASEAN centrality', emphasising that 'freedom of navigation and overflight must be respected in the East China Sea and South China Sea.' America has no territorial claims over the contested SCS, but has it has asserted that the freedom of navigation and flight, as well as the peaceful resolution of disputes, are in its national interest (Chap, 2023).

In the best case, a solution to the issue can only be hoped for in the long term – and if the world's political and economic environment does not significantly change, then most likely this will primarily mean a new status quo in line with China's interests.

## 6. Conclusion

The economic and commercial relations between ASEAN and China have been growing spectacularly in recent decades, and the political dialogue has also become more intensive. China is the most important trading partner of the ASEAN countries, and in recent years the reverse has also been true. At the same time, ASEAN-China trade relations are one-sided in the sense that China's exports have a significantly higher value-added content than those of ASEAN countries. In addition, within the framework of the Belt and Road Initiative, Southeast Asia is China's most important investment target region, within which Beijing finances a large number of mainly infrastructural investments. These projects serve China's future world trade plans well, but at the same time, it would also be worthwhile to examine to what extent these projects contribute to the respective ASEAN countries' own economic development goals. The difference in economic development among the ASEAN countries is conspicuous, and there are also substantial differences in terms of their geographical characteristics, population and wealth of natural resources. Due to these facts, the differences in their economic and political relations with China are also very significant. This is also true for the ethnic Chinese living in the individual ASEAN countries, who form a minority in their local societies (with the exception of Singapore), but whose economic power is considerable. In contrast to the earlier discrimination against them, the overseas Chinese are now seen as an opportunity rather than a risk factor. Their role is particularly important in further strengthening the relations between Southeast Asian countries and China.

No matter how significant the differences between Southeast Asian countries are, in those sensitive issues in which there are serious conflicts of interest with China, it is necessary for the members of ASEAN to try to overcome their differences. A unified ASEAN position must be developed and enforced as soon as possible. A particularly convoluted and controversial question is that of the South China Sea, which is a highly important economic and security policy issue from a global perspective too.

By taking all of this into account, it is possible to achieve a situation where, rather than accepting a subordinate role, the Southeast Asian region is finally an equal player in the ASEAN–China partnership.

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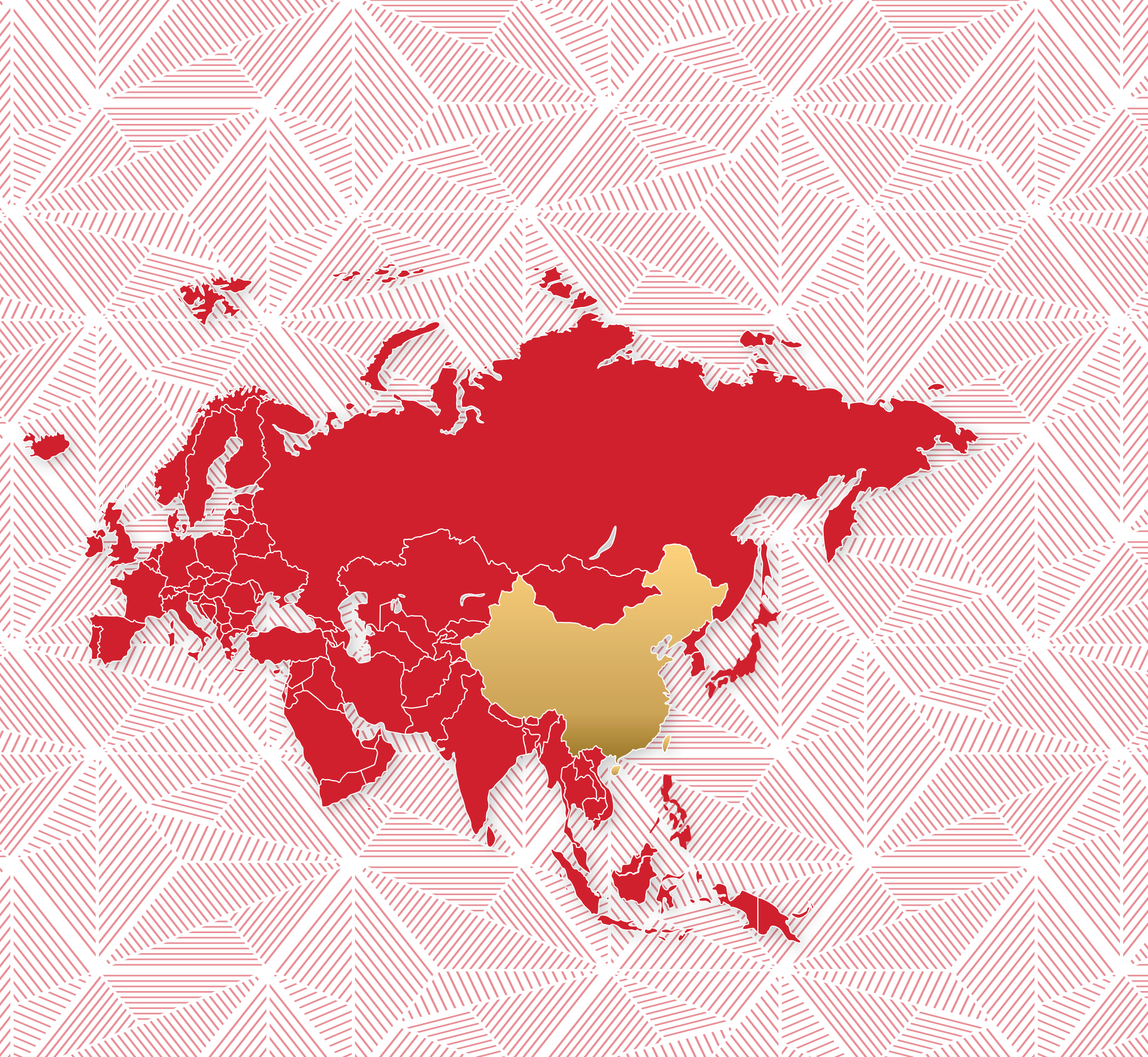
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JIWEI  
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Navigating China's Digital Economy:  
Policies, Challenges, and the Crucial  
Role of Data



# NAVIGATING CHINA'S DIGITAL ECONOMY: POLICIES, CHALLENGES, AND THE CRUCIAL ROLE OF DATA

JIWEI QIAN<sup>1</sup>

## Abstract

This study examines the development and challenges of China's digital economy, emphasising the role of industrial policies, regulatory issues and the centrality of data. It aligns with the assertions of recent literature on the crucial nature of industrial policies in fostering digital economy growth. Furthermore, it delves into global concerns regarding regulatory aspects that have gained international attention, such as antitrust, cybersecurity and privacy. Recognising the digital economy's significance, China strives to balance growth and regulation. This study highlights digital data as a key driver for the development of the digital economy due to its contribution to efficiency. Digital platforms, the regulatory changes impacting them and the utilisation of data in recent years – in particular since the outbreak of Covid-19 – are all addressed. Contributing to the literature on China's economy, the present study explores the role of the state and the incentives and capacities of bureaucracy. Recent regulatory changes impacting digital platforms, challenges presented by the US–China trade war and international governance experiences are discussed. The contradictory nature of policies supporting digital economy development is acknowledged, and recent regulatory reforms including antitrust measures and data security regulations are outlined.

**Keywords:** China, digital economy, policy implementation, industrial policy, antitrust, data security

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## 1. Introduction

The digital economy – defined as the sum of the value added in information and communication technology (ICT) manufacturing and ICT services – has assumed paramount importance in the PRC, now ranking as the world's second largest in terms of its sheer size. In 2020, it accounted for 7.8% of China's GDP, compared to the 2018 figure of 9% for the USA (Nicholson, 2020). A broad definition of the digital economy that also includes ICT inputs in other sectors: 38.6% of China's GDP in 2020 (CAICT, 2021), compared to 60.2% in the USA in 2018 (CICC, 2020). Within this burgeoning digital landscape, China is home to influential global digital platform companies, including industry giants like Alibaba, Tencent, ByteDance and Pingduoduo.

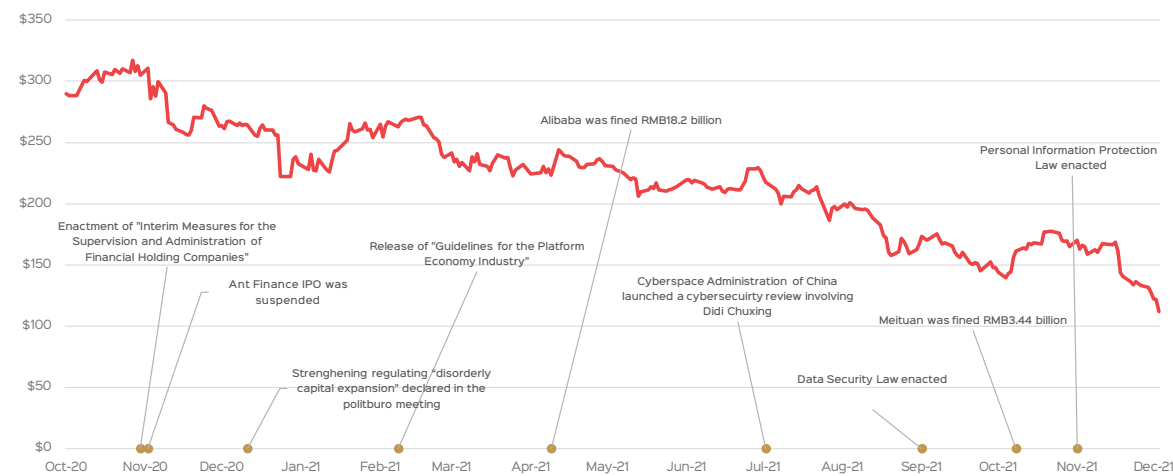
In recent years, Chinese policymakers and technocrats have grappled with the delicate balance between fostering economic growth and addressing regulatory challenges in the digital economy. Acknowledging the strategic significance of the digital sector, industrial policies aimed at supporting initiatives such as data sharing and the development of essential data infrastructure have emerged as pivotal tools (World Bank, 2021). However, a parallel set of pressing regulatory concerns – encompassing antitrust measures, cybersecurity safeguards and privacy protections – have also come to the fore, necessitating policy adjustments (Bradford, 2023).

The rapid rise of digital platforms has presented unique challenges for Chinese regulators (Remington et al., 2024; Zhang, 2024). Owing to their vast transaction volumes, these platforms amass an unprecedented trove of personal data, ranging from individuals' locations to their personal backgrounds. While companies leverage this transaction-generated data for big data analytics, yielding operational efficiencies, cost savings and risk management benefits, concerns are raised about privacy infringements, anti-competitive behaviour and cybersecurity threats. Consequently, since 2020 China has introduced a slew of new regulations spanning antitrust, financial stability and cybersecurity, leading to sanctions against several major digital platforms. Anticipating the adverse impact of these regulatory changes, investors have expressed their concerns, resulting in significant declines in the stock prices of certain major platforms, such as Alibaba (see Figure 1).

China has simultaneously implemented a series of techno-industrial policies aimed at promoting digitalisation (Naughton et al., 2023). These policies encompass upgrading data infrastructure, subsidising digitalisation efforts across industries and deploying government-led venture capital investments in transformative technologies like AI. However, the effective coordination of these policy initiatives in the digital economy sphere encounters challenges. Three significant factors contribute to this complexity. First, the digital economy operates in a realm of considerable technological uncertainty, posing challenges for both industrial policies and regulatory frameworks (Wong, 2011). Second, industrial policies, among others, can have contrasting impacts on levelling the playing field between state-owned enterprises and private companies. Third, and crucially, striking a harmonious balance between fostering economic growth and addressing regulatory concerns remains a key policy imperative in the digital economy's evolving landscape.



Figure 1: Alibaba's share price and the timing of major regulatory events



Source: Yahoo Finance

By using data collected from central and local government documents, nationwide surveys, statistical yearbooks and other sources, this study conducts an examination of the role of digital data, the development of the digital economy in the PRC, the policy responses it has triggered and the institutional frameworks that form the basis for policymaking and its execution in China. It addresses a significant research gap by delivering a thorough analysis of the changing policies within the Chinese digital economy landscape with its primary objective being to offer empirical insights into the political economy that shapes policymaking and its execution in the realm of China's digital economy.

The structure of this study unfolds as follows: we first delve into the pivotal role of data within the digital economy. We then examine the trajectory of the digital economy's growth in China. In the following section we explore critical policy concerns, including antitrust measures, data security and broader cybersecurity issues. Next we discuss the regulatory actions concerning digital platforms taken since 2021. Subsequently we dissect the inherent policy challenges within this domain. Finally we summarise the key insights and findings derived from our investigation of the topic.

## 2. The Central Role of Data in the Digital Economy

Machine-readable digital data forms the foundation of Information and Communication Technologies (ICT), powering transformative technologies like the fifth-generation mobile network (5G), artificial intelligence and cloud computing, a concept highlighted by UNCTAD in 2019. Digital data serves as the driving force propelling the digital economy forward. Moreover, it encompasses both industrial data and transactional data, such as sales figures and buyer characteristics. In this broader context, digital data assumes a central role not only within the ICT sector, but also as a vital element for various other sectors, including government, and finance and other service industries.

The utilisation of data input can significantly enhance efficiency and productivity through data sharing, data flow and related data services. Firstly, data input often functions as a non-rivalrous input for production, being accessible to many firms or government agencies without imposing restrictions on others (Jones & Tonetti, 2020; OECD, 2015). For example, digital platform companies frequently combine their datasets with open government data to create analytical insights that contribute to heightened operational efficiencies, cost reduction, improved inventory and distribution management, and the introduction of new revenue-generating services. In the United States, open-format data is readily available to governing bodies, academia, businesses and other organisations through application programming interfaces (APIs) at zero cost (Hughes-Cromwick & Coronado, 2019).

Secondly, data facilitates the seamless exchange of information among economic entities, with implications for efficiency, fairness and competition (Carriere-Swallow & Haksar, 2019; Goldfarb & Tucker, 2019; Jones & Tonetti, 2020). Digital data can be categorised as personal or non-personal, yet in both cases it is a valuable resource that can be traded to enhance productivity and efficiency.

Furthermore, the free flow of cross-border data can reduce transactional costs for both companies and individuals engaging in international economic activities. McKinsey & Company estimated that in 2014, global data flows boosted global GDP by 3.5% (Meltzer & Lovelock, 2018). Cross-border data flows have become indispensable for large multinational corporations involved in production and the coordination of various stages within Global Value Chains (GVCs).

Since June 2018, The European Union (EU) has regulated the flow of personal data to enhance industry productivity through the General Data Protection Regulation (GDPR) (Bradford, 2023). In May 2019, the EU introduced a new regulation governing the flow of non-personal data, applicable to all its member states. This regulation establishes a framework for the free flow of electronic non-personal data within the Union, thereby boosting the competitiveness of European industry.

The third aspect of the utilisation of data input is that data services – particularly cloud computing – are valuable for small firms seeking to enhance their productivity. A “cloud” service refers to a data centre that offers services for storage, computing and other applications. Many of these services are AI-related, encompassing natural language processing, voice recognition, facial recognition, knowledge graphs, intelligent recommendations and more.

Since collecting and organising data can be expensive and labour intensive for firms (e.g. retailers need systems to collect sales data, combine it with inventory, logistics and customer data, and organise it into a database), it is often more efficient for companies to purchase cloud services from third-party providers that specialise in data storage and management. This allows even small businesses to start at a minimal level and pay based on their usage.

In the digital economy, digital platforms play a crucial role in enabling data sharing, data flow and data services. In general, platforms can be defined as ‘mechanisms bringing together a set of parties to interact’ (UNCTAD, 2019). Digital platforms like Google, Facebook and Amazon provide an online infrastructure for interactions between various groups, including producers and consumers.

These digital platform companies amass an unprecedented amount of user data, including detailed profiles of an individual's location, personal characteristics and preferences, generated through a high volume of transactions. The vast volume of user data collected by these platforms is a consequence of the rise of big data analysis (Ezrachi & Stucke, 2017, p. 15). Platforms use transaction-generated user data for extensive big-data analytics, contributing to operational efficiency enhancements, cost reductions and risk management, albeit with concerns related to privacy and data security. Over time, user data collected by digital platforms can be employed in predictive algorithms, a major competitive advantage for platforms. Algorithm-enabled analytics for platforms may encompass content generation and composition, individual-targeted notifications, content selection and ranking, and search and filter content.

Data infrastructure – such as 5G and AI technology – is expected to amplify the benefits of data flow, data sharing and cloud computing. 5G, for instance, significantly improves the speed of digital data communication over the internet, facilitating data flow and data sharing. Many cloud computing services are also based on AI as a data-intensive technology.

## 2.1. China's Digital Economy: Developments and Achievements

The pivotal role of digital data permeates various facets of the Chinese digital economy's development. In recent years, it has been noted that the growth of the digital economy in China has surpassed its GDP growth, underscoring its emergence as a prominent driving force in the economy (Caixin, 2023). In 2022, the country's data production reached 8.1ZB, an increase of 22.7% compared to the previous year, accounting for 10.5% of the global total and ranking second in the world. By the end of 2022, China's data storage capacity reached 724.5EB, a year-on-year growth of 21.1%, accounting for 14.4% of the global total (Cyberspace Administration of China, 2023).

President Xi Jinping underlined the importance of 'the data-oriented digital economy' at the second collective study session of the Politburo in 2017, thus emphasising the role of the digital economy as a new driving force for high-quality growth in China ("Xi Jinping presided over", 2017). Data sharing, the market-oriented development of data flow, a data-driven digital economy and the strengthening of data governance were all stressed as future directions for the PRC's data policy.

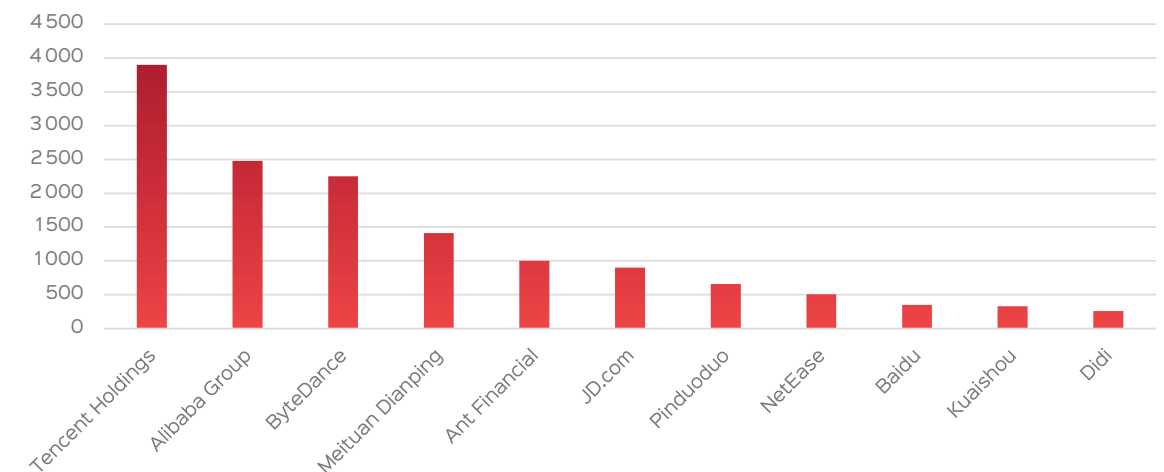
Digital data as a production factor was first highlighted in a government document at the fourth plenum of the 19th Party Congress held in November 2019 (NDRC, 2019). Since 2016, a regular interministerial joint meeting for promoting the development of big data has been initiated and coordinated by the National Development and Reform Commission (NDRC, 2018). These meetings aim to capitalise on a data-driven development strategy in order to promote productivity in China.

Digital platforms including Alibaba, JD.com and Tencent are among China's top companies in terms of revenue and market size (Qian, 2021), and by 2021 the market values of tech giants Tencent and Alibaba had reached RMB 3.9 trillion and RMB 2.5 trillion respectively (Figure 2). Unlike in other industries, there are no major state-owned players in the internet-related service industry in

the PRC (Zhang, 2015), giving a possible reason for its different market structure. All major players including Alibaba, JD.com, Tencent and Baidu are privately owned.

With their huge volume of data, these tech giants are also creating a financial revolution in the payment market with their fintech platforms such as Tencent's WeChat and Ant Financials' Alipay, which in November 2021 respectively registered 951 million and 600 million Chinese users. These platforms use transaction-generated user data to perform big-data analytics in order to attain operational efficiency enhancement, cost reduction and risk control.

Figure 2: Leading internet companies in China, based on market value in 2021 (Billion RMB)



Source: Hurun Research Institute

Data sharing proved especially useful during the onset of Covid-19 in China. Geospatial location data from mobile phones, mobile call detail records, social media and online search data were all used for predicting and tracking outbreaks of the disease. For example, the geospatial data of migration was shared among agencies at all levels of the Beijing municipal government from 26 January 2020, only three days after the lockdown of Wuhan (CAICT, 2020).

In February 2020, Hangzhou was among the first cities to use health QR codes to decide which citizens should go into quarantine. Data concerning geospatial location and personal health was submitted via applications installed on mobile phones and used in a standardised format nationwide (CAICT, 2020).

## 2.2. The Policy Issues of China's Digital Economy

With the development of the digital economy, there are, however, some policy concerns. For instance, in his speech published in 2022 in the second issue of *Qiushi* (the leading bi-weekly official theoretical journal of the Chinese Communist Party), President Xi announced that 'preventing



platform monopolies and the disorderly expansion of capital' will continue for years to come. He also highlighted the importance of regulations for antitrust, data security and labour protection. In his conclusion, Xi stressed that it was 'necessary to regulate the development of the digital economy'.

One pressing policy issue pertains to the scrutiny digital platforms face in China due to competition-related challenges. These platforms leverage their extensive user data to implement price discrimination strategies. Notably, in certain cases, loyal and frequent users are subjected to higher prices, the platforms taking advantage of their willingness to pay more (in Chinese, “*da shu ju shashu*”).

In addition, dominant digital platforms can impose exclusive dealing arrangements on small and medium-sized businesses, effectively forcing them to choose one platform over another to access services. This limits competition in the market. Furthermore, barriers to data portability between digital platforms create disadvantages for competitors. Examples like Cainiao suspending data sharing with Fengchao in May 2017 serve as clear illustrations of how these barriers can obstruct fair competition. Additionally, prominent digital platforms frequently engage in extensive investments and acquisitions, which often have adverse effects on startup innovation and research and development (R&D) activities. Tencent's substantial investments in numerous companies, including unicorn startups, serve as a prime example of such anti-competitive behaviour. What's more, dominant digital platforms can exploit their dominance in one sector to gain an unjust advantage in related markets. To illustrate this, e-commerce and payment platforms can utilise transaction data to enhance their existing services or develop new ones. A case in point is Alipay, an Ant Group service, which caters to an extensive user base and leverages user data for credit scoring in its consumer financial services.

A second issue arises in data security policy, mainly concerning the regulation of cross-border data transfer and privacy protection. Data is a critical strategic resource for China, as it contains a vast amount of sensitive information such as details of personal identity, financial data, technical information and more besides. If such data was stolen or misused by malicious parties, it could pose a significant threat to national security. For example, personal identity information can be used for identity theft, fraud and other criminal activities; financial information can be used for economic espionage; technical information can be used for the theft of core technologies, and so on.

Data has become an essential factor of production and a new driver of economic development. If data is not effectively protected, it may affect the innovation and competitiveness of businesses, thereby impacting economic development. For instance, if a company's core technical data is leaked, it could lead to the loss of the company's competitive advantage. If a company's user data is leaked, it could harm the company's reputation and brand.

If data flow cannot be adequately regulated, it may impact the effectiveness and quality of public services. For instance, the leakage of personal health data could lead to criminal activities like medical fraud, while the leakage of personal travel data could pose threats to personal safety.

Beyond the realm of regulatory concerns, the imperative to actively bolster the digital economy has garnered significant attention in recent times. This pressing matter has gained prominence due to multiple factors, including the need to stimulate economic growth during its deceleration. The

evolution of the digital economy is increasingly acknowledged by the Chinese government as being a pivotal factor in the development of China's future economic landscape (White Paper, 2022).

In this case, governments could use industrial policy to support R&D in key digital technologies, invest in critical infrastructure like broadband networks, and encourage data sharing (Gruber 2018; World Bank, 2021). This would also be in line with the broad recent literature about industrial policy (Juhász, Lane & Rodrik, 2023; Lane, 2022; Mazzucato & Rodrik, 2023).

Another closely related policy issue pertains to the cultivation of a digital economy driven by homegrown innovation. After 2018, the escalating tensions between the PRC and the USA over security, trade and technology exposed China's vulnerability due to its heavy reliance on foreign technology and high-tech imports. American restrictions on China's access to so-called “chokepoint” technologies that are essential for the development of high-tech industries have also challenged Chinese firms in the sector, exposing strategies that lacked advanced fundamental research capabilities (Ernst, 2020). For example, lithography, a crucial tool in chipmaking, is considered to be a “chokepoint” technology. A lot of basic software such as operating systems, and hardware like semiconductors and other devices – as well as the technology underlying them in the digital economy – are controlled by Western countries and might not be accessible for Chinese firms.

For example, in 2018 the United States Department of Commerce banned the export of chips to Zhongxing Telecommunication Equipment (ZTE), a leading Chinese company in GVCs. Restrictions on exports of semiconductors and advanced design equipment were also activated, placing Huawei and 70 affiliates on the so-called Entity List that restricts business dealings with foreign firms posing a national security risk to the USA. In this context, the Chinese government might consider employing policy instruments to promote homegrown innovation, which would also contribute to supply chain security.

## 2.3. Policy Changes and Regulatory Initiatives in China's Digital Economy

In response to the aforementioned policy issues, in recent years a series of significant policy reforms and regulatory initiatives have been introduced to tackle these pressing concerns. Among others, these initiatives appertain to industrial policy, antitrust policy and data security policy.

### 2.3.1. Industrial Policy<sup>2</sup>

With recent economic shocks such as Covid-19, promoting investment in China's data infrastructure is considered to be a major policy initiative to stabilise economic growth. The 2020 government work report saw the first mention of the phrase ‘New Types of Infrastructure’, which includes data infrastructures such as 5G, big data storage centres, AI and the industrial internet. By the end of 2022, a cumulative total of 2.312 million 5G stations had been built and put into operation in

<sup>2</sup> Some details of this section can be found in Qian, 2023.

China, with 561 million 5G users, accounting for more than 60% of the global total (Cyberspace Administration of China, 2023).

To address the geopolitical shocks caused by the US–China trade war, a state strategy with a so-called “whole-of-nation” approach has been adopted to facilitate the achievement of policy goals such as homegrown innovation and supply chain resilience. The “new” whole-of-nation approach is government-led, but market-based incentives are also used to leverage resources. In the context of the digital economy, the state policy encourages more data sharing and the upgrading of data infrastructure.

On 19 December 2022, a document entitled Opinions of the Central Committee of the Communist Party of China and the State Council on Building a Better Data Infrastructure System to Enhance the Role of Data Elements was released (“Twenty Data Articles”, 2022). Guided by addressing practical issues faced by market entities in data sharing, the 20 measures enumerated in the paper embody innovations in the concept of data property rights, the diminution of ownership with a concurrent emphasis on usage rights, and a focus on the circulation of data usage rights.

Established in October 2023, the National Data Administration is responsible for coordinating and promoting the development of data infrastructure, overseeing the integration, sharing and utilisation of data resources, and coordinating the planning and development of Digital China, the digital economy and the digital society. It is managed by the National Development and Reform Commission (NDRC).

### 2.3.2. Antitrust Policy<sup>3</sup>

In order to maintain their market share, digital platforms employ technologies that impose restrictions on other platforms’ access to their businesses. Additionally, the collusive behaviour among these platforms can often be executed through algorithms rather than traditional means of communication such as meetings, telephone calls or emails. In light of this, China has initiated a significant reform of its antitrust policy framework, resulting in amendments to the Anti-Monopoly Law (AML) in 2020 and the Anti-Unfair Competition Law (AUCL) in 2021. These changes are aimed at addressing anti-competitive behaviours driven by big data and algorithms. Government regulators, particularly the State Administration for Market Regulation (SAMR), have strengthened antitrust policy enforcement by introducing new rules for digital platforms since 2020.

A pivotal announcement during a Politburo meeting in December 2020 signalled China’s commitment to curbing ‘disorderly capital expansion’ by intensifying efforts in ‘anti-monopoly supervision’, signifying a significant shift in regulatory focus. Furthermore, at a high-level gathering in August 2021, President Xi Jinping emphasised the paramount importance of the effective enforcement of competition laws. A major milestone was achieved with the release and official approval of draft competition law enforcement guidelines for the platform economy industry in November 2020,

<sup>3</sup> Details of the discussion in this section can be found in Qian, 2021.

which comprehensively tackled market dominance in the digital platform realm, taking into account factors like network effects, lock-in effects, economies of scale and data resource volumes.

Amendments to the AML and the AUCL were issued for comments in 2020 and 2021 respectively. These amendments led to a series of crackdowns on tech giants.

April 2021 marked a significant development when Alibaba was fined a record-high amount by SAMR for engaging in anti-competitive practices stemming from its market dominance in e-commerce (the company has held a Chinese market share of over 50% in recent years). In its ruling, SAMR notably emphasised that online e-commerce platforms are considered separate markets from the retail market. In a parallel case, Meituan, a major player in China’s on-demand local services sector, incurred a significant fine in October 2021 for abusing its dominant market position through the “choosing one out of two” practice. These regulatory actions underscore China’s commitment to fostering fair competition in its rapidly evolving digital landscape. In December 2023, The High People’s Court of Beijing found that Alibaba Group Holding Limited had exploited its market dominance and employed monopolistic tactics, specifically the “choosing one from two” approach. This unfair behaviour inflicted significant harm on JD.com. Alibaba was fined RMB 1 billion (USD 140.68 million) for engaging in monopolistic practices.

### 2.3.3. Data Security Regulation: Cross-border Data Flow<sup>4</sup>

On 12 January 2022, China’s State Council released the 14th Five-Year Digital Economy Development Plan, which also addresses the establishment of a data protection regime based on grading and classification, focusing on data-related issues such as collection, processing, sharing and storage. According to the plan, cross-border data transfers should be subject to cybersecurity reviews conducted by central and local cyber administrations. Furthermore, the government is poised to enhance regulatory efforts concerning critical information infrastructure in such sectors as telecom, finance, energy, transportation and others. Cybersecurity reviews are highlighted as a pivotal mechanism to address concerns related to data security.

Free cross-border data flows can reduce transactional costs for companies and individuals engaged in economic activities in the international market. However, for the Chinese government, the cross-border data flow is associated with concerns over cybersecurity. The National Security Law enacted in 2015 aims to ensure that the ‘core technology of the internet and information, key infrastructure and the information system, and data in key areas’ are ‘secure and controllable’ so as to ‘protect national cyberspace security, safety and development’.

On 30 June 2021, China’s major ride-hailing platform, Didi Chuxing, raised USD 4.4 billion via its initial public offering (IPO) on the New York Stock Exchange. Two days after Didi’s IPO, on 2 July, the Cyberspace Administration of China announced that a cybersecurity review had been launched against the platform and the registration of new users was suspended.

<sup>4</sup> Details of the discussion in this section can be found in Qian, 2020 and Qian & Deng, 2021.

According to a recent amendment of the cybersecurity review measures enacted from February 2022, Chinese companies processing personal data of more than one million users are required to undergo a cybersecurity review before seeking IPOs outside China. This amendment also explicitly states the risk associated with foreign IPOs, claiming that ‘critical information infrastructure’, ‘important data’ and ‘a large amount of personal information’ can be ‘influenced, controlled and abused’ by foreign governments. Cross-border data transfer of both personal data and ‘important data’ are subject to cybersecurity reviews by the central and local cyber administrations. The Data Security Law and Personal Information Protection Law (PIPL) have been in effect since September and November 2021 respectively. Both laws impose constraints over data controllers (i.e. digital platforms) regarding the collection, storage and sharing of user data.

#### 2.3.4. Data Security Regulation from the Perspective of Financial Stability

While big data and AI-enabled technology can improve the accessibility of financial services, they also give the incumbent fintech platforms more market power compared to other financial service providers (Qian, 2020). For example, Ant Group has joint lending agreements with both urban and rural commercial banks. In these agreements, Ant originally provided a small share of the capital (less than 10%) but kept a much larger share of the returns. Under this model, the leverage ratio is high and the risks of borrowers’ default are linked to the banking sector. Financial stability, therefore, is a concern.

In October 2020, Ant Group prepared for its dual listing in the Hong Kong and Shanghai stock exchanges, with a projected target of raising up to USD 34.5 billion. As the company was valued at around USD 313 billion, significantly more than PayPal (USD 237 billion), it was to have been the world’s largest IPO. On 3 November 2020, however, the People’s Bank of China (PBoC) – as the major enforcer of regulations related to financial stability – introduced new rules on online lending, such as requiring online and micro lenders like Ant to provide at least 30% of the funding when offering loans in conjunction with other banks compared to the 2% typically provided by such lenders. On the same day as the announcement of the new rules, the Shanghai Stock Exchange suspended Ant’s IPO. Consequently, the company decided to also withdraw its listing in Hong Kong.

A major regulation for financial holding companies was also enacted in November 2020. Under this regulation, integrated fintech platforms were considered to be ‘financial holding companies’ that provided payment, consumer lending, asset management and insurance services. According to the PBoC, Ant Group would be put through a ‘comprehensive and feasible restructuring plan’ and restructured as a financial holding company (“Jack Ma’s Ant Group”, 2021). Ant Group was also required to control leverage risk. In particular, the size of its online wealth management arm, Yu’e Bao, would be reduced. Ant Group was also required to break the ‘inappropriate link’ between its micro-lending and payment services (i.e. Alipay).

### 3. Policy Coordination and Implementation

Within the realm of China’s digital economy, policymakers grapple with critical policy concerns, encompassing antitrust and data security policies. Regulatory reforms in the digital economy are expected to persist. Nevertheless, these policies often have contradictory effects on the digital economy’s development. For instance, industrial policies may offer financial or non-financial support to bolster the digital economy’s growth, while regulatory reforms can simultaneously impose restrictions on its expansion, as they impose additional compliance costs on firms, including digital platforms.

The Chinese government has adhered to a tradition of policymaking driven by experimentation (Millar et al., 2016; Qian, 2018; Zhu & Zhao, 2021; Qian, 2021). Specifically, the concept of “experiments under hierarchy” – which involves decentralised experiments with occasional central intervention – has been pivotal in comprehending China’s policymaking dynamics (Heilmann, 2008). Over the past three decades, local-level initiatives with a decentralised or “bottom-up” approach have been consistently utilised across various policy domains (Xu, 2011; Brandt, Ma & Rawski, 2014).

Nevertheless, embarking on policy experimentation to regulate the digital economy presents two significant challenges. Firstly, numerous local governments and government departments often lack the requisite skill sets to effectively implement these policies. The intricacies of data regulation necessitate expertise in various domains, including law, digital technology and international trade agreements. Secondly, major digital platforms like Alibaba, Tencent and ByteDance have achieved extensive penetration across nearly every region in the country. This widespread presence makes localised policy experiments aimed at the regulation of digital platforms less feasible.

In recent years, advised by figures like Liu He, the former deputy premier and chief of the General Office of the Central Financial and Economic Affairs Commission, China’s central leadership has emphasised the importance of “top-level design”. This approach, led by high-level policymakers, aims to improve coordination across government departments and to time policy reforms strategically, prioritising them for maximum impact (Liu, 2011).

Within the framework of policymaking under “top-level design”, the establishment of policy priorities assumes a pivotal role in effective governance, especially within the context of China’s policy landscape, where decisions frequently involve high-ranking leaders at central government level. Substantial policy reforms typically necessitate the endorsement of top central government leaders, who wield substantial influence in shaping the policymaking process (Chen & Naughton, 2016; Gilli, Li & Qian, 2016; Qian, 2021).

The delicate balance between promoting and regulating the digital economy can be evaluated through this policy lens, highlighting the pivotal role of policy prioritisation. The central leadership can set the priority of policy implementation to strike a balance between fostering the digital economy and effectively controlling it.



“Top-level design” represents a departure from the established norms of Chinese policymaking and implementation. In contrast to the previously proposed policy experimentation, a significant benefit of the approach is its capacity to enhance the efficiency of regulatory enforcement and promote greater regulatory consistency by centralising the regulatory authorities. For instance, in March 2018 the State Administration for Market Regulation emerged as the sole government agency tasked with enforcing antitrust policy. The various bureaus across other ministries previously responsible for antitrust enforcement were integrated into SAMR, bolstering its overall capacity.

A further benefit is that “top-level design” can adapt to the dynamic environment of an evolving geopolitical landscape by striking a balance between nurturing digital economy development and implementing the necessary regulations, as well as between promoting economic growth and paying heed to security considerations.

Having said all this, it is crucial to recognise that under the “top-level design” paradigm, the shifting priorities of policymakers assume paramount importance. Policymakers’ preferences can evolve over time, with issues that seem pivotal today potentially diminishing in significance in the future. This transformation can be attributed to a multitude of factors, including economic performance, newly acquired information or altered personal priorities. Governments may adjust policies based on changes in leadership, introducing a level of uncertainty that can pose challenges for businesses and individuals alike when planning future projects or investments. In other words, the future investment in the digital economy and its development might be subject to people’s expectations of changing policy priorities.

## 4. Discussion and Conclusions

The impact of digital data on efficiency and productivity is evident through data sharing and data flow, which allows non-rivalrous input for production and facilitates the exchange of information among economic entities. Cross-border data flow can also reduce transactional costs and promote international economic activities. Moreover, data services powered by AI technologies like cloud computing offer small firms the opportunity to improve productivity without the need for investment in extensive data infrastructure.

Digital platforms like Alibaba, JD.com and Tencent have become juggernauts in China, leveraging vast amounts of user data for analytics that enhance operational efficiency, reduce costs and manage risks. These platforms also play a crucial role in data sharing, data flow and data services, contributing significantly to the digital economy’s development.

Be that as it may, in recent years, China has come to face critical policy issues in the regulation of its digital economy, particularly in the realms of antitrust and data security. While policymakers must ensure fair and competitive market conditions, they are grappling with the competition-related challenges posed by the dominant digital platforms. In addition, in order to safeguard national

interests they must simultaneously address concerns related to data security, cross-border data transfer and privacy protection.

Policy implementation in the PRC emphasises “top-level design” guided by high-level policymakers. This approach seeks to improve coordination across government departments and to prioritise policy reforms for maximum impact. While it offers advantages in streamlining regulatory enforcement and ensuring consistency, it also introduces uncertainty due to shifting policy priorities influenced by various factors, such as macroeconomic performance.

In the face of evolving challenges and opportunities, China’s digital economy continues to be a dynamic and influential force, shaping the PRC’s economic landscape and its global position. The delicate balance between fostering the growth of the digital economy and implementing effective regulations, however, will remain a critical policy consideration for China’s leadership for years to come.

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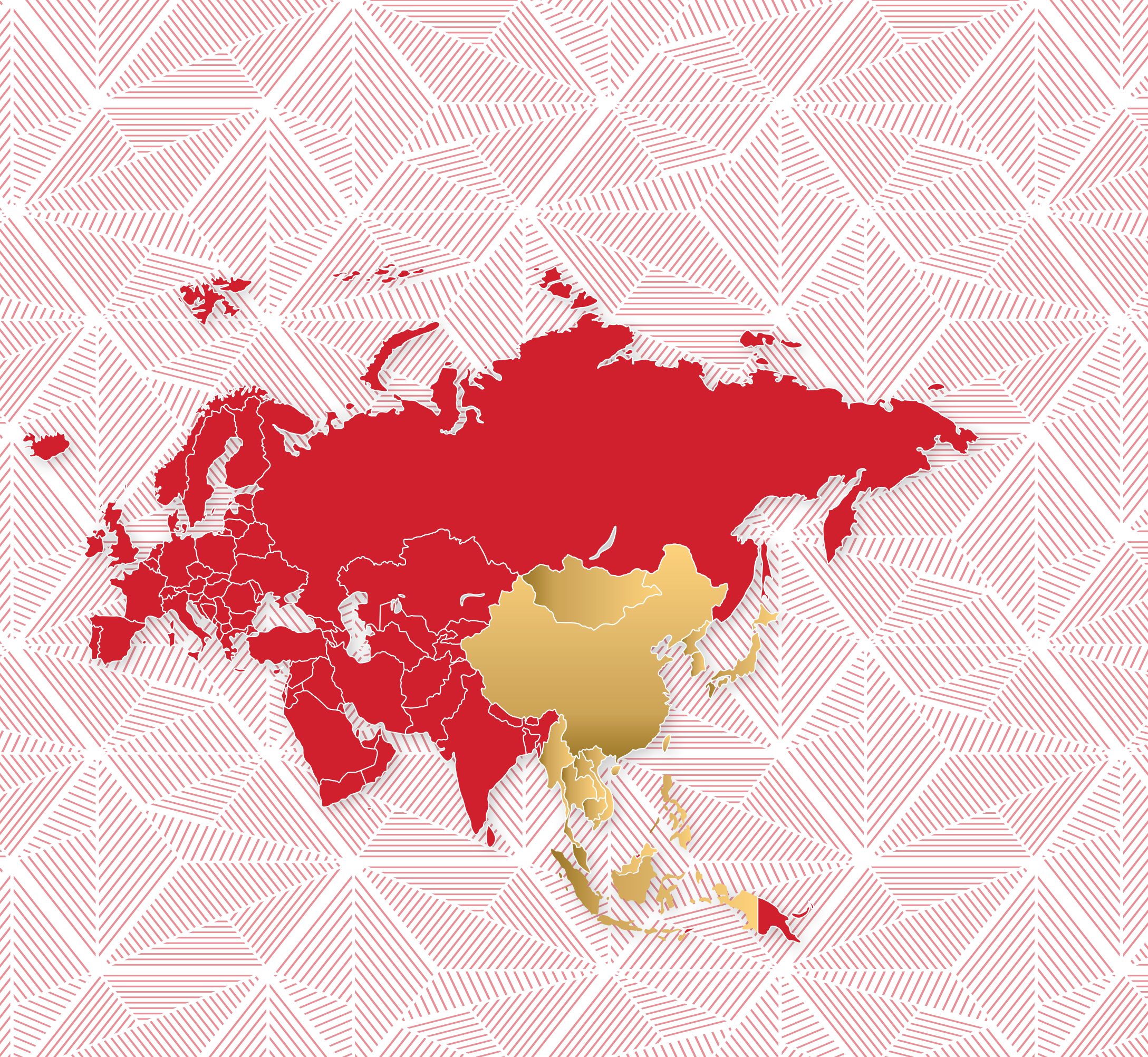
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Navigating Corporate Sustainability:  
Unpacking ESG Disclosure and Rating  
in Southeast and East Asia



# NAVIGATING CORPORATE SUSTAINABILITY: UNPACKING ESG DISCLOSURE AND RATING IN SOUTHEAST AND EAST ASIA

CAMILLE JETZSELLE MANGARON FRESTO<sup>1</sup>

## Abstract

Amid a paradigm shift towards ethical and sustainable business practices, this study explores the significance of Environmental, Social and Governance (ESG) disclosure and rating as an effective tool for communication and assessment. The research reveals the complexity of ESG disclosure and rating in Southeast and East Asian countries, which are characterised by a complex interplay of social, cultural, economic, regulatory and market-dynamics conditions. This study contributes valuable insights into the evolving nature of ESG practices, offering a comprehensive understanding of their complexities and regional dynamics, and also identifying challenges and opportunities. The findings provide policy implications for fostering a culture of corporate responsibility, emphasising the need for nuanced examination, and open avenues for future research, particularly in exploring evolving trends in ESG rating methodologies and in understanding the impact of ESG ratings on market competitiveness.

**Keywords:** ESG rating, ESG disclosure, corporate sustainability, Southeast Asia, East Asia

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## 1. Introduction

The global shift towards promoting values such as ethics, solidarity and trust has caused various stakeholders to demand that companies consider the impact of their actions on the environment and society. As a result, traditional company structures have been modified in order to incorporate sustainable practices into their strategies to meet this demand. With this there has been a global surge in the importance of Environmental, Social and Governance (ESG) factors and a rise in Socially Responsible Investment (SRI), with 1,400 signatories showing their commitment to integrating ESG considerations into their investment analysis and practices through the United Nations Principles for Responsible Investment (Riedl & Smeets, 2017). Regulatory frameworks and initiatives have been globally implemented to further encourage companies to disclose their practices and performance.

ESG rating has become an increasingly prominent and effective tool for companies for policymaking and communication in information transfer on environmental, social and governance criteria, and they are used to measure, evaluate and assess corporate performance and practices. Moreover, ESG rating has appeared to analyse the sustainability of numerous corporations – its tools to assess ESG related growth opportunities and risks providing valuable information to investors and stakeholders, which enables them to make informed decisions and allocate resources based on ESG performance. Jamandi et al. (2019) determined that European companies with a robust ESG performance tend to remain sustainable over time due to the successful management of business goals. This was also shown by a study undertaken in China, where good ESG performance significantly improved the investment efficiency of Chinese power generation companies (Zhao et al., 2018).

It should be noted that most of the literature and studies on ESG disclosure and rating highlights geographical perspective, and while studies on European and American markets confirm the positive impact of ESG disclosure and rating, and some Asian countries are also thriving, the evidence for emerging markets, including those in Southeast Asia, is ambiguous. Within the framework of the Association of Southeast Asian Nations (ASEAN), Southeast Asia (SEA) has emerged globally as the third-fastest expanding economy, its diverse landscape and economic significance leading to the economies of the individual nations being dubbed the “Tiger Cub economies” (Sipos, 2023). Alongside active participation in China’s Belt and Road Initiative for economic development and connectivity, and the establishment of bilateral relations with developed economies such as Australia, South Korea, Japan and Taiwan, this heterogeneous region also serves as a geopolitical buffer zone between the two major powers of China and the USA (Klemensits, 2023). Analysing the ESG aspects of SEA along with East Asia as a whole is important for a comprehensive understanding of sustainable business practices in those regions. Accordingly, this study aims to shed light on the extent to which ESG practices vary across SEA countries and on how they compare to East Asian trends. Existing literature and documents are reviewed, providing insights into the nuances and challenges of ESG disclosure and rating, supplemented with a comparison of the contexts of Southeast and East Asian countries. This study is intended to complement existing research by



examining several countries in Southeast and East Asia from the aspects of legitimacy theory, ESG disclosure and practices, and the regulatory aspects of ESG disclosure, as well as the global experience and development of ESG rating. However, it is important to recognise the dynamic nature of ESG, the rapidly evolving trends in the methodology, the lack of standardisation and transparency, the limited resources in developing economies, and the varying levels of regulatory compliance that pose inherent limitations. In the light of this, the findings of this study should be interpreted with these considerations in mind.

## 2. The Nuances, Components and Complexity of ESG in Corporate Sustainability

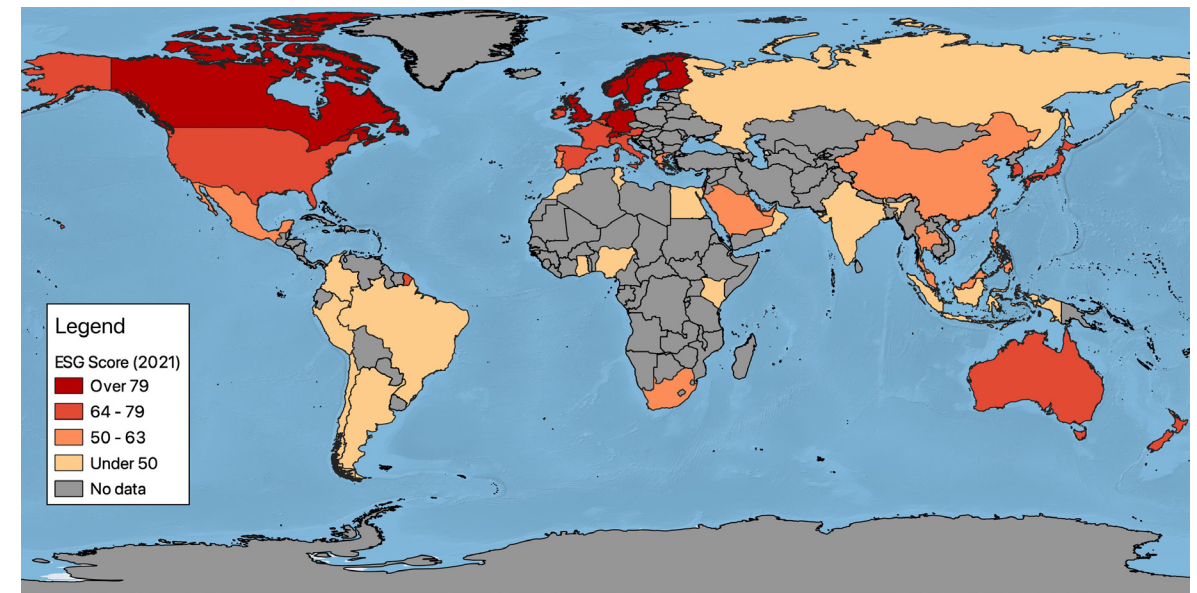
As determined by Zsóka and Ásványi (2021), there is a notable shift towards responsible corporate behaviour which stresses that it is important for companies to become more responsible regarding their environmental, social and sustainability commitments. Furthermore, Harangozo et al. (2018) emphasised the necessity for corporations to prioritise sustainability, sufficiency and social change, not only strengthening local communities but also increasing employment for a successful transition in corporate practices. These shifting perceptions of responsible behaviour have promoted a new kind of sustainability rating.

ESG is used especially in the capital markets which divide Corporate Social Responsibility (CSR) into areas of Environmental, Social and Governance responsibility, designating “pillars” that can be measured and factors to evaluate sustainability practices and performance within a company. ESG rating, scoring and ranking creates accountability measures that consider sustainable development and voluntary commitment to non-financial goals. The environmental pillar measures the efforts of a company in relation to greenhouse gas emissions, energy efficiency, resource management, etc. The social pillar evaluates societal activities such as human rights issues, employee safety, gender policies, etc. The governance pillar assesses the aspects of management remuneration, respect of the law, board independence, etc. (Billio et al., 2020).

Investors and stakeholders have developed a great interest in ESG scores and ratings, which provide them with enhanced information upon which to base long-term decisions. Figure 1 illustrates the spatial differences of ESG scores by country (based on data extracted from the Thomson Reuters Terminal); it can be observed that there is an increasing growth in the utilisation of ESG ratings, rankings and scoring of companies worldwide.

From the spatial differences of ESG scores, it can also be observed that companies in countries with more extensive and developed sustainability programmes are leading the ratings/scores out of 100. Despite this, it should be noted that the potential offsetting effect of scores, as highlighted by Escrig-Olmedo et al. (2014), is one of the most contentious elements of the evaluation methodology

Figure 1: Spatial differences of ESG scores by country



Source: Author's own editing based on Thomson Reuters data

of sustainability rating agencies. The results of summing the scores for each of the major domains or indications yield the final overall rating. Higher ratings in one domain, however, can conceal extremely poor scores in another. Furthermore, Veenstra and Ellemers (2020) supported the notion that ESG scores, rankings, ratings and indices are centred on a specific environmental, social or governance issue and a particular indicator, and therefore not all aspects of corporate social responsibility are given an equal amount of consideration by the rating agencies. Li and Polychronopoulos (2020) determined that there is no consistent data set for ESG disclosures that could lead to very controversial outcomes in the analysis, discovering that a higher score on the overall E pillar does not always correlate with a low environmental impact. Meanwhile, Boiral et al. (2020) discovered that sustainability measurements lack standardisation, meaning that accurate data is difficult to acquire and the materiality of the methodology is open to elastic interpretations, which results in the challenges faced by ESG.

As Veenstra and Ellemers (2020) stated, it is a challenge to develop a set of indicators capable of capturing the entire range of sustainability efforts balancing environmental, social and governance concerns in their assessment. However, we should bear in mind that ESG reporting and rating does not only have an impact on the behaviour of financial market actors, but also on the institutionalisation of the environment and sustainability management of corporations. In spite of these challenges, ESG is widely used to assess companies' risks and opportunities, and to provide solutions. The results and assessments of ESG ratings and scores are being used by investors to make informed decisions, and also by researchers and academics.



### 3. The Theoretical Foundations of ESG and Their Role in ESG Disclosure and Rating

To understand corporate sustainability and responsibility activities, numerous scholars have applied stakeholder theory and legitimacy theory. Stakeholder theory is the main concept of ESG, as it deals with those social actors who are directly affected by corporate activities. In accordance with stakeholder theory, companies determine the scope of the disclosures that serve the needs of stakeholders (An et al., 2011). The demand for information by stakeholders, both direct (employees requesting disclosure and data via telephone or email) and indirect (the influence of investors on disclosure practices through the rating agencies) impact on a company's practices and ratings (Lippai-Marka et al., 2021). Moreover, as stated by Adams and Abhayawansa (2022), the Covid-19 pandemic showed the interconnectedness of people, planet and profits in terms of health, climate change, poverty and financial stability worldwide. The authors determined that during the pandemic, interest in the ESG aspects of companies increased and ESG investment funds outperformed S&P 500, suggesting that companies with strong ESG practices were better positioned to endure the challenges of the crisis. In the meantime, a 2021 Consumer Intelligence Series survey by PWC found that the majority of consumers, employees and business leaders believed that companies should devise ESG best practices and that businesses have a responsibility to address ESG issues (PWC, n.d.). This highlights the importance of resilience, social responsibility and the adaptability of corporate disclosures and strategies.

Stakeholder theory is significant in the ESG practices in Southeast and East Asia, as companies are integrating ESG goals into their corporate agendas and governance; at the same time, however, clear and standardised frameworks and key performance indicators (KPI) to measure progress are needed. The engagement of stakeholders is an important aspect of ESG practices in order to learn and adapt to local nuances and cultural differences. There is a significant increase in Asian – especially Chinese – businesses disclosing and benchmarking their sustainability, which improves transparency. Be this as it may, according to the 2023 Corporate Governance and ESG Survey by AON, only 29% of Asian companies have developed KPIs for their ESG performance (AON, 2022). With the growing discussion on climate change targets, energy transitions, human rights, equality and business compliance to name but a few issues, Asian companies are incorporating numerous ESG goals. According to Kartikasary et al. (2023), Southeast Asian companies should develop quality ESG practices in order to gain legitimacy where they operate and to be accepted by society. This is also in line with stakeholder theory, which indicates that companies should consider the interests of all stakeholders in their decision-making process.

Legitimacy theory is commonly used by scholars and accountants to illustrate why companies voluntarily disclose their sustainability information. The theory states that businesses aim to coordinate their values with those of the larger social system, as corporate communications may be employed to influence how society perceives companies (Dowling & Pferrer, 1975). Therefore, having an ESG rating (and even better, having an exceptional ESG rating) can be viewed in the

same way as sustainability reporting, as it shows how well (or badly) companies are doing with their sustainability activities. By not just disclosing the facts, it can help to ensure the companies' actions are seen as legitimate by society – especially the investors and stakeholders.

Furthermore, legitimacy can be divided into institutional legitimacy and strategic legitimacy. As stated by Meyer and Rowan (1977), institutional legitimacy indicates that entities adhering to institutionalised rules and norms may gain support and credibility, therefore attracting more resources. Extending this to ESG ratings, the sense of a “license to operate” translates as a way for companies to conform to societal and environmental norms in order to attract potential investors and access the resources needed for a successful business. In accordance with stakeholder theory, strategic legitimacy can be acquired if entities survey their activities and report to their stakeholders. Such interaction with stakeholders will attract motivated and qualified employees, and ensure effective communication, collaboration, full support and acceptance.

According to Csutora (2008), trade-offs rely to a large extent on the internalisation of various sustainability challenges. She argues that by internalising these sustainability challenges, corporations can align their interests with broader ESG considerations. In the long term, this alignment can contribute in terms of more sustainable and socially responsible business operations. With companies adopting ESG practices and improving and publishing their ESG disclosure and ratings, they are moving beyond short-term profitability and changing their views on value creation with an aim to create long-term value for their shareholders and stakeholders. This significantly affects both the financial performance and the non-financial factors of a company. Stakeholder theory and legitimacy theory play vital roles in shaping the ESG practices of Southeast and East Asian countries, reflecting their importance on a global scale in meeting stakeholders' expectations and maintaining legitimacy in the business environment.

### 4. The ESG Disclosure and Rating Landscape in Southeast and East Asian Countries

In recent years, we have seen a paradigm shift from CSR to the more holistic approach of ESG disclosure and rating. ESG disclosure and rating in the countries of Southeast and East Asia is still in its evolutionary phase, with differing levels of progress in ESG development being shown in each nation. We can establish that the region is characterised by a complex interplay of social, cultural, economic and regulatory conditions, as well as by market dynamics. As Papp (2023) stated, the region in question is the most disaster-prone in the world and it is very vulnerable to climate change. Southeast and East Asian countries are socially heterogeneous and have high population densities. Prominent in East Asia are developed economies like South Korea and Japan, which focus on heavy industries and have a centralised governance structure, while SEA countries are emerging economies that focus on tourism, agriculture and fisheries, and have diverse governance systems such as democracies, monarchies and semi-authoritarian regimes. In East Asia, Confucian principles

**Table 1: Comparison of ESG Practices in Southeast and East Asian Countries**

	Southeast Asia	East Asia
Regulatory Framework	<p><b>Indonesia:</b> The Indonesian Financial Services Authority (OJK) provides a framework for issuers and public companies to implement ESG investment in the country</p> <p><b>Malaysia:</b> The Securities Commission Malaysia has guidelines for sustainability reporting</p> <p><b>Philippines:</b> The Philippine Stock Exchange (PSE) has guidelines on sustainability reporting</p> <p><b>Singapore:</b> The Singapore Exchange (SGX) requires listed companies to disclose sustainability reports</p> <p><b>Thailand:</b> The Securities and Exchange Commission (SEC) of Thailand has issued guidelines on ESG disclosure</p> <p><b>Vietnam:</b> The State Securities Commission has encouraged listed companies to report on their environmental and social impacts</p>	<p><b>China:</b> The China Securities Regulatory Commission (CSRC) plays a significant role in overseeing ESG disclosure in the securities market</p> <p><b>Japan:</b> The Financial Services Agency (FSA) and the Tokyo Stock Exchange (TSE) oversee ESG initiatives with a Stewardship Code</p> <p><b>South Korea:</b> The Financial Services Commission (FSC) and the Korea Exchange (KRX) are involved in ESG-related regulation with a Stewardship Code</p> <p><b>Taiwan:</b> The Financial Supervisory Commission (FSC) oversees financial regulations and ESG</p>
Industry Focus	<p><b>Indonesia:</b> Forestry and agriculture, mining</p> <p><b>Malaysia:</b> Energy and extractive industries, palm oil industry</p> <p><b>Philippines:</b> Business process outsourcing sector, mining</p> <p><b>Singapore:</b> Financial services, technological innovation</p> <p><b>Thailand:</b> Tourism and hospitality, manufacturing</p> <p><b>Vietnam:</b> Textile and apparel industry, renewable energy</p>	<p><b>China:</b> Manufacturing and supply chain, technology, innovation</p> <p><b>Japan:</b> Automotive industry, renewable energy</p> <p><b>South Korea:</b> Semiconductor manufacturing, electronics, green technology, healthcare</p> <p><b>Taiwan:</b> Technology, semiconductor manufacturing, green innovations</p>
Stakeholder Engagement	<p><b>Indonesia:</b> NGO and community engagement, governmental collaborations</p> <p><b>Malaysia:</b> NGO and community engagement, government and regulatory engagement</p> <p><b>Philippines:</b> Community and social engagement, governmental relations</p> <p><b>Singapore:</b> Community and social initiatives, government and regulatory engagement</p> <p><b>Thailand:</b> Governmental collaborations, labour practices</p> <p><b>Vietnam:</b> Community engagement and governmental relations</p>	<p><b>China:</b> Government and regulatory involvement, community engagement</p> <p><b>Japan:</b> Investor engagement, employee involvement</p> <p><b>South Korea:</b> Labour practices, Stewardship Code</p> <p><b>Taiwan:</b> Supply chain engagement, community relations</p>
Public Reporting	<p>Varies across countries: SEA countries require a particular form of ESG disclosure provided by their government or stock exchange with guidelines to ensure transparency in ESG reporting</p>	<p><b>China:</b> Sustainability reporting and green finance activities</p> <p><b>Japan:</b> Corporate Governance Code and Stewardship Code</p> <p><b>South Korea:</b> Stewardship Code</p> <p><b>Taiwan:</b> Sustainability reporting</p>
Integration with SDGs	<p>Varies across countries: ASEAN's Sustainable Finance Taxonomy – SEA countries (excluding the Philippines) are taking proactive steps in ESG principles and standardisation</p>	<p><b>China:</b> Regulatory framework on integrating SDGs into its ESG practices – sustainability and climate-aligned investment</p> <p><b>Japan:</b> Sustainability and climate-aligned investment</p> <p><b>South Korea:</b> Comprehensive regulatory framework – addressing climate change and integrating SDGs</p> <p><b>Taiwan:</b> ESG regulatory framework development – sustainability and climate-aligned investment</p>

Source: Author's own editing based on Melinda & Wardhani (2020); OECD (2023); Pan (2021)

influence societal and environmental stewardship, while SEA countries demonstrate diverse cultures, including religious practices, traditions and indigenous beliefs. Therefore, an understanding of these aspects is essential for companies that seek sustainable development, investors pursuing responsible investment, and regulators who aim to foster an ethical and resilient corporate environment. Southeast and East Asian countries are taking steps to develop their ESG practices in the interest of greater transparency, consolidated ESG platforms and the introduction of mandatory frameworks for ESG reporting and disclosure. The comparison of ESG practices in the region (see Table 1) shows the characteristics of each country and how their ESG initiatives meet the needs and expectations of their stakeholders, especially the local community.

Comparing the regulatory frameworks of the emerging countries of Southeast Asia and East Asian countries requires not only ESG disclosure, but membership of the Sustainable Stock Exchanges Initiative, which provides guidelines to assist listed companies on preparing sustainability information. The governments of SEA countries such as Singapore, Indonesia and Malaysia have introduced frameworks and initiatives specifically targeted at the sustainable financial sector and are aiming to develop a more standardised ESG framework that will shift ESG disclosure from being voluntary to being mandatory, like in Hong Kong and China. Considering East Asia, China, Japan, South Korea and Taiwan all have a more structured basis, since – as a supplement to their governmental regulatory frameworks – these countries align their frameworks with international reporting standards such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB). Such public reporting varies between countries, as the frameworks for disclosure in East Asian states are more structured than in SEA countries. Although SEA countries integrate SDGs in their ESG reporting, this is based on their industry focus. Regarding engagement with stakeholders, companies in SEA countries engage with their local communities, which are the stakeholders most affected by their activities (specifically concerning environmental challenges), and collaborate with NGOs and their own governments. In contrast, East Asian countries engage with their direct shareholders and stakeholders.

Southeast and East Asian countries are transitioning to a holistic ESG approach with an emphasis on a commitment to sustainable development, with efforts to standardise and align with international norms. Although the SEA countries have less developed ESG frameworks, their governments are encouraging and setting initiatives for these emerging economies to disclose their ESG information in order to gain the advantages that come with ESG disclosure and rating. Meanwhile, East Asian countries set ESG frameworks that serve as catalysts for companies to continue to disclose their ESG information. With this, the opportunity arises for SEA countries to reflect upon, adopt and benchmark practices from countries that already have well-developed systems.

## 5. The Impact of ESG Ratings on Corporate Performance

It is reasonable to assume that companies with higher ESG ratings are in a better position to handle and mitigate their risks, balanced in all ESG dimensions, resulting in the greater value of a company and a gain in legitimacy. Additionally, companies with positive corporate performances and higher valuations are feasibly in a better financial position in that they can invest in measures to improve their ESG disclosure, which might thus result in even higher ESG ratings. Many academic and asset-management researchers have analysed the relationship between ESG ratings/disclosure and corporate performance, yet correlations between ESG ratings and corporate/financial performance are considered inconclusive, as various studies have shown positive, negative and even non-existent correlations. This might be due to the multitude of methodologies used to calculate ESG ratings/scores, which can vary between various third-party agencies. ESG is a factor that could impact corporate value and performance. Basically, while multiple regression analysis might provide valuable insights, it may not entirely unravel the complexities in assessing this relationship, as it can be challenging to clarify whether the companies have better ESG ratings because they are financially sound, or whether their financial performance is influenced by their ESG practices. Moreover, it is observable that those companies with high ESG ratings are already profitable ones.

Aydoğmuş et al. (2022) determined that the overall ESG score positively impacts the financial value of 5,000 publicly listed companies from the Bloomberg database, which suggests that investing in companies with high ESG performances guarantees financial return both from value and profitability. Costello and Gan (2021) found that even with China's lower level of ESG disclosure due to the lack of standardisation in reporting metrics, its companies' ratings have been improving, with leaders in clean tech, corporate behaviour and governance such as Yadea Group Holdings (consumer discretionary) having an AAA "leader" rating, Lenovo Group (IT) and China Medical System (healthcare) having AA ratings, and Alibaba (e-commerce) a BBB "average" rating, to name but a few. Chinese firms with higher ESG ratings perform better than companies with lower ratings, as the former actively seek to reduce the risk of financial penalties such as fines over pollution and accident compensation, and they are therefore perceived to be in a better position to carry out long-term sustainable returns. Numerous studies (Henisz et al., 2019; Zumente & Bistrova, 2021) have shown that those companies with strong ESG scores and performance are better positioned for long-term value-creation, as they may develop their resiliency and sustainability by addressing environmental and social issues and adopting good governance practice. Moreover, companies with higher ESG ratings are more attractive to those seeking sustainable investments. Such investors view these companies as being less risky and more responsible, and therefore access to capital and opportunities will be developed. High ESG performers are effective at managing various risks, thus improving risk-adjustment returns and ensuring a lower volatility in financial performance that might consequently lead to operational efficiency and resource management, resulting in a lower cost of capital, cost savings and improved productivity. Most importantly, higher employee engagement means motivated employees, which means an increase in productivity.

The 2022 study conducted by Prabawati and Rahmawati using ESG data collected between 2010 and 2019 concluded that a high ESG Score is not deemed to be an advantage for companies in ASEAN. This was also the case in a study conducted in South Africa, as higher ESG ratings have no impact on financial performance in the country, determining that companies' sustainable practices are not reflected positively in its bottom-line performance (Chininga et al., 2023). These are developing economies with various and unique characteristics, and a potential reason for the aforementioned results may be that the environmental awareness of stakeholders in developing countries is generally lower than that in developed countries. As environmental concerns are not prominent in decision-making in developing countries, companies that perform well in the environmental dimension are not considered to be particularly attractive, investors rather foregrounding financial factors that produce short-term gains and having the perception that considering ESG has a negligible impact on financial performance. The priorities of stakeholders in developing countries differ from those in developed nations, for example local communities and employees may prioritise economic development and job creation over environmental concerns. Most companies in Southeast Asian countries are known for charitable donations and voluntary funding activities. However, the disclosure of this does not make any difference, as companies engaging in these activities may be perceived to have higher financial costs and weak operations and financial performances. Although this may not apply to all SEA companies, this perception can stem from challenges in resource allocation, a lack of financial transparency, strategic misalignment, stakeholder perception issues and a focus on short-term rather than long-term gains.

The impact of ESG ratings on corporate performance remains inconclusive, as – due to varied methodologies, regional dissimilarities and evolving time frames – different studies yield different results. This inconclusiveness emphasises the need to recognise the evolving nature of ESG practices and the different priorities of the countries, companies and stakeholders in developed and developing countries, as well as the unique dynamics of their different economies.

## 6. The Challenges and Opportunities of ESG Rating in Developed and Developing Countries

Trumpp et al. (2015) emphasised that ESG constructs itself as multidimensional, with various frameworks taking into consideration environmental, social and governance factors to produce a single rating or score. It was determined that companies with a robust ESG performance are inclined to remain sustainable over time. A review of ESG performed by the OECD found that the E pillar score compared to the overall ESG score has low correlations because different methodologies are adopted by different rating agencies (Boffo & Patalano, 2020). With the lack of standardisation of ESG ratings, less transparency, no consistent data and it being a multidimensional system, companies face various challenges in achieving a good ESG performance. According to Chatterji and Toffel (2010) when firms are rated poorly, they generally plan to improve their environmental position, most probably to mitigate sanctions from stakeholders. Companies improve their disclosure on the



social and governance dimensions rather than environmental aspects due to the complexity of the latter, which could be the result of the challenge of dealing with environmental issues from a finance-oriented background rather than one oriented towards the environment/sustainability.

A study conducted by Singhanian et al. (2023) comparing the ESG regulatory frameworks of developed and developing countries determined that Norway, Sweden, Denmark, Finland, the United Kingdom, Belgium and France have high ESG scores and are considered to have well-developed ESG frameworks, while Germany, Italy, the USA, Australia, Switzerland, Canada, Japan, Brazil and South Africa, which have medium to high ESG scores, have rapidly developing ESG frameworks. It should be noted that these countries – especially the European ones – have introduced the mandatory disclosure of non-financial information, therefore they have well-developed ESG frameworks. In contrast, countries with low ESG scores, such as Singapore, India, China, the Philippines, Malaysia and Argentina, are at the developing stage, while Russia, Indonesia, Thailand, Nigeria and Vietnam are still in the early stages. Although they are members of the Sustainable Stock Exchanges Initiative, which provides guidelines, and their governments encourage them to disclose their ESG information, the developing countries – especially SEA countries – only have voluntary sustainability regulations on ESG reporting and disclosure.

As every country has a different set of regulations regarding ESG disclosure obligations, the establishment of mandatory compliance with ESG regulations is an important responsibility of the respective governments and regulatory bodies. Although governments and regulatory bodies have introduced numerous strategies to encourage companies to adopt ESG disclosure practices, creating national standard initiatives as well as integrating these into national policy frameworks, the effectiveness of these initiatives lies at the level of enforcement and the clarity of ESG guidelines, as well as collaboration between governments and companies. Developed countries have more access to resources and knowledge, and the capacity to adopt sustainability frameworks. Nations such as Japan, France and the USA have strict signatory directories with sustainability laws stipulating mandatory requirements. On the other hand, developing countries have limited access to resources, technology, expertise and financing, as well as a lack of robust infrastructure, all of which makes it more challenging to implement and fund sustainability frameworks. Moreover, there is also a lack of political will, as these countries are mostly emerging economies, and their political leaders may prioritise economic growth over environmental concerns. In the light of this, countries with few and lenient regulations should develop comprehensive frameworks addressing ESG considerations, with these frameworks being tailored to their individual needs and conditions. Regardless of their location, however, companies worldwide may engage in greenwashing. Those in developed and developing countries alike may misrepresent their ESG practices in order to attract investors, enhance their reputations or comply with regulatory requirements. While companies in both developed and developing countries employ ESG marketing strategies and metrics, there is a significant difference in the regulatory environments, availability of resources and stakeholder dynamics that affects the implementation and detection of greenwashing practices.

## 7. The Policy Implications of ESG Ratings

In the interests of ensuring that ESG disclosure is robust, it is important for governments or designated ESG regulators to take responsibility for enforcement, conducting regular reviews, monitoring compliance, providing guidelines and issuing updated regulations on ESG-related issues. Furthermore, technological and digital platform integration can play a pivotal role in the ESG reporting procedure, as this system could be employed to evaluate and monitor the effectiveness of ESG adoption and the given regulatory framework. Governments could incentivise companies to adopt ESG practices and advanced reporting tools and technologies, which would make it easier to collect, analyse and report ESG data, thereby enhancing transparency and the evaluation of corporate sustainability performance. Sharing information and increasing public awareness, as well as engagement and education regarding the importance and advantages of ESG are all crucial.

The above highlights the relevance of the study by Kerekes and Wetzker (2019), which emphasises the pivotal role of integrating sustainability and responsibility into management education, potentially producing responsible managers equipped to navigate ethical challenges, prioritise sustainability and embrace social responsibility. A fundamental element of this is collaboration between government, companies, NGOs and educational institutions to launch training programmes and provide resources that would help businesses better understand the benefits of ESG and implement it effectively. As many corporations operate across borders, collaboration on an international level is also essential, and international organisations should provide support and resources to developing countries to help them overcome the challenges associated with sustainable development. Harmonising ESG disclosure standards internationally would simplify compliance for multinational corporations, thus encouraging a more consistent approach to sustainable business practices. Governments should actively engage in international forums in order to share experiences, benchmark practices, align standards and agree upon challenges to ESG disclosure, which might create long-term value for companies, their stakeholders and their societies alike. Moreover, improvements based on this could help investors make better and more informed investment decisions based on a company's sustainability reporting.

In the long run, the success of compliance with ESG disclosure and it becoming mandatory depends on the commitment of governments to enforce regulations, support companies in their transition paths to sustainable business practices and foster a culture of corporate responsibility. Through the creation of a conducive regulatory environment and the promotion of collaborations, governments could significantly contribute to the advancement of ESG disclosure and the overall sustainability agenda.

## 8. Conclusion

In conclusion, the paradigm shifts towards ethics, solidarity and trust have demanded that companies integrate sustainable practices, and this has resulted in the rise of Environmental, Social and Governance factors and Socially Responsible Investment. ESG is an effective tool for companies to communicate, measure, evaluate and assess corporate performance and practices, offering valuable information to both potential investors and stakeholders alike.

The challenges of ESG arise from its multidimensional nature, its lack of standardisation and the varying methodologies used by different rating agencies. While several studies determine a positive correlation between high ESG scores and financial value, others, such as that by Prabawati and Rahmawati (2022) in ASEAN, show no significant advantage on firm value and performance. Developing economies such as those in Southeast Asia face complex challenges due to their unique cultural, social and local conditions, not to mention the prioritisation of economic development over environmental concerns and sustainability.

The theoretical foundations of ESG are rooted in stakeholder and legitimacy theories, which provide insights into the significance of engaging with diverse stakeholders and aligning with societal values. In Southeast and East Asian countries, integrating ESG goals into corporate agendas is an increasing trend despite the challenges concerning standardisation, KPI development and disparate levels of development. As different countries have their own unique conditions and priorities, regulatory frameworks, industry focuses, stakeholder engagement and public reporting practices vary throughout both regions. As ESG gains prominence, SEA countries have the opportunity to learn from well-established systems in East Asian and Western countries through collaborative initiatives and information exchange.

The challenges in ESG rating faced by developed and developing countries alike include the lack of standardisation, the limited resources in emerging economies and the varying levels of regulatory compliance. Although developed countries have more rigorous and mandatory ESG frameworks, the general complexity of ESG persists due to the variety of methodologies employed. Accordingly, policy implications include the need for the robust governmental enforcement of a harmonious framework, technological integration, international collaboration and a commitment to fostering a culture of corporate responsibility.

While ESG ratings play an essential role in shaping today's sustainable business practices, the complexities and variations in overall ESG scores – and the outcome of this – have placed more emphasis on the importance of continuing research, international collaboration and tailored approaches to ESG practices in specific regions. This study acknowledges the current limitations and the necessity of future research to map the evolving trends of ESG rating methodologies and address the challenges of standardisation and transparency. Investigating the impact of ESG on market competitiveness and long-term value creation would help us to understand the role of ESG in influencing corporate behaviour. As – due to the demand for sustainable and responsible businesses – ESG practices will continue to gain prominence, studies on the implications of ESG both for various industries and regulatory frameworks, and for investors and stakeholders would provide a valuable understanding of how ESG will shape business practices in the future.

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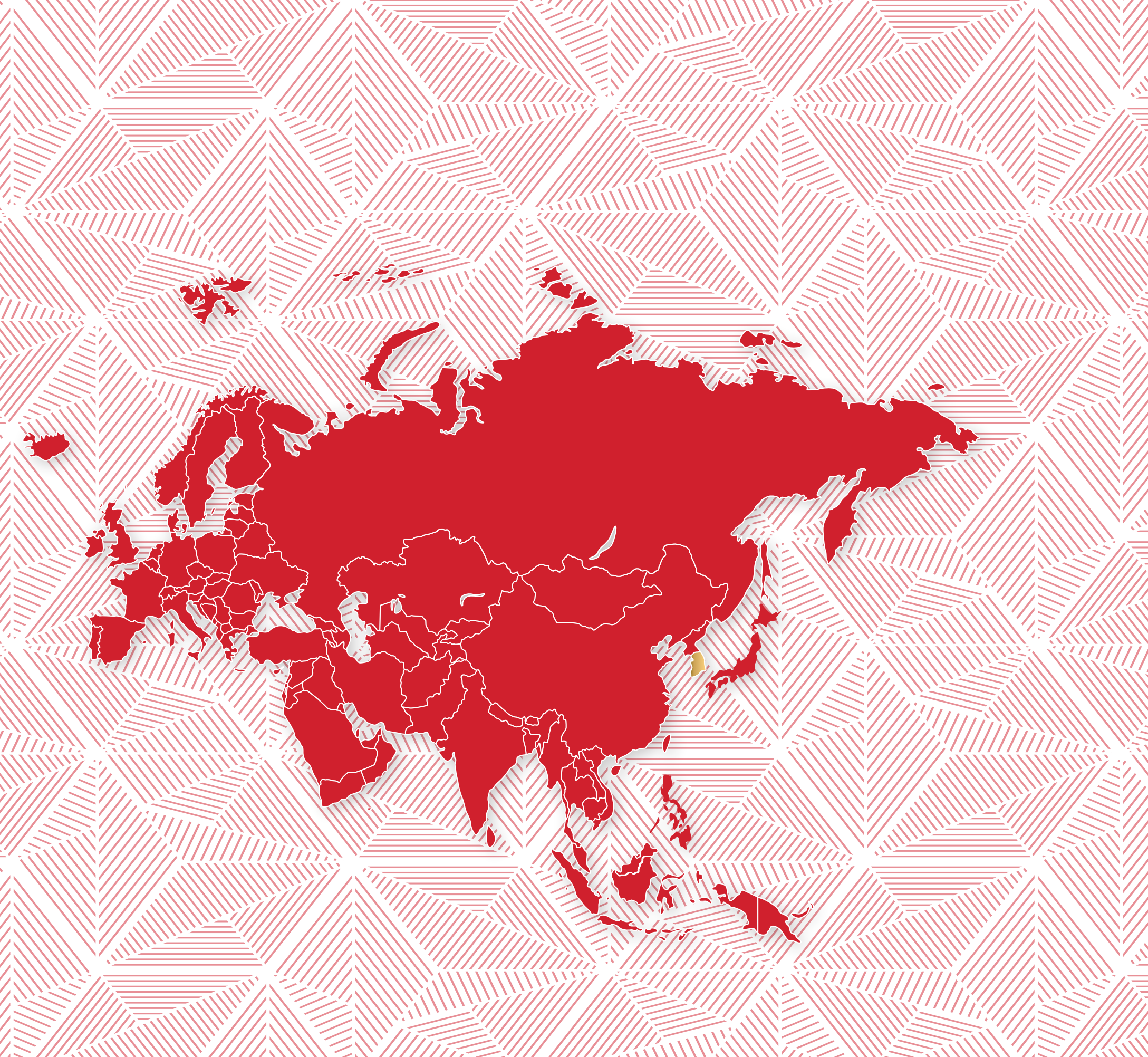
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**TOMASZ  
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The Cultivation of Self, Society and the  
Natural World in Modern South Korea's  
Confucianism and Native Religions:  
A Posthuman Perspective on Cultural  
Continuities

# THE CULTIVATION OF SELF, SOCIETY AND THE NATURAL WORLD IN MODERN SOUTH KOREA'S CONFUCIANISM AND NATIVE RELIGIONS: A POSTHUMAN PERSPECTIVE ON CULTURAL CONTINUITIES

TOMASZ SLEZIAK<sup>1</sup>

## Abstract

The religious ecumene of modern South Korea has been strongly shaped by various “new religious movements” (first among them being the *Donghak*) that are opposed to the perceived degradation caused by the Neo-Confucian regime and foreign interference of the nineteenth century. These movements have gradually inculcated themselves into Korean state politics or lobbied at the grassroots level of society in an attempt to challenge the traditionalist status quo. Moreover, their often rural, shamanist or Taoist roots characterise them as having a fundamental interest in nature, its resources and Posthuman transcendence, their outlooks contrasting with the more anthropocentric Neo-Confucianism. The presence of new religions and Confucianism alike in recent “glocal” Korean contexts has garnered wide interest, and as such their socio-political, scientific and spiritual attitudes on “growth” today warrant an in-depth analysis.

**Keywords:** Korea, doctrine, nature, resources, development, Posthumanism, politics

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## 1. Introduction – Posthuman and Nature-Centric Thought in Korean Antiquity

Despite its two states no longer hinging upon specific religious or quasi-religious denominations, the modern Korean Peninsula teems with spiritual activities, with interest in the metaphysical and the divine thriving among the populace of South Korea in particular. The Buddhism that dominated from the United Silla Period until the late Goryeo gave way to Neo-Confucian ritualism, which in turn was superseded from the late eighteenth century onwards by Christianity and new faiths. This rise of new religious systems, or amalgamations of pre-existing beliefs, was juxtaposed against the background of the decreasing political power of Neo-Confucianism and the stratum that enforced its principles – the *yangban*. Indeed, just like the Buddhist clergy formerly lost their influence in the upper echelons of Goryeo society, the nineteenth-century Joseon witnessed the decentralisation of Confucianism, with its rites and associated lifestyle gaining popularity at the grassroots level. The priests and pastors of various Christian denominations were not accorded governmental positions (with the partial exception of foreign missionaries, which constitutes a complex topic on its own); the encroachment of imperial Japan and its meddling – followed by the annexation of the Korean Peninsula in 1910 – drove a further wedge between the direct relations shared by cults and the political apparatus. At the same time, deep connections between both the old and new faiths, the management of state resources and the popular and scientific attitudes towards the inanimate and non-human aspects of nature remained prominent – maintained by particular doctrinal points of focus and the agrarian lifestyle of the majority of Korea's inhabitants.

The so-called “shamanism” in modern Korea, often referred to as “muism”, may be effectively considered to be a rural belief system, intricately bound as it is to land cultivation and animal husbandry. Combined with compatible outlooks of the more organised religions (most importantly Buddhism and Taoism), to a varying degree over time its folk beliefs resulted in the multitude of doctrinal and social positions vis-à-vis the *yangban*-led Neo-Confucianism. Notably though, all these cultural denominations saw nature and humanity as being tied together, with the abstract Heaven – interpreted as the Dharma, ancestral spirits, the Principle or the universal pattern – providing ethical guidance in a direct or indirect form. The moral and naturalistic dimensions of religious or quasi-religious systems in Korea oftentimes superseded the purely “rites-centric” aspects of worship or provided these systems with a functional, “here and now” superstructure – individual or collective growth being a particularly strong component of this *modus operandi*.

The holistic perception of the domain of human activity and the universe at large brings the modern conceptualisations of Posthuman progress to mind. Indeed, even South Korea's rapid development has been strongly based on multiple ideologies of social transcendence. The roots of this progress are not only to be found in the modern era, but also in Korea's varyingly distant past, and as such, examination of these roots will comprise the majority of this study, with particular focus on notions of collective as well as individual growth juxtaposed against the perception of humanity's relationship with other species, otherworldly beings and the perceived universe at large. The remarkable continuity



of philosophical and metaphysical notions of Korea's traditional culture, from the era of "Gojoseon" and the Korean Three Kingdoms until the Joseon Dynasty and modernity warrants a thorough examination, especially as human agency has been framed in a multitude of ways throughout Korea's history by shamanism, Buddhism, Confucianism and new religions, and invariably painted as being contingent on or otherwise intricately bound to nature and the non-human Other.

### 1.1. The Posthuman Features of the Earliest Korean Culture – the People and the Land

The popularisation of posthumanities in modern academia is to be owed to such scholars as Francesca Ferrando, Rosi Braidotti and Stefan Sorgner, but this broad field of inquiry into the human condition and the limits of anthropocentrism stems from the work of Postmodernists in the vein of Jacques Derrida and Michel Foucault, as well as the Frankfurt School, particularly Erich Fromm's theory of "biophilia". Indeed, the association between man-made metaphysical systems, their impact on societal organisation and perceptions of nature is a topic frequently analysed by researchers of Posthumanism, which – notably and contrasting with Postmodernism – is not strictly limited to the contestation of modernity, but rather challenges the entirety of history from the rise of Homo Sapiens onwards. The two most explicitly nature-focused intellectual trends in early Korea (up to the United Silla Era – the sixth century CE) were shamanism and Taoism, the latter, on its own, being relatively weak in national power, although its geomantic and "magical" aspects were otherwise influential among the elite and the non-elite alike. Belief in the spirits of nature, in ancestral ghosts present in animate and inanimate objects and phenomena which could be experienced by humanity in its daily life, or in a multitude of gods was common. Moreover, the emphasis on the parity of human, natural and non-human spiritual interests differentiates these trends from later Buddhist and Confucian perspectives, which respectively relativised the value of material phenomena, or placed the mental functions of humans and their social structures on a pedestal, above the "birds and beasts". At any rate, as the environment and natural phenomena in general have been among the primary factors influencing the development of sacred and profane technologies and techniques, we should take a brief look at the Korean Peninsula in this regard.

Among the most common aspects of the relationship between the matters of the state and the natural environment recorded in the earliest chronicles of Korean history were the various omens associated with particular moral forces and socio-political perturbations, commonly found in the *Samguk Sagi* – the earliest extant work of this type in Korean culture. At times, the connections of these omens with the "rural" factor were more explicit. For example, in the section of *Samguk Sagi* devoted to the history of the Goguryeo kingdom, a solar eclipse in the year 186 CE immediately preceded a political rebellion, which in turn prompted the then ruling king, Gogukcheon, to seek a capable administrator for the purpose of bringing order to the state; this eventually resulted in the king hiring a man named Eulpaso, who has been stated to come from a humble – purportedly peasant – background in a coastal area (Kim, 2011, pp. 100-103). It must be noted that – especially when it comes to the earlier years of the discussed era – natural (or cosmic) events were often the only distinct

occurrences the historicity of which could be confirmed. This harkens back to the earliest stages of human civilisation, the progress of which was initially marked by floods, conflagrations or plagues of insects. At any rate, these remnants or insertions from the possibly shamanist roots of Korean naturalism received further exemplifications in premodern sources. Han Young-Woo hypothesises that rituals of maturity or those associated with childbirth had a significant presence in Korea's indigenous traditions and were eventually merged with the rites of passage for prospective *seonbi* (an etymologically complex term, one meaning of which is "scholar"), thus forming a distinct connection between exposure to the elements with later Neo-Confucian methodologies of self-cultivation. In this vein, Han specifically cites the example of Goguryeo's dictator Yeon Gaesomun, who was said to have been born 'under the ice' (Han, 2014, p. 133). It must be noted that, in this case, it is at times difficult to distinguish cultural notions of purely Korean provenance from those that were definitely imported from China. Nevertheless, the spiritual link between the cultivation of self and the world can be easily traced in Korean religious and philosophical texts, and Han believes that the relative environmental stability and orderliness of the Peninsula vis-à-vis the central Chinese plains and semi-arid areas – and juxtaposed against Japan, which is frequently threatened by natural disasters – predisposed ancient Koreans towards a more holistic, rather than purely anthropocentric point of view, even where state-building practices were concerned (ibid., 2014, pp. 44-48). On the other hand, it must be emphasised that the mountainous northern part of the Peninsula has historically been less fertile than its southern, notably wetter and better irrigated counterpart. Korea has not been spared from destructive typhoons, and, especially in the north, even today the timely or late arrival of a monsoon may decide between people's well-being or a catastrophic famine or flood; all the same, it remains a historical fact that throughout the ages foreign military incursions have had a far greater impact on the population than the occasional unpredictability of weather conditions.

### 1.2. Non-human Beings and the Perception of Spiritual Leadership

The rearing of animals and relations with non-humans were intricately bound to the agricultural lifestyle of early Koreans. From "multi-purpose" cattle to tigers threatening mountain villages, human interests were strongly contingent on the condition and behaviour of a multitude of other creatures. Throughout early Korean history, the moral forces attributed to animals and the humans interacting with them abound both in the *Samguk Sagi* and in the *Samguk Yusa*, which, similarly to the former work, is also a chronicle of the three kingdoms of the Peninsula, Goguryeo, Baekje and Silla, although in this case compiled by the Buddhist clergy. The interconnectedness between perceptions of non-human creatures and political credos is particularly visible in these works. For example in 599 CE, Beop, one of the rulers of the Kingdom of Baekje, located in the south-western part of Korea, proclaimed that, based on the Buddhist precept of non-violence (non-killing), falcons were to be released, fishing tackle destroyed (Ilyon, 2007, p. 192) and the slaughter of animals prohibited. Moreover, a legend about the origins of Kim Yusin includes a perhaps thinly-veiled proscription against killing, with the death of the famed *Hwarang* leader's previous incarnation being caused by



his misunderstood, but correct guess about the number of rats present within a box (ibid., pp. 79-80). *Samguk Sagi* includes more data about the *Hwarang* (literally “flower youth”), recording the date of this group’s creation as 576 CE; the precise details concerning this fraternity of apparently beautiful, artistically and militarily skilled young men are sparse, with the classic of the *Hwarang Segi* (*The Annals of the Hwarang*) being either lost today or having a highly spurious origin (McBride II, 2008, pp. 57-88). We can, however, extrapolate from the still-extant texts that the credo of the *Hwarang* was rather syncretic, simultaneously encompassing military-style loyalty towards the state and the ruling family (reinforced by Confucian dogma), respect towards all life-forms (which has, once again, strongly Buddhist connotations) and reverence (including pilgrimages) towards beautiful or spiritually significant mountains and rivers, which, together with its focus on wisemen and hermits, implies the strong influence of shamanism (Lee, 2004, pp. 49-74). This syncretism, or perhaps eclecticism, not only indicates the holistic trends within the earliest Korean organisations spanning from the domain of religion to the domain of politics, but indeed also suggests the endurance, or at the very least the overall popularity, of building new metaphysical trends through referring to pre-existing systems of beliefs – something very clearly visible in modern Korea’s “new religions”.

The founding myth of Korea, involving Dangun, the fruit of a relationship between a celestial being and a she-bear, directly echoes the early Korea’s complex relations between the people’s faith and their administration. Dangun, the father of all Koreans and the traditionally-assumed founder of the ancient state of Gojoseon (“Old Joseon”), is thought by some to have been a shaman-ruler who united the warring tribes of the Peninsula, by others to be the mere inheritor of this title – it is possible that Dangun was not a given name at all, but rather a term signifying an individual meant to simultaneously lead the people and placate the spirits, furthermore being someone whose personal traits and leadership capabilities made them comparable to China’s ancient worthies (Hwang, 2017, pp. 2-4). Moreover, during the period of Buddhist domination, from the Three Kingdoms until mid-late Goryeo, the image of a ruler was associated with Chakravartin, the ultimate lord of the universe (Best, 2007, pp. 35-50). Yet while the *Hwarang* certainly had direct ties to the upper echelons of Silla society, we could interpret their aforementioned activities to emphasise the top-down character of the fraternity’s doctrine, with a strong theoretical basis that made them a distinct and socially important element of early Korea taken as a whole. It remains an important academic issue to investigate the proportion of holistic trends as opposed to more limited – or socially delineated – ones among religious traditions and movements of the discussed and succeeding eras in Korean history. After all, the proliferation and collective popularity of a given doctrine or set of precepts depended on such factors as the accessibility and coherence of the doctrine, and – the more the civilisational level of the Peninsula increased – the power of the written word. Indeed, it is in the Three Kingdoms Era that we first witness the power of classical Chinese as a signifier of high status and the backbone of the ruling stratum – this state of affairs lasting until the second half of the nineteenth century. The implications of this were manifold: the sidelining of the local, rural populace in favour of city-dwellers, the domination of Confucianism, and above all else, the ever-increasing disdain of the noble classes towards everything non-Chinese, uncultured, “dark” or “primitive”. Consequently, from the United Silla Period (ca. 500 CE), and especially from the Goryeo Era (from

932 CE) we witness new social dynamics, in which the drive towards personal and group modes of transformation – and the perception of the interconnected nature of the world and its inhabitants – became nearly the exclusive domain of a relatively small subset of the Korean populace. Following on from these contexts, as it is the period about whose social and religious arrangements we have the most ample, extant resources, let us move towards the religious situation in the mid Goryeo–Joseon Era of Korea’s history.

## 2. Society and Religion in the Goryeo and Joseon Eras

If, as postulated above, we can characterise “new religions” in Korean contexts as being counter-currents of the established metaphysical systems, their recombinations or, alternatively, the indigenous forms of response to external or internal trends or forms of cultural domination, the Goryeo Era and the beginnings of the Joseon represent key timeframes towards the understanding of this study’s points of departure. Specifically, it is in the Goryeo and the early Joseon that we witness not only the further development of the aforementioned dichotomy between the upper and lower echelons of society, their forms of religious expression and modes of organisational cohesiveness, but also the general implementation of the concepts of the public and private in daily life. The division of a Buddhist society into the faithful, unbelievers, ordained monks and laymen constituted only one aspect of these societal methodologies, and it was soon to be supplanted by the Neo-Confucian vision of a state governed by the learned scholar-literati ruling over the agriculturalist majority. The desire for transcendence, perhaps a natural hankering of humanity, was therefore cleaved into a multitude of fragments, this phenomenon coming to pass concurrently with the gradual fragmentation of society into distinct strata on the basis of both inborn status and material standing. The local power-holders, remnants of the Silla socio-governance strategies – a stratum transformed in the late Joseon Era into low-status, but locally influential administrative clerks called *hyangni* or *ajeon* – defined the rural and small-town communities, along with the lowborn *cheonmin* and predominantly agrarian *yangmin*. The Buddhist, or afterwards Neo-Confucian, orthodoxy mainly thrived in the cities, supported by a relatively reticent yet crucially skilled caste of *jungin* “technicians”. Nevertheless, the interests of the centre and the periphery overlapped, or existed in a state of mutual symbiosis; especially during the Joseon Era, the central government delegated governors to distant provinces, and important *yangban* nobility clans had many of their offshoots informally playing the role of semi-feudal rulers, simultaneously respecting the royal power and realising their own local ambitions. Moreover, given that the printed or minted currency did not always hold sway over society – especially among the noble *yangban* who, despite oftentimes being engaged in moneymaking activities in secret, officially viewed individual profit as immoral (Cho & Lee, 2015, pp. 29-51), the main media of exchange were agricultural products such as grain or rolls of cloth. The disdain of the centre towards the low or “dark” shamanist or Taoist cultures of the periphery, and vice-versa, and the periphery’s fear of the nobility’s encroachment on the material possessions and local interests of the *yangmin* or

*cheonmin* shaped the complexity of Korea's interactions in the Goryeo and Joseon eras. Totemism, or the worship of the forces of nature, was still popular in the countryside, and in major cities such as the capital, Hanyang (Seoul), the authorities pushed towards ever-greater adherence to the "pure" teachings of Sakyamuni or Zhu Xi. In the midst of these divisions and multifaceted interactions, alternative trends were, however, visible, and as noted above regarding the *Hwarang*, they pointed towards common – possibly Posthuman – approaches to personal and collective growth. The object of this study specifically focuses on these alternative trends and the formation of religious consciousness in local areas rather than the more "central" or "mainstream" forms of worship and philosophical inquiry. Let us take a look at them in more detail.

During the Goryeo and Joseon eras, we can already witness the formation of relatively well-organised cult phenomena in the countryside and in those spheres of activity traditionally dominated by the non-elites. While the central government, especially after the introduction of Cheng-Zhu Neo-Confucianism in the thirteenth century, tried to monopolise the worship of agricultural spirits through the institution of altars dedicated to land and grain such as the Joseon Dynasty's *Sajik* Shrine in Seoul (Jang, 2011, pp. 3-46), such metaphysics did not form the explicit core of Confucian administrative tradition, and it was predominantly in local areas that most of the activity pertaining to communitarian growth through spirituality took place. Social phenomena of this type that were of a distinctly "local" identity included the *gye* associations and the *Palgwanhoe*, which exerted a particularly long-lasting influence on rural and non-elite communities. According to scholars (Yim, 2017, pp. 481-490), the *Palgwanhoe*, which was a type of quasi-ritual artistic performance, embodied the martial spirit and veneration of nature associated with the early Korean traditions, possibly in the vein of the *Hwarang*. It also embodied a distinct legal ethos which was at odds with official state regulations derived from the Confucianism and Legalism that would rise to predominate later in the Joseon Dynasty. Han notes that, until the late Goryeo, the participation of the royal echelons of society in these highly regulated yet dynamic rites involved paying their respects to the myriad of gods, spirits of nature, national founders and "worthies" from the past, marking the *Palgwanhoe* as a potentially nationalistic phenomenon which was simultaneously doctrinally syncretic while giving a sense of collective purpose to all Koreans (Han, 2014, pp. 182-186). The role of performative arts such as singing and dancing in this phenomenon is important. Not only were they among the most vibrant forms of popular culture, awareness of which has persisted until the present day and influences both North and South Korea's mass media events, but the deeply emotional yet moral energy with which the *Palgwanhoe* was infused may also represent a uniquely Korean and locally applicable template for future-centric (in this sense, "Posthuman") forms of collective longing towards spirituality and material well-being. Even if their metaphysical underpinnings may not be apparent at first glance, to see the intricate connection between collective emotions and the worship of the land, it suffices to look at the relatively modern *Samulnori* percussion bands, which arose from the late Joseon's local musical tradition of *Namsadang* ("male temple group") that facilitated entertainment, social cohesiveness and a positive rhythm of work among farming communities (Hesselink, 2012, pp. 17-25).

To this day, in Korean religious movements or groups of a religious nature we can distinguish between the two primary modes of leadership: the one in which the leaders and consequently their faithful (or subordinates) subscribe to the doctrinal or functional opposition to government trends or mainstream beliefs, and the other, in which the government actively leads or otherwise provides the ideology of the given faith and supplies the material support for the group's activities. We do not need to cover the particulars of the Joseon's local administration here. What will suffice – before we move towards the modern era in Korea's religious history – is a brief conclusion regarding the more immediately relevant methodologies of Posthuman growth within Korea's late pre-modern and early-modern organisational structures, the development of national consciousness and the unique perception of humanity's organic placement within the natural world.

## 2.1. Organicism, Communitarianism and Nation-Building Practices: Material or Spiritual?

To reiterate, for the majority of its history, Korea's society was predominantly agricultural. With cities being initially few in number, life was concentrated in villages that were frequently separated from one another by mountains, forests and valleys, and the existence of the spirits of nature and the dead was considered a given. Despite the vibrant mythologies surrounding the births and flourishing of the founders of the Three Kingdoms of Goguryeo, Baekje and Silla, none of these figures gained the same hallowed status as Dangun, implying a lasting idea of a single country unified by a shared mythology. At the same time, strong local identity, combined with a fear of the unknown, resulted in the cultivation of the land being linked with the veneration of nature and defence against encroachment by "the Other", this complex symbolism being signified by, among other examples, the protective features of ritual "totem" poles (*jangseung*) and stone mounds (*dolmuji*) at the entrances to villages. This fear was escalated by later incursions by Japanese pirates, the invasion of Hideyoshi's Toyotomi's army in 1592–98, the punitive military expeditions of the ascendant Manchu Qing Dynasty in 1627 and 1636–37, and finally the loss of the country's sovereignty to Japan at the beginning of the twentieth century. Consequently, not only was the shared socio-linguistic identity of Koreans gradually reinforced in the face of the ever-present threat of "barbarians", but the simultaneous national and local suffering experienced by Korean people only added to their enduring sense of uniqueness and isolation, which in particular predisposed Korea's local areas towards absorbing external ideologies that reinforced their culture. In light of this, the attempts at full subordination of the "periphery" by central institutions never truly succeeded, and the country, whenever it was fully sovereign in pre-modern and early modern eras, was never completely centralised in terms of either administration or culture. When Buddhism gradually became the official state religion during the Three Kingdoms and Goryeo eras, and was followed by the Neo-Confucianism of the Joseon, the religious syncretism was more pragmatic than forceful. Essentially, Buddhism was not sufficiently materialistic for the interests of the farming communities (with the additional caveat of the Buddhist emphasis on separate, non-secular forms of cohabitation), while Confucianism incorporated a strong component of social elitism, in its Korean form largely favouring limited, rather than universal,



access to education and government positions. Accordingly, the features of the official, “mainstream” religions that gained actual, state-wide popularity were the ritual corpuses of Buddhism and Confucianism that gave purpose to families, collective emotions and the annual, seasonal rhythm of life. Moreover, while the presence of Taoism in Korea’s religious history is predominantly considered to be minor (Grayson, 2002, pp. 51-52), the common use of its related geomantic methodologies, and its symbolism of *yin-yang* or the four elements has been noted. Just as the state utilised geomantic expertise through the construction of palaces and shrines, the relevance of spatial arrangements affected the means of existence of peasants and the lowborn; the aforementioned encroachment of the *yangban* on the interests of farming communities often took the form of nobles wantonly subsuming local forests under their domain (Bae, 2016, pp. 269-297) with the pretext of seeking favourable ground for clan gravesites, in order to virtuously follow the rites of ancestral worship. Other than forming *gye* associations to defend themselves against this encroachment, the non-elites also adapted those external features of the Neo-Confucian nobility that were compatible with the pre-existing aspects of their rural lifestyle and allowed them to increase their standing locally. For example, the imitation of *yangban* rites and styles of clothing were seen as effective signifiers of high status, even if the philosophical underpinnings of Neo-Confucianism were of secondary importance to the commoners (Kwon, 2012, pp. 269-298).

More particularly in the mid-late Joseon Era, the idea of a self-regulating group operating on a more day-to-day basis of moral edification became an integral part of Korea’s social culture. The *Hyangyak* (community compact), most famously adapted to Korean circumstances by the famed Confucian Yi I Yulgok based on Chinese Song-Era regulations, involved dividing the local society into communities based on the principles of Neo-Confucianism; centred on granaries, membership in these compacts was calculated on the basis of a household’s proximity to these granaries. The direct connection between the community’s material output, the management of natural resources and collective growth in the realm of high ethics reminds us of Durkheim’s methodologies concerning the organisational aspects of religion. On this note, Donald A. Nielsen remarks, ‘How can “moral” phenomena be “physical”? Only because, when society is fully assembled and in action, it generates a type of “force” distinctive to human society, a “force” which is a part of the realm of nature, but is also moral, since it is exercised by humanity on humanity’ (Nielsen, 1999, pp. 208-209). Development of the collective moral force that would transform community members’ lives along with the immediate reality can, of course, be multifaceted and have different points of origin. The operation of the *Hyangyak*, at the most basic level, was likely indistinguishable from more “organic” forms of agriculturalism, the key point of difference being the involvement of the *yangban* scholar-officials. After all, as mentioned above, throughout Korea’s history the vast majority of the non-elite populace was illiterate and depended on the authorities’ lectures and explanations in order to properly apply Confucian principles in daily life. Thus we arrive at the intersection of horizontal (common) interests, the process of learning and the vertical (top-down) nature of law. Warfield Rawls remarks on such phenomena and their delineation: ‘[...] Durkheim argues that all societies need persons in those societies to develop shared categories of the understanding. Because society requires logical consensus, it must ensure that logical consensus is created. In order to create logical

consensus, persons must participate in certain types of enacted practice that create moral force’ (Warfield Rawls, 2004, p. 63). The compacts between the *yangban* leaders and the creators of the *Hyangyak* were officially motivated by the goal of emulating the idealised past of Chinese antiquity, with rule by kings, emperors and ministers believed to be paragons of wisdom and morality, and the embodiments of the highest virtues of humanity. On this point, Deuchler notes that in the Joseon’s administrative circles there existed a tension of sorts between those scholar-literati who focused on an exact one-to-one restoration of the institutions of the Yao, Shun and Zhou dynasties (1046 BCE–256 CE), and those whose main interest lay in self-cultivation and the practice of traditional rituals, as well as their inculcation into Korean communities in a more abstract, yet also perhaps “grassroots” fashion (Deuchler, 2015, pp. 67-68). In essence, Confucian self-cultivation was intended to foster peace and stability within a given state through the promotion of sincere and lifelong learning (“the investigation of things”) accompanied by a resolute mind and authenticity of thought and action, the regulation of families by their members who followed these guidelines, and – eventually – the recreation of the ancient, ideal societal order through the gradual popularisation of these methodologies (Keenan, 2011, pp. 38-50). Regardless of these noble goals, the establishment’s modus operandi in local areas was certainly underpinned by pragmatic concerns, and the processes of edification, considered to be initiated by state rulers themselves, were in many ways no more than a camouflage for the government’s desire to have a stable, obedient taxation base. The successive kings were indeed frequently urged by officials to maintain a proper ethical and ritual “posture” in order to assure the stability of the land and the good behaviour of their subjects, as per the concept of correlative cosmology. For example, in the *Joseon Wangjo Sillok* (*Annals of the Joseon Dynasty*), a key historical source from the period under discussion, we witness the state adviser Yun Hyu providing guidance to King Sukjong in this regard: ‘If the way of Heaven is not established, the sun and the moon and the ten thousand things [everything] cannot run their course; if kingly virtue is not strong, even if all officials may be controlled, edification cannot continue; the royal force unifies Heaven and humanity, hopefully bringing virtue to one’s heart. [...] Therefore do not neglect things even slightly, so as not to stray from the ancient traditions and never stop in observing social customs’ (*Sukjong Sillok*, 6:59a [1677/11/3]). Jung Jin Young witnesses the clash between the noble ‘customs’ and the socio-economic reality, emphasising the interplay (and at times, the plain dichotomy) between personal growth or transcendence achieved through moral cultivation via Confucian classics and more mundane development by means of market influence, material resources and position in the taxation system. Of particular note is his conclusion that the most serious threat to the livelihoods of farmers stemmed not from the relative weakness of their in-born status vis-à-vis the local noble clans, but rather the often unstable nature of the local economy, which was dominated by the state and its agents (Jung, 2015, pp. 153-191).

The traditions in the vein of Confucian self-cultivation, the *Palgwanhoe* and the *Hwaran* were absorbed by local communities and given unique, syncretic forms with the rationale of improving the material conditions of local areas, which were, as earlier mentioned, subject to weather conditions that were not always optimal. In the pre-industrial era, the chain of cause and effect was not always perceivable, and so a human being, Korean or otherwise, lived in circumstances in which agricultural



pests such as rats, direct threats to human lives such as tigers, and unexplained astral, meteorological and geological phenomena had symbolic agency which humans firstly desired to placate, and then transcend. A Buddhist monk sought *Nirvana*; a Neo-Confucian strived for the continuation of family and ancestral worship; and a local agriculturalist wanted to protect his interests by symbolically gaining a higher standing. While well-to-do individuals had ample resources to shield themselves from direct exposure to the aforementioned threats and could pursue philosophical learning grounded on abstraction, a non-elite member of society had no such luxury, and so the pragmatic aspects of religion and the means of transcending material hardships were much more important to them. As a significant number of Korea's new religions were formed by the descendants of non-*yangban* or non-clergy, this kind of "pragmatic Posthuman transcendence" formed the crux of these newly-established cults, which placed emphasis on strong individual leadership, the spirit of commonality or nationalism, the acceptance of rites or magical formulas as regulative factors in the community, and respect towards the land and the non-human beings inhabiting it, figuratively or in reality. Let us now examine a few examples in which these trends from pre-modern Korea resulted in the development of unique spiritual movements from the late nineteenth century onwards.

### 3. New Religions, Confucianism and Posthumanism in the Modern Era – Spiritual Odds, Ends and Continuities

Aside from the indigenous variables, or those pertaining to Korea's immediate East Asian cultural vicinity, another religion – of distinctly foreign origin – marked its presence in the Peninsula in the late eighteenth and early nineteenth centuries. Indeed, following the reconciliation between the Joseon and the "barbarian" Manchu Qing Dynasty (after the 1637–42 invasions by the latter's forces), the Neo-Confucian establishment of Korea became deeply aware of the global force of contemporary Christianity and of the early-modern European science and philosophy in which missionaries quite often demonstrated expertise. While there were key members of the scholar-literati who expressed personal support for the Christian faith, such as the relatives of the famous agronomist, philosopher and poet Dasan Jeong Yak-Yong, the newly-introduced religion became predominantly the domain of the lower social strata, where, along with the other metaphysical systems discussed above, it grew to be a basis for the contestation of the socio-political order for generations to come. In some cases, as we have seen in recent years, these grassroots phenomena evolved to support specific political options. The Church of Eternal Life, members of which were involved in the 2016 presidential scandal, the *Shincheonji* Church of Jesus, involved in disruptions of Covid-19 quarantine, and the deeply expansive *Daesun Jinrihoe/Jeungsando* all derive their approaches from the nineteenth-century movement known as *Donghak* ("the Teaching of the East"; as opposed to the *Sohak*, "the Teaching of the West", that is, Christianity), later called *Cheondogyo* ("the Teaching of the Heavenly Way"). The strong focus on a community led by an "enlightened" figure is certainly common in these religious trends. Moreover, other than the cases in which a group professes strongly Buddhist or Christian

beliefs, there is a discernible interest in the well-being of the natural environment. The involvement of Korea's new religions with widely-perceived societal progress – as evidenced by the ownership of health facilities by the leadership of the cults (Baker, 2016, pp. 7-39) – is a fact that is clearly visible in the media. The distinctly Posthuman aspects of their teachings are generally modelled on the legend of Dangun, Taoist-like narratives, and mythologisations of the lives of the founding fathers and other historical figures (such as the Jesuit priest and scholar Matteo Ricci) (Flaherty, 2004, pp. 26-44). Messianism is a common theme, sometimes being connected with the historical suffering of the Korean people (Pokorny, 2018, pp. 231-254), while the pathway to the "better worlds" (on Earth or elsewhere) is generally paved with good deeds, prayers or "mantras" (key features of Christianity and Buddhism), the cultivation of virtue and meditation on the condition of the world (Neo-Confucianism), or a regimen of physical exercises, (a distinct characteristic of Chinese Taoism). The transcendent self or the idea of a "perfected being" are certainly subjects under inquiry in Sinophone Asia's "extended" Taoist traditions which incorporate local beliefs – such as the Peninsula's indigenous "folk religions" – and interpretations of Confucian ethics within Korean society. The transformation of the self and the world was, as Park Ingyu remarks in his analysis of the *Donghak*, the *Jeungsando*, and their modern offshoots such as the *Daesun Jinrihoe*, contingent on the daily practice of a set ritual order and the recitation of words arranged into elaborate "spells" and formulas (Park, 2017, pp. 123-164). Collective harmony, communitarianism, self-cultivation, wisdom, righteousness and reciprocity – supported by strong leadership and reverence towards immense human capabilities existing in a world teeming with spirits and non-human living beings – are therefore the shared values and the general modus operandi of Korea's new religions. Ultimately, these religions are perhaps only termed "new" due to them being tentatively juxtaposed against the metaphysical and philosophical backgrounds of pre-existing, established and "mainstream" denominations, but in essence they skilfully recombine the heritage of the past and apply it for fresh purposes. Additionally, according to opinion polls, the number of adherents to Confucian values is steadily decreasing, with only approximately 74,500 Koreans declaring their affiliation to Confucianism in 2015, compared to over 483,000 in 1985 (Yoon, 2024). Combining this data with the research of Kim Jibum and his associates, which points towards the particular sympathy Confucian values hold for the adherents of Won Buddhism, as well as for Korean Catholics as opposed to Protestants (Kim, 2022, pp. 1-14), we can form a nuanced picture in which, generally speaking, despite losing its official standing as a cultural orthodoxy, Confucianism has seeped into the daily lives of South Koreans and maintained its doctrinal influence. Familism and tightly-knit societal relations combined with hierarchical dependencies may be considered to be a key subset of Confucian characteristics that are particularly resistant to change in the Korean Peninsula. As Marie Seong-Hak Kim notes, a notion of customary law akin to that in Europe has never truly formed in traditional Korea, nor have Confucian rites constituted its approximation (Kim, 2007, pp. 1067-1097). All the same, the importance of the "alternative" or para-legal intellectual current represented by the ritual corpus cannot be overstated in both modern South and North Korea, the latter state outwardly rejecting religion as a central element of its *Juche*-communist socio-political system. Indeed, as history has proved, both the leading role of the Kim "dynasty" in the North and the *chaebol* conglomerates in

the South in regard to collectivistic self-sufficiency on the one hand, and democratic capitalism on the other, have remained distinct features of their respective states. The degree to which the conceptualisation of an “enlightened monarch” edifying the masses or the model of an extended family acting virtuously in the public space actually adhere to the principles of Neo-Confucian self-cultivation is not a significant matter at this point. What is important is that both Confucian rites and the so-called new religions constitute a way of life for Koreans that goes beyond the explicitly “magical” or ritual practices conducted by families or congregations of the faithful in secluded halls, rather positing groups and individuals in much wider and continuously-developing societal contexts, in which the growth of personhood is contingent not merely on the individual desires of group members or the authority of leaders, but also on the overarching dynamics between humanity and the constantly changing (un)natural world, on the shared baggage of national experiences, and on the rapid growth of technologies which stretch and question the boundaries of anthropocentrism. In the end, neither Neo-Confucianism – a seemingly dominant strain of thought in Korea for over 500 years – nor the “new religions” should be considered or researched in an isolated manner. As well as being connected to the strategies of social organisation practiced by Koreans since remote antiquity, they are also united by the concept that rather than being mere physical entities, humans and the world at large are teeming with symbolic forces and the awareness of alternative, invisible domains of existence, all of which allows the transformation of both ourselves and the reality that surrounds us – a goal that is as naturally expressive of universal human desires as it is emblematic for modern Posthuman inquiry.

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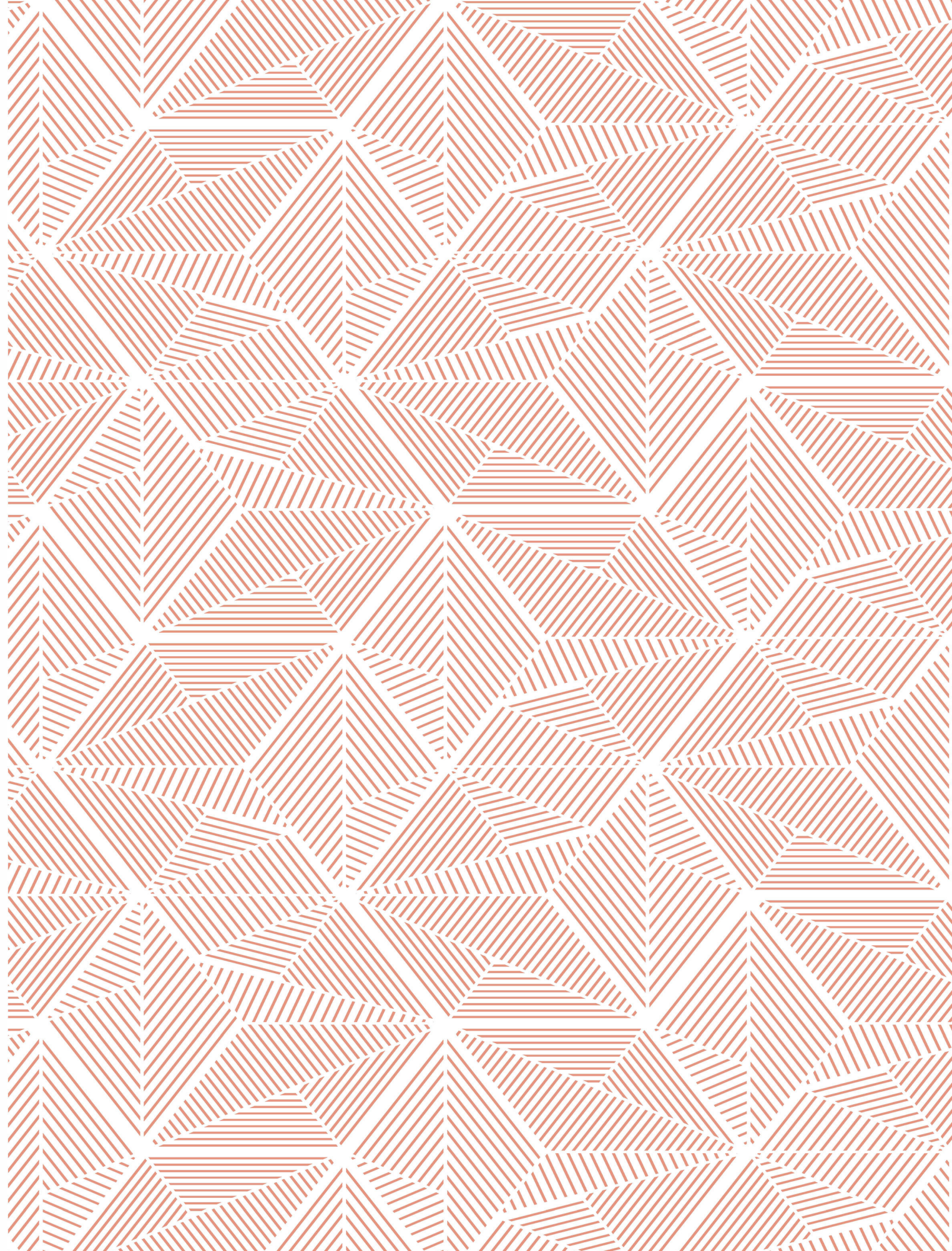
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**II**  
**SOUTHEAST ASIA**  
**COLUMN**

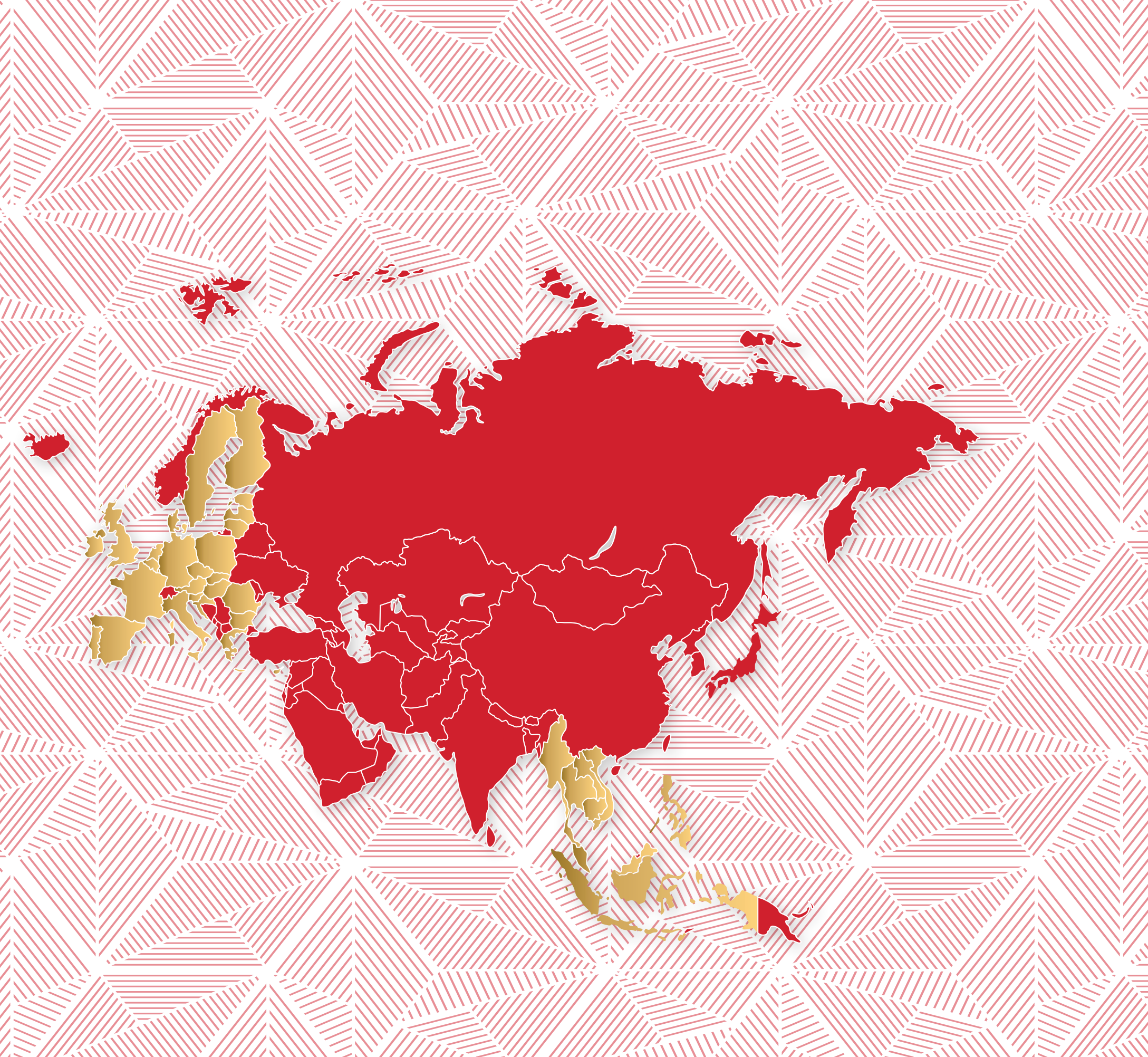




ZOLTÁN  
PÁLDI

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The EU's Ties in the ASEAN Region  
from the Perspective of Trade



# THE EU'S TIES IN THE ASEAN REGION FROM THE PERSPECTIVE OF TRADE

ZOLTÁN PÁLDI<sup>1</sup>

## Abstract

Both the European Union (EU) and the Association of Southeast Asian Nations (ASEAN) are regarded as being among the most successful examples of regional integration. Although the two entities differ profoundly, they share a history of cooperation that spans over half a century. The evolution of EU–ASEAN relations gained momentum after the turn of the millennium, and the connection presently stands at the level of Strategic Partnership, which encompasses a wide array of areas, although trade has always been the strongest pillar of the cooperation. Against this background, this study attempts to outline the main milestones and the current state of play of EU–ASEAN relations with a particular focus on economic cooperation, analysing the development of the EU's trade ties with Southeast Asia at both region-to-region and bilateral levels, and also examining the likelihood of an EU–ASEAN free trade agreement in the foreseeable future.

**Keywords:** ASEAN, European Union, Southeast Asia, free trade agreement, economic cooperation

## 1. Introduction

The Association of Southeast Asian Nations (ASEAN) and the European Union (EU) are often lauded as the two most successful regional integration initiatives of the developing and the developed world respectively, even though these two international organisations differ significantly in regard to their dimensions and depth of integration. The EU is a supranational entity, whereas ASEAN is best described as a loose intergovernmental organisation which primarily serves as a discussion platform. Still, the EU and ASEAN share a meaningful and multifaceted partnership that looks back on a long history. Following the turn of the millennium, political and security dialogue between the two regions intensified, although ever since the inception of interregional relations in the 1970s the determining pillar of EU–ASEAN ties has always been economic cooperation. In light of the above, the main focus of this study remains exclusively on trade.

Analysing official documents, previous research in the field and trade statistics, the author aims to take a closer look at how EU–ASEAN ties have evolved, with particular regard to the aspects of economic cooperation and free trade negotiations. The chapter following this introduction outlines the structural evolution of ASEAN and the deepening economic integration of the Southeast Asian region. Subsequently the main milestones of the development of EU–ASEAN ties are enumerated. Then the region-to-region merchandise trade is analysed, along with the steps taken towards the EU–ASEAN Free Trade Agreement, and the EU's bilateral commercial relations with the individual ASEAN member states. This study is concluded by a final chapter, in which its main findings are summarised.

## 2. Economic Integration and Development in the ASEAN Region

In 1967, five founding members – namely Indonesia, Malaysia, the Philippines, Singapore and Thailand – established ASEAN with the main purpose of promoting regional cooperation; however, the practical aim was to fend off foreign influence, in particular the spread of communism in Southeast Asia (Ayoob, 1985). Nevertheless, ASEAN was not originally set up as a security organisation. The idea was that the outbreak of armed conflicts could be prevented through the realisation of harmonious economic cooperation between member states. The 1967 ASEAN Declaration (also known as the Bangkok Declaration) states that the main aims of the organisation are to 'accelerate the economic growth, social progress and cultural development in the region' while also promoting regional peace and stability.

The association's first expansion took place in 1984, with the inclusion of Brunei as the sixth member state, shortly after it had gained its independence from the United Kingdom. In the 1990s, the end of the Cold War and the subsequent changes in the geopolitical landscape paved the way for the so-called CLMV countries (Cambodia, Laos, Myanmar and Vietnam) to enter the ranks of ASEAN, and by 1999 the number of member states had risen to the current ten.

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Throughout the decades, besides the accession of new members, ASEAN has also undergone significant institutional and structural reforms, deepening regional integration in a wide range of areas including economy and trade. The first-ever ASEAN Summit took place in 1976, with the leaders of the member states agreeing to establish the ASEAN Economic Ministers' Meeting to foster deeper economic cooperation within the bloc (ASEAN Secretariat [ASEC], 1976). A year later, an intra-ASEAN preferential trading arrangement was signed (ASEC, 1977). In reaction to the slowing economic growth in the early 1980s, in 1985 an ASEAN Task Force was created with the aim of addressing the issue with recommendations on how to streamline regional trade cooperation. One of these recommendations was the concept of the ASEAN Free Trade Agreement (AFTA), which was eventually accepted in 1991 and which entered into force in 1992 (Akranasane, 2017). A meaningful leap towards economic integration, AFTA introduced the so-called Common Effective Preferential Tariff (CEPT) scheme, meaning that for goods originating from within the bloc, fellow ASEAN members should apply a tariff rate not exceeding 5% (ASEC, 1992).

Another important milestone was the adoption of the ASEAN Charter in 2008, which, apart from endowing the organisation with a legal personality, officially pinned down the bloc's main purposes and its guidelines. Significantly, the ASEAN Charter also gave further credit and legal relevance to so-called ASEAN centrality, a term that originally emerged in the 1990s, meaning that the organisation should be at the centre of external relations initiatives affecting the region, which also applies to the conduct of economic cooperation with third parties. As regards intraregional trade and economy, the Charter stipulated the goal of creating a single market and production base with a free flow of goods, services, labour and investment – an objective almost identical to the EU's "four freedoms" (ASEC, 2008). To help achieve the free flow of goods, in 2010 the original 1992 CEPT scheme was enhanced into a modernised and more comprehensive instrument named the ASEAN Trade in Goods Agreement (ATIGA), with the aim of further reducing intra-ASEAN tariffs and gradually eliminating non-tariff barriers (ASEC, 2020a).

2015 saw the establishment of the ASEAN Communities, aimed at further deepening the regional integration process and fulfilling a plan that had been in the pipeline since as early as 1997 (ASEC, 2015a). The ASEAN Communities are organised around three main pillars: the ASEAN Political-Security Community, the ASEAN Socio-Cultural Community, and the ASEAN Economic Community (AEC). The targets the AEC intends to achieve within its first ten years are set out in the ASEAN Economic Community Blueprint 2025. Among the main goals listed are a 'deeply integrated and highly cohesive ASEAN economy' with 'a more equitable and inclusive economic growth', thus besides the liberalisation of trade, also emphasised is the narrowing of development gaps within the region, an issue that has long been on the organisation's agenda (ASEC, 2015b).

As regards the latter target, however, ASEAN still has a long way to go. In 2022, the per capita GDP of the region's most developed country, Singapore (USD 82,800), was almost 75 times higher than that of Myanmar (USD 1.1), the poorest nation in the bloc (ASEC, 2023a). Due to certain factors such as the absence in ASEAN's structure of a supranational-level body responsible for development aid and the national interests of member states that also regularly hamper progress, the formulation

and implementation of strategies on reducing the development gap amongst ASEAN countries is often slow, and the issue of intra-ASEAN social and economic disparities thus remains one of the main hurdles for regional integration (Cuyvers, 2019).

Another such hindering factor is that the principles of sovereignty and non-interference form a deeply embedded cornerstone for both the organisation and its member states. The importance of these principles can be traced back to the fact that – with the sole exception of Thailand – all ASEAN states are former colonies which, in a historical perspective, only gained independence relatively recently. Thus, beyond a certain extent, most ASEAN countries would simply not be willing to relinquish their (in many cases, hard-earned) sovereign control over their respective trade policies. Even though by 2018, intra-ASEAN tariffs were virtually wiped out, loopholes – such as certain member countries introducing protectionist non-tariff barriers – still persist (Sukegawa, 2021). Against this background, it is not likely that the grouping's integrational process will take a supranational turn anytime soon, and, for the time being, the ultimate realisation of the ASEAN-wide single market also remains a distant prospect (Páldi, 2022a).

That said, ASEAN has genuinely managed to uphold impressive economic growth statistics in recent years. Between 2010 and 2022, its annual GDP growth averaged at 4.4%. Over the same period, the region's economy surged from USD 2 trillion to 3.6 trillion, making the AEC the fifth largest economy in the world and the third largest in Asia, after China and Japan. In 2022, ASEAN's economy increased by 5.7%, far above the global average of 3.3% (ASEC, 2023a). According to forecasts, the growth momentum of 4-5% per annum is likely to keep up for the next few years as well (International Monetary Fund, 2023). Furthermore, ASEAN as a whole has free trade agreements in place with Australia, New Zealand, India, Japan, the Republic of Korea and China (plus a separate pact with Hong Kong). On top of all these, every ASEAN member state is a signatory of the Regional Comprehensive Economic Partnership<sup>2</sup> (ASEC, n.d.).

Parallel to its economic ascension, in recent years there has also been a considerable increase in ASEAN's political relevance, to which its geopolitical situation also contributes. Southeast Asia is located in the centre of the Indo-Pacific region, which is one of the main theatres of the great power rivalry between China and the United States. This also has an influence on the presence of other actors in world commerce and politics who are engaged with the ASEAN region – including the European Union.

### 3. The Evolution of EU–ASEAN Interregional Ties

ASEAN has a wide network of external relations. Its partnership with the European Union is actually one of the longest-standing ones, as the two international organisations share a joint history spanning more than half a century. Over the decades, the ties between the EU and ASEAN have evolved into

<sup>2</sup> Besides the ten ASEAN member states, the other signatories are Australia, China, Japan, New Zealand and the Republic of Korea.

a multi-faceted cooperation covering a wide array of areas. Having said this, Europe is still chiefly regarded by ASEAN (and its individual member states) as a trade partner, with less significance attributed to the EU in questions related to politics, security and other domains (Páldi, 2020).

To put it in a nutshell, trade and economic affairs have always been the backbone of the two blocs' interregional partnership. This is evident in practically all of the major milestones of EU–ASEAN relations. Even the first region-to-region contact between ASEAN and the European Economic Community, as early as 1972, was an economy-focused affair, with a Southeast Asian delegation led by the Indonesian trade minister visiting Brussels to discuss the benefits of commerce. Diplomatic ties between the two organisations were officially established in 1977 in the form of a Dialogue Partnership, and from 1980 onwards joint cooperation committee meetings centred on institutional, trade, economic and development cooperation have been held on a regular basis (European Commission [EC], 1996).

Although in the initial decades, the interregional dialogue partnership revolved mainly and almost solely around commerce (Camroux, 2008), this slowly began to change after the end of the Cold War. Realising that the growth trajectory of the global economy was shifting eastwards, in 1994 the EU's very first Asia strategy highlighted the need to step up its presence in the Asia-Pacific, including the ASEAN area. As a result, two years later, a document with the title EU–ASEAN: Creating a New Dynamic was issued, calling for a review of the framework of interregional ties and also underscoring the fact that trade is the 'cornerstone' of relations (EC, 1996). This new-found dynamism faded away shortly afterwards. When Myanmar joined ASEAN in 1997, the EU reacted to human rights concerns by freezing political dialogue with the bloc for nearly three years. Remarkably, though, during this period, trade between the two regions continued uninterrupted (de Flers, 2010).

To add new momentum to the alliance and further enhance the EU's engagement in the area, in 2004 the European Commission issued a communication entitled *A new partnership with South-East Asia* that targeted the broadening of cooperation with ASEAN in a number of different sectors ranging from security to human rights. The document identified six strategic priorities, one of which was 'injecting a new dynamism into regional trade and investment relations'. The idea of a 'possible free trade agreement' was also mentioned (EC, 2004). The EU's initiative to reinvigorate region-to-region ties was welcomed by ASEAN, and in 2007 the two parties resolved to elevate their ties to the level of an Enhanced Partnership (EC, 2007).

In 2014, the EU and ASEAN agreed to start preparatory work on upgrading their relations even further – to a Strategic Partnership (Council of the European Union, 2014), thereby creating an official basis for the two organisations and their member states to hold regular summits and hence conduct the interregional dialogue at the highest level possible. Although this fully aligned with the EU's goals of striving to position itself as a more influential political actor in the region, progress regarding the elevation of relations was nonetheless slow, mainly due to ASEAN's reluctance. What is more, when the interregional strategic partnership was finally supposed to be announced at the 2019 EU–ASEAN Ministerial Meeting, Malaysia and Indonesia eventually vetoed the deal in order to exert pressure over the EU in regard to its renewable energy directive, which they deemed to

be discriminatory towards palm oil<sup>3</sup> (Páldi, 2020). Despite this act causing a significant delay, the EU–ASEAN Strategic Partnership was finally sealed at the end of 2020. Among much else, the two organisations' joint press release on the occasion also highlighted 'robust economic cooperation' as one of the key qualities of the region-to-region cooperation (ASEC, 2020b).

In December 2022, a special EU–ASEAN Summit was held to commemorate the 45th anniversary of the formal establishment of interregional ties.<sup>4</sup> During the summit, considerable attention was received by the announcement that the EU was mobilising EUR 10 billion for infrastructure projects in ASEAN within the framework of the Global Gateway (Council of the European Union, 2022). This programme, widely interpreted as the EU's alternative to China's Belt and Road Initiative, may give further impetus to EU–ASEAN economic ties, although at the time of writing, it still remains to be seen exactly how and with what effect it will take shape in Southeast Asia. In September 2023, at the ASEAN Indo-Pacific Forum held in Jakarta, a total of 22 Global Gateway Team Europe project initiatives were presented, mainly centred on connectivity. In regard to funding, however, the joint statement issued subsequent to the 24th EU–ASEAN Ministerial Meeting on 2 February 2024 still uses the carefully-worded expression of 'expected mobilisation' (Council of the European Union, 2024).

Naturally, the EU is not the only actor wishing to enhance its presence in the ASEAN region. Besides other major stakeholders, China, the USA, and their growing rivalry also affect the EU's role and position in the global arena, including Southeast Asia. To better navigate the changing geopolitical landscape, in 2016 the EU published its new Global Strategy, which emphasises the need for a 'stronger Europe'. Although by its nature the strategy mainly deals with political and security questions, it also mentions that in order to fulfil its goals in the areas of foreign and security policy, the EU should mobilise its 'economic weight' (European External Action Service [EEAS], 2016). In line with this, in 2021 the EU issued its Indo-Pacific Strategy, which, among other targets, highlights the aim to complete free trade agreements with ASEAN and its member states. ASEAN is attributed a pivotal role in this strategy, which explicitly pledges support for the principle of ASEAN centrality. The importance of ASEAN to the EU is also illustrated by the fact that the alliance is mentioned no fewer than 31 times in the 17-page document (EEAS, 2021). This underlines the fact that by the 2020s, the significance of partnership with ASEAN has increased greatly for the EU.

Amplified by the effects of the rivalry between China and the USA, the value of cooperation with the EU has also risen for ASEAN, and it may grow even further in the future. In the *State of Southeast Asia 2023* survey conducted by the ISEAS-Yusof Ishak Institute of Singapore, although only 4.2% of respondents said that the EU is the most influential (external) economic power in Southeast Asia (up from 1.7% in 2022), a staggering 42.9% answered that the EU is the most 'preferred and trusted' strategic partner for ASEAN to hedge against the uncertainties of the great power rivalry, significantly overtaking Japan (26.6%), India (11.3%), Australia (9.3%), the United Kingdom (6.8%) and the Republic of Korea (3.2%) (Seah et al., 2023).

<sup>3</sup> Malaysia and Indonesia are the world's two largest palm oil producers. Palm oil is an important export commodity for both countries.

<sup>4</sup> This was the second time an EU–ASEAN Summit had been held. The first-ever summit between the two blocs took place in 2017, on the occasion of the 40th anniversary of ties between the two entities.



## 4. Commerce and Free Trade Negotiations at the Region-to-Region Level

Considering the key importance of commerce in the realm of EU–ASEAN ties, if one intends to “measure the weight” of the EU’s influence in Southeast Asia, it is advisable to scrutinise its commercial relations with the ASEAN region and the state of play of free trade negotiations.

As can be seen in Table 1 and Figure 1, EU–ASEAN bilateral trade in goods grew steadily over the last ten years and in 2022 it stood at EUR 271.8 billion, marking an increase of 77% compared to 2012. Over this period, while the EU’s exports to ASEAN rose by 32% (from EUR 69.6 billion to 92 billion), its imports from Southeast Asia experienced a much more dynamic growth of 115% (from EUR 83.4 billion to 179.4 billion), thus the EU’s trade deficit towards Southeast Asia also expanded considerably. In terms of trade in services between the two regions, the volume more than doubled between 2011 and 2020 (from EUR 41.1 billion to 82.4 billion) (EEAS, 2022a).

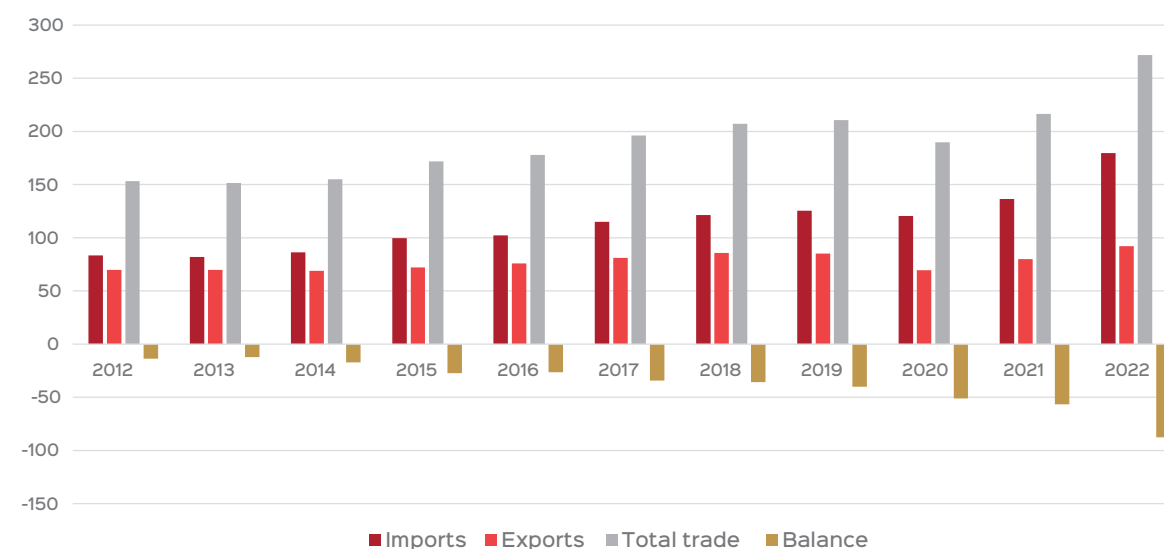
**Table 1: The EU’s trade in goods with ASEAN (Billion EUR)**

Year	Imports	Exports	Total trade	Balance
2012	83.485	69.667	153.152	-13.818
2013	82.010	69.647	151.657	-12.363
2014	86.200	68.951	155.151	-17.249
2015	99.526	72.153	171.679	-27.373
2016	102.168	75.765	177.933	-26.403
2017	115.125	80.961	196.086	-34.164
2018	121.431	85.805	207.236	-35.626
2019	125.450	85.296	210.746	-40.154
2020	120.463	69.389	189.852	-51.074
2021	136.530	79.804	216.334	-56.726
2022	179.776	92.036	271.812	-87.740

Source: Eurostat

In 2022, merchandise trade with the EU accounted for 7.7% of ASEAN’s total trade (also including intra-ASEAN foreign trade among member states), which means that currently, the EU is ASEAN’s third largest external trading partner, after China (18.8%) and the United States (10.9%), having slightly overtaken Japan (7%). Although the volume of EU–ASEAN trade achieved a remarkable increase over the last decade, it was still outpaced by the expanse of ASEAN’s commerce with China and the USA. According to the 2023 edition of the ASEAN Statistical Yearbook, between 2013 and 2022, trade between ASEAN and the United States grew by 104%, while the bloc’s commerce with China increased by 105% (ASEC, 2023b).

**Figure 1: The EU’s trade in goods with ASEAN (Billion EUR)**



Source: Eurostat

Besides trade in goods and services, EU–ASEAN investment relations are also significant. The EU is among the top providers of foreign direct investment (FDI) in Southeast Asia. In 2022, 10.7% of the total FDI influx to ASEAN originated from the EU, making it the third largest source of investment in ASEAN following the USA (16.3%) and Japan (11.9%), and, against the common belief, overtaking China by far (6.9%) (ASEC, 2023a). In 2020, FDI stocks of EU origin in ASEAN amounted to EUR 350.1 billion. Recently, FDI influx from Southeast Asia towards the EU has also begun to increase, and in 2020 FDI stocks in the EU originating from ASEAN stood at 172.4 billion (EC, n.d.).

To further utilise the latent potential of the economic cooperation between the two blocs, the first thoughts about a possible region-to-region free trade agreement emerged in the EU’s 2004 policy document, A new partnership with South-East Asia (EC, 2004). In 2007, at the 16th EU–ASEAN Ministerial Meeting in Nuremberg, both the EU and ASEAN declared support for the initiative, and FTA negotiations subsequently commenced (EC, 2007). By 2009, however, talks had already reached an impasse. The respective standpoints of the two organisations remained too far apart and the great differences in the development levels of individual ASEAN member states, and therefore, their diverging interests towards the interregional FTA, as well as the status of Myanmar, back then still under EU boycott, proved to be obstacles too difficult to overcome. As a way forward, instead of continuing to pursue negotiations with ASEAN as a whole, the EU decided to move on at the bilateral level, that is, with individual ASEAN member states. The idea was that these bilateral FTAs would then serve as “building blocks” for a future interregional-level agreement (Cuyvers et al., 2013).

In spite of the above, the topic of an EU–ASEAN FTA has never been fully removed from the agenda. In 2014, at the 20th EU–ASEAN Ministerial Meeting in Brussels, the parties hinted that EU–ASEAN FTA negotiations might resume after the establishment of the ASEAN Economic Community (Council of the European Union, 2014). The 2016 EU Global Strategy states that as part of its plan to enhance its economic diplomacy in Asia, the EU will work towards FTAs with its external partners, including ‘ASEAN member states, with the goal of an eventual EU–ASEAN agreement’ (EEAS, 2016). In 2020, upon announcing the elevation of region-to-region ties to the level of Strategic Partnership, the EU and ASEAN also signalled their commitment to ‘further efforts towards creating a practical framework for an ambitious ASEAN–EU Free Trade Agreement’ (ASEC, 2020b). In its 2021 Indo-Pacific Strategy, the EU emphasises that it ‘remains interested’ in FTA negotiations with ASEAN and its member states, at both bilateral and interregional levels (EEAS, 2021).

In 2017, the EU and ASEAN set up a joint working group to investigate the prospects of the official resumption of region-to-region FTA talks. After a handful of meetings, however, the conclusion was drawn that the standpoints of the two sides were still too far apart. In light of this, the working group was reoriented in 2022, having the new task of developing a framework that could set out the parameters of a future interregional trade pact emphasising cooperation in sectors such as digital economy, supply-chain resilience, and green technologies and services (EC, n.d.). Currently, therefore, any EU–ASEAN region-to-region FTA remains a distant and long-term objective, and for the time being the focus remains on the EU’s bilateral negotiations with individual ASEAN countries.

## 5. Bilateral “Building Blocks”

Since the EU–ASEAN region-to-region FTA talks have been put aside to make way for negotiations at the bilateral level, taking a closer look at the EU’s economic ties with individual ASEAN member states – with a special focus on the progress regarding the “building blocks” of sealing bilateral FTAs – may help to determine the likelihood of an interregional-level agreement being realised in the foreseeable future.

Table 2 and Figure 2 show how the EU’s commerce with the individual Southeast Asian countries evolved over the period between 2012 and 2022. In 2022, the EU’s top trade partner in the region was Vietnam, with total trade in goods amounting to EUR 64.3 billion. The runner-up was Singapore with EUR 52.4 billion, followed closely by Malaysia with EUR 50.2 billion. Thailand and Indonesia took the fourth and fifth spots with EUR 42 billion and EUR 32.6 billion respectively. The list continues with the Philippines at EUR 18.3 billion, Cambodia at EUR 6.3 billion and Myanmar at EUR 4.6 billion. The EU’s trade with Laos and Brunei was marginal, amounting to EUR 553 million and EUR 196 million respectively. In terms of trade in goods with the EU, the above order of countries has not change much in the last few years.

Table 2: The EU’s trade in goods with ASEAN member states (Billion EUR)

Year	Brunei	Cambodia	Indonesia	Laos	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam	ASEAN-10
2012	0.156	1.718	23.059	0.391	28.083	0.343	9.132	43.059	26.403	20.807	153.151
2013	0.161	2.074	21.973	0.307	27.037	0.485	10.092	38.580	26.387	23.561	150.657
2014	0.239	2.533	21.988	0.355	27.762	0.778	11.675	38.725	26.048	25.048	155.151
2015	0.357	3.554	23.241	0.307	29.127	1.098	12.060	41.823	28.056	32.057	171.680
2016	0.194	4.261	23.147	0.316	29.049	1.383	11.522	42.608	29.726	35.727	177.933
2017	0.145	4.820	24.470	0.450	32.615	1.878	13.023	45.394	32.521	40.769	196.085
2018	0.562	5.142	23.900	0.380	33.573	2.623	14.376	50.667	33.136	42.876	207.235
2019	0.334	5.570	23.777	0.381	36.663	3.421	14.870	46.888	33.237	45.606	210.747
2020	0.153	4.301	20.549	0.445	35.282	3.100	12.287	41.059	29.361	43.315	189.852
2021	0.144	4.462	24.756	0.534	40.847	2.574	15.227	43.070	35.528	49.193	216.335
2022	0.196	6.319	32.615	0.553	50.263	4.649	18.381	52.412	42.098	64.325	271.811

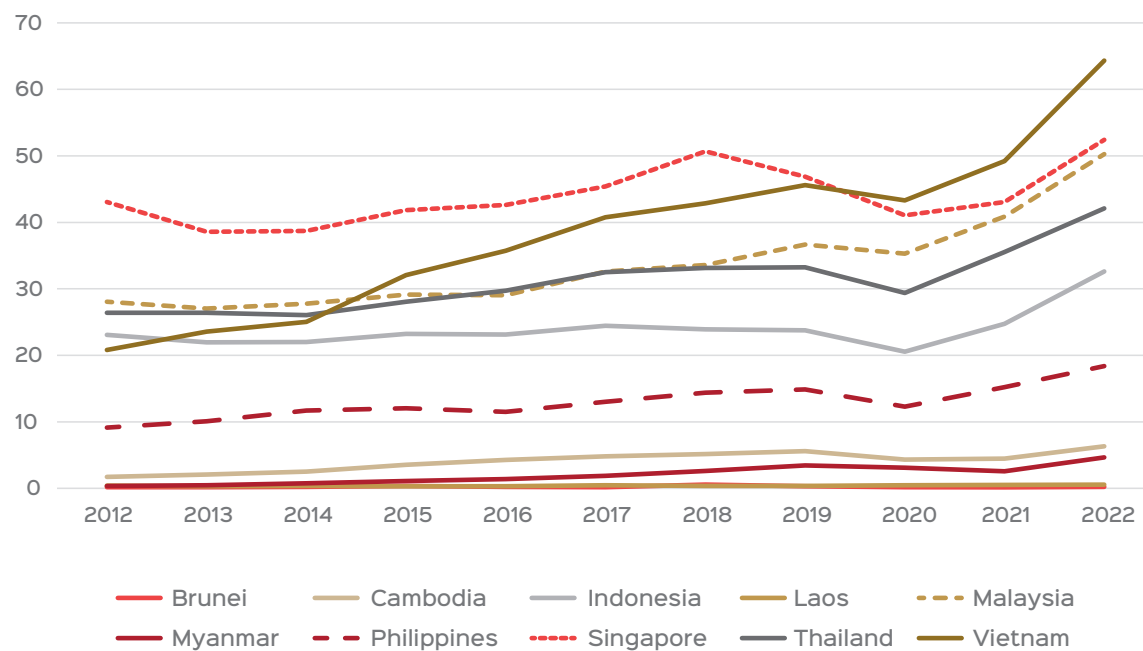
Source: Eurostat

Out of the ten ASEAN member states, the EU currently has FTAs concluded with the two that also happen to be its top two trading partners in Southeast Asia, namely Vietnam and Singapore. Singapore has traditionally been a strong ally in commerce and probably the region’s most like-minded country to the EU. Therefore, it is not surprising that in 2009 Singapore was the first ASEAN country with which the EU engaged in talks regarding a bilateral trade pact. Eventually, the EU–Singapore FTA was signed in 2018 and it entered into force on 21 November 2019 as the first of the bilateral “building blocks” towards a future EU–ASEAN agreement (Ministry of Trade and Industry, Singapore, n.d.).

Despite differences in their political systems, over the past decades relations between the EU and Vietnam underwent steady development based on massive economic cooperation (Ha, 2020). Negotiations in relation to an EU–Vietnam FTA kicked off in 2012, the signing occurred in 2019, and the agreement eventually came into force on 1 August 2020, its aim being to gradually eliminate no less than 99% of all duties on goods (EC, 2020). As a result, bilateral trade skyrocketed and Vietnam quickly became the EU’s top ASEAN trading partner – an impressive development compared to its number five position in 2021. In addition to the above, the EU has signed Investment Protection Agreements (IPAs) with both Vietnam and Singapore, which are currently under ratification (EEAS, 2022a).



Figure 2: The EU's trade in goods with ASEAN member states (Billion EUR)



Source: Eurostat

For Malaysia, the EU is the third largest trading partner following China and Singapore. EU–Malaysia free trade negotiations commenced as early as 2010; however, following eight rounds, in 2012 Malaysia requested that the talks be put on hold, arguing that the parties had exhausted their negotiating options (Ministry of Investment, Trade and Industry, Malaysia, n.d.). To date, after more than ten years, EU–Malaysia FTA negotiations are yet to resume. Although a stocktaking exercise regarding a possible resumption was in the meantime carried out, it did not lead to positive results, partly because ties between the EU and Malaysia are currently burdened by trade and sustainability disputes in connection with palm oil and also due to the EU’s renewable energy directive, which Malaysia sees as a protectionist measure (Páldi, 2020).

Thailand is another important regional trading partner for the EU, with bilateral merchandise trade centring on goods such as machinery, food products, electronics and transport materials. The EU is Thailand’s fourth largest trading partner and third largest investor. Negotiations towards a bilateral FTA between the two entities started in 2013 but were stopped by the EU a year later due to human rights concerns and the military takeover in Bangkok, and they only resumed almost a decade later as a result of Thailand’s advance in the democratisation process (EC, 2023a). Though the first round of negotiations following the relaunch took place in September 2023, at the time of writing it is difficult to say when the EU–Thailand FTA will finally be concluded.

In regard to the EU’s economic ties with Indonesia, there is definitely a great deal of untapped potential. As ASEAN’s most populous nation and largest economy, the archipelagic country is

often viewed as the bloc’s *de facto* leader. In spite of this, in 2022 Indonesia was only the EU’s fifth largest trading partner in Southeast Asia. Talks about an EU–Indonesia Comprehensive Economic Partnership Agreement (CEPA) began in 2016. Although discussions have been continuous, progress has been sluggish. By December 2023, as many as 16 rounds of negotiations had been carried out; however, despite the declaration of political will by Jakarta regarding a timely conclusion, there is still no end in sight (Ministry of Foreign Affairs of the Republic of Indonesia, 2023). Similarly to the case of Malaysia, ties are burdened by the ongoing trade disputes between Indonesia and the EU related to palm oil, steel and mineral exports, which also hamper the finalisation of the CEPA.

In the ASEAN region, the Philippines is the only beneficiary of the EU’s Generalised Scheme of Preferences Plus (GSP+). Under this incentive, since 2014 duty-free access to the EU’s single market has been granted to most goods originating from the Philippines, in exchange for compliance to obligations undertaken in the field of sustainable development and good governance (EC, 2023b). However, following President Duterte’s entry into office in 2016, EU–Philippines relations reached their lowest point. Human rights concerns stemming from the Duterte administration’s “war on drugs” almost resulted in the rescinding of the GSP+ and, in 2017, eventually stalled the ongoing FTA negotiations that had only commenced two years earlier (Iglesias, 2020). Duterte’s successor, President Marcos Jr. brought a new impetus to bilateral ties in 2022, and in July 2023 the sides announced the inception of technical discussions aimed at the potential resumption of FTA talks in the near future (EC, 2023b). That said, at the time of writing no announcement has yet been made regarding a possible date for the next round of negotiations.

The EU has not yet commenced FTA negotiations with Cambodia, Myanmar, Laos or Brunei, which are probably its least like-minded partners in the region. Bilateral trade with these countries is at a relatively low level compared to that with the other ASEAN members. The first three of this group are classified as least developed countries (LDCs) (United Nations, n.d.), hence they are eligible for the Everything But Arms (EBA) scheme which provides duty-free access for all import goods entering the EU, with the exception of arms and ammunition. In the case of Cambodia, however, in 2020 the EU withdrew the preferences granted under the EBA, due to ‘serious and systematic violations of the human rights principles’ (Delegation of the European Union to the Kingdom of Cambodia, n.d.). In light of this, it is highly unlikely that free trade talks between the EU and Cambodia will commence anytime soon.

Myanmar has disrupted EU–ASEAN ties a number of times, and recently it has caused discord within ASEAN itself. Following a long boycott, in the wake of Myanmar’s progress towards democratisation the EU lifted sanctions against the country in 2014, and talks regarding an investment protection agreement began, only to be stopped in 2017 due to the Rohingya crisis.<sup>5</sup>

<sup>5</sup> Ever since Myanmar gained independence from the UK in 1948, it has been plagued by ethnic-based conflicts. Of these, probably the Rohingya crisis gained the most international attention. The Rohingyas are a Muslim ethnic minority mainly residing in Rakhine State; however, Myanmar’s 1982 Citizenship Law does not recognise them as part of any of the country’s ‘Major National Ethnic Races’, thus rendering them stateless. As a result of long years of persecution, and following violent incidents with the military that peaked in 2017, hundreds of thousands of Rohingyas have fled Myanmar. According to the UN High Commissioner for Refugees, as of November 2023 over 965,000 Rohingyas were staying in refugee camps in Bangladesh.

In 2021, a military coup took place in the country. This resulted both in fractures in ASEAN's unity concerning how to handle the situation unfolding within their ranks and in a number of sanctions being imposed by the international community, including the EU (Páldi, 2022b). Even though the EBA preferences for Myanmar were left in place for the time being, in the current circumstances, the EU will surely not engage with the nation's junta, let alone start FTA talks.

Concerning Laos, the EU's relations with the country are much less dynamic than with most of the other Southeast Asian states. Economic ties (and free trade talks) are not on the agenda at the moment, the main focus being on development aid (Thepphavanh, 2022). As for Brunei, bilateral cooperation is minimal. Brunei is the only ASEAN member where the EU does not have in-country diplomatic representation.<sup>6</sup> Negotiations on a Partnership and Cooperation Agreement, which also serves as a prerequisite for commencing free trade talks, have been stuck for years due to the EU's concerns over Brunei's human rights issues and the Sharia Penal Code that entered into force in 2019 (EEAS, 2022b).

To sum up the above, the EU has currently only concluded FTAs with two of the ten ASEAN countries, namely Singapore and Vietnam. Negotiations, albeit showing slow progress, have been continuous with Indonesia, but they only recently resumed following a decade-long hiatus with Thailand, and with Malaysia and the Philippines they were derailed, though in case of the latter, there is some fresh hope for their resumption. Free trade talks with Cambodia, Myanmar, Laos and Brunei, however, have not even started yet and are unlikely to commence in the near future. It should also be noted that in order to more efficiently overcome the hurdles in bilateral interregional relations, both the EU and the ASEAN countries need to work on deepening their understanding of each other's core interests and priorities (Ferchen & Kuik, 2023). Even though it is clear that the real game-changer would be the realisation of an EU–ASEAN level agreement that would create a combined market of over 1.1 billion people, the current bottom line is that there is still a very long way to go until the bilateral FTA “building blocks” add up to a region-to-region trade deal.

## 6. Conclusion

Since its inception, ASEAN has undergone remarkable development; the number of its member states has doubled and significant institutional and structural reforms have taken place. Considerable steps have also been taken towards the bloc's economic integration, with initiatives such as AFTA and ATIGA, and the establishment of the ASEAN Economic Community. Although ASEAN is currently already a *de facto* region-wide free trade area, due to the nature and core principles of the organisation, along with the sizeable development gaps between some of its member states, the likelihood of the realisation of a Southeast Asian single market similar to that of the EU remains

minimal. Nonetheless, the ASEAN region boasts impressive economic development statistics and its geopolitical significance has also grown in recent years.

The history of EU–ASEAN relations spans more than half a century. Over the years, ties have evolved to the level of Strategic Partnership. High-level interactions between the two regions are frequent, and the scope of cooperation has been expanded to a wide array of areas. That said, this study asserts that economic ties have always been the central focus of the interregional agenda. From the 1990s onwards, and even more so following the turn of the millennium, the EU has been making ever-increasing efforts to enhance and diversify its cooperation with ASEAN, but at the same time, the role of trade as a cornerstone of relations has also been continuously emphasised. The EU and ASEAN are each other's third most important trading partners, and the EU is one of the main investors in Southeast Asia. In the last decade, the EU's trade with ASEAN continued to expand steadily, although it was still outpaced by the increase in ASEAN's commerce with China and the USA. Nevertheless, it is safe to say that in recent years the value of the region-to-region partnership has grown significantly for both the EU and ASEAN alike. In the future, this value might increase even more, since both organisations seek to hedge against the uncertainties stemming from the ongoing China–USA rivalry, and they see each other as trustworthy allies in this endeavour. The 2021 Strategy for Cooperation in the Indo-Pacific further underlined ASEAN's relevance to the EU, and the Global Gateway programme might also grant a new impetus to the region-to-region economic ties, though it is yet to be seen how the initiative will take shape in Southeast Asia.

Concerning an EU–ASEAN free trade agreement, negotiations started as early as 2007, although they were derailed within two years, and talks were reoriented towards bilateral agreements between the EU and individual ASEAN member states, which might serve as “building blocks” for a future region-to-region deal. To date, however, the EU has only managed to conclude two such FTAs – with Vietnam and Singapore, its top two trading partners in Southeast Asia. Negotiations are underway with four other ASEAN countries, though there has so far been little success, progress being either very slow (Indonesia and Thailand) or stalled altogether (Malaysia and the Philippines). With the remaining four ASEAN members (Cambodia, Myanmar, Laos and Brunei), FTA talks have not yet even started. Human rights concerns and trade disputes also hamper advancement. In summary, so far, the EU's efforts to seal free trade agreements with ASEAN member states have led to mixed results, and despite some recent developments sparking renewed hope (such as the resumption of negotiations with Thailand, political announcements regarding the willingness for a timely sealing of the Indonesia–EU CEPA, and the possibility of reviving discussions with the Philippines), at the time of writing the realisation of an interregional FTA in the foreseeable future does not appear to be a realistic goal.

<sup>6</sup> EU–Brunei diplomatic relations are overseen by the EU Delegation in Jakarta, Indonesia. Regarding the EU member states, currently only France and Germany have in-country diplomatic missions in Brunei.



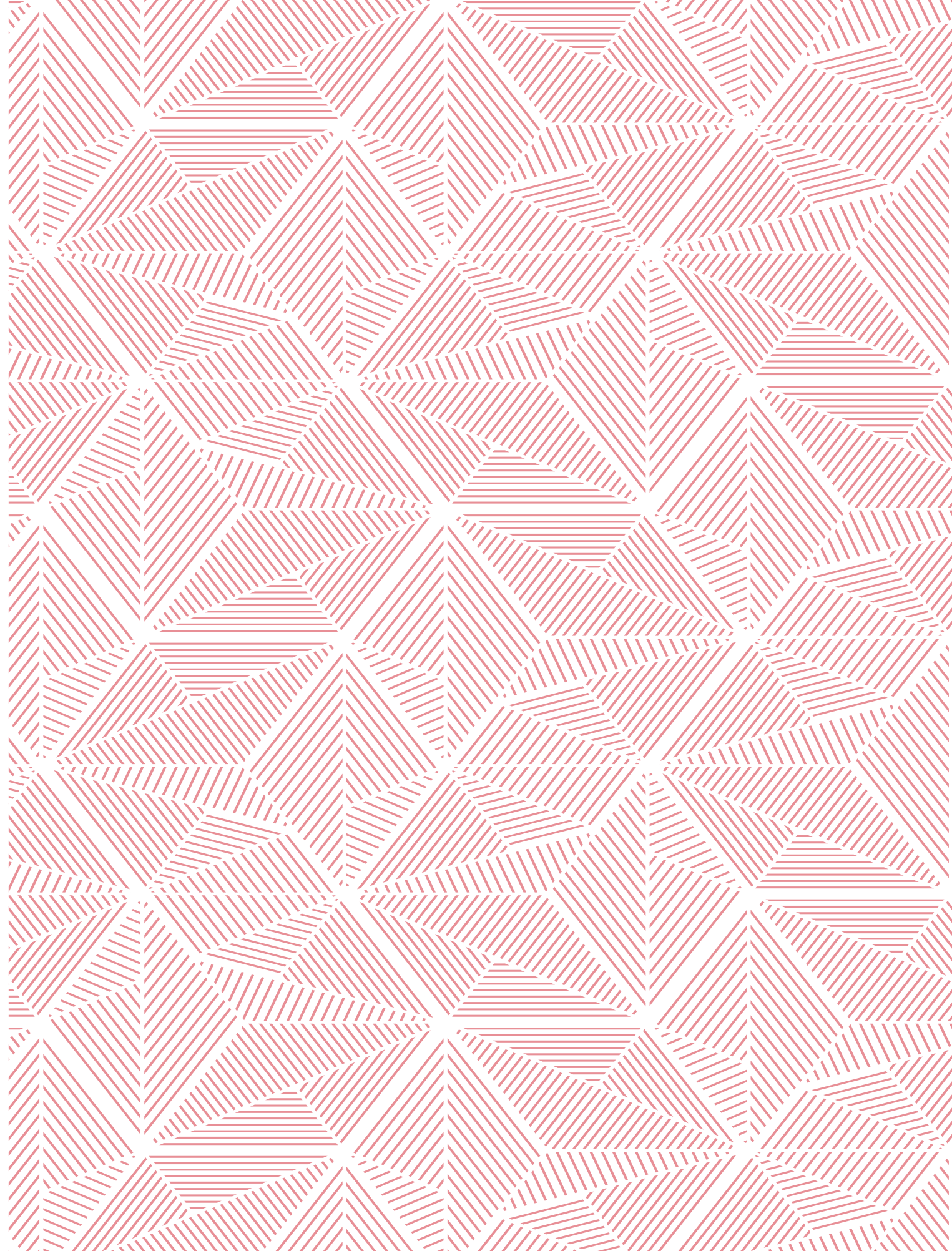
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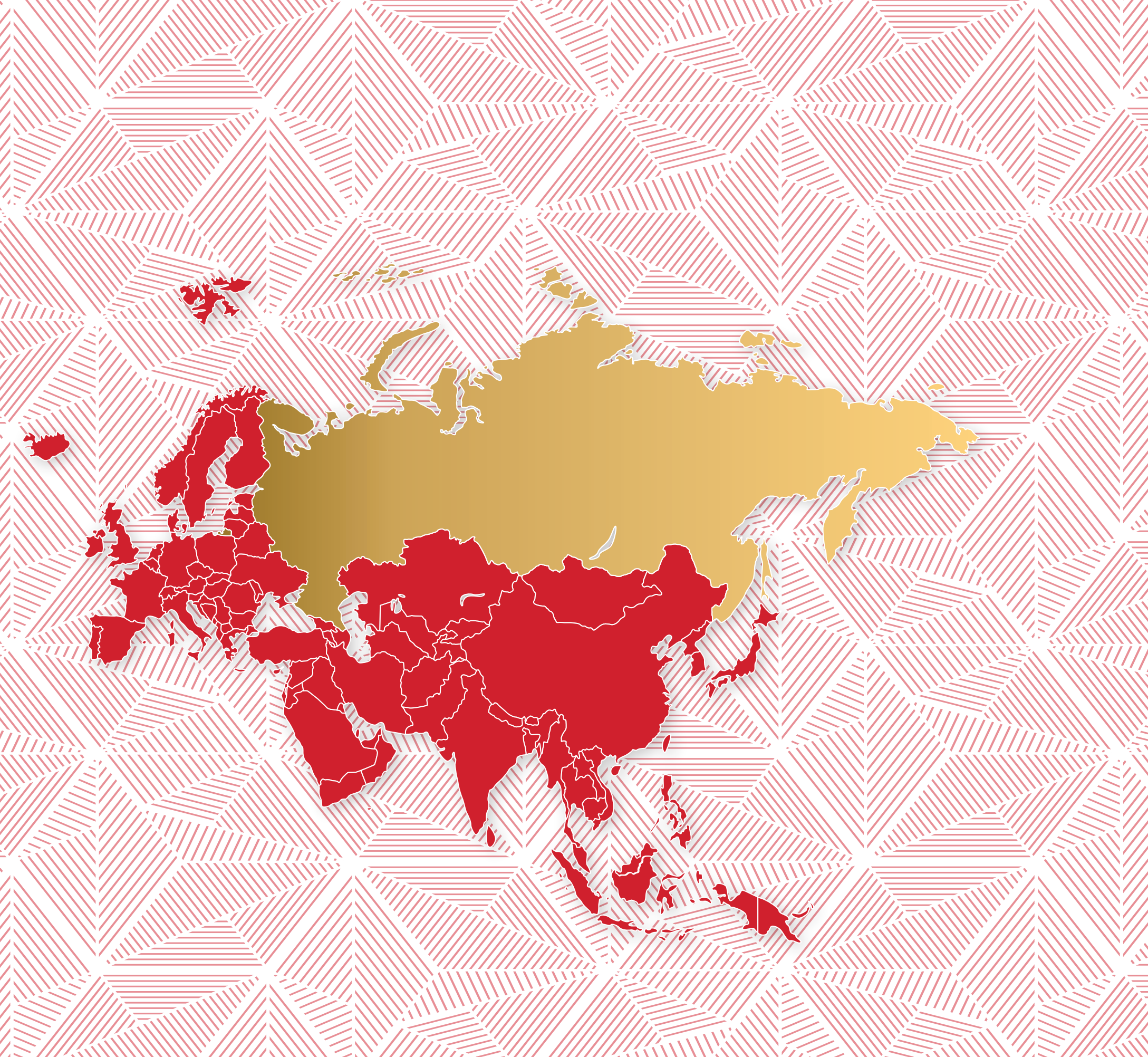
**III**  
**NORTH EURASIA**  
**COLUMN**



**TIBOR  
FEHÉR**

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Geography, Geopolitics and Statehood  
in North Eurasia from a Historical  
Perspective





# GEOGRAPHY, GEOPOLITICS AND STATEHOOD IN NORTH EURASIA FROM A HISTORICAL PERSPECTIVE

TIBOR FEHÉR<sup>1</sup>

## Abstract

In spite of what simplistic messages from both sides might imply, the Russo–Ukrainian war has a much deeper historical and geopolitical context. In this study, I argue that these features derive from the specificity of historical processes in the larger Eurasian context, which has left crucial questions unresolved for the early twenty-first century. The main geopolitical contention of this study is that the geographically undefinable western border of the pan-North-Eurasian state (presently Russia), which is at the same time the geographically undefinable eastern border of European (Western) civilisation in West Eurasia and which has led to many bloody conflicts throughout history, has resurfaced today and is impossible to settle by force and without multilateral compromises, as a total victory for any one side is unachievable. This study will also present an in-depth analysis of the mutually exclusive historical interpretations of the Russo–Ukrainian conflict and the socio-cultural differences between Russian and Central Eastern European development.

**Keywords:** Russia, Ukraine, geopolitics, Eurasianism, borders of Europe, statehood

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## 1. Statehood on the Eurasian Steppe

### 1.1. Historical Introduction

The Eurasian Steppe is a grassland ecoregion stretching from Manchuria in Northeast Asia to the Carpathian Basin in Eastern Europe. Following the domestication of the horse, it was a historical “highway” of various nomadic peoples. By listing the most important periods, we can see a changing pulse of movements from east to west and (north-)west to (south-)east, which were also driven by technological innovations (in brackets, if applicable):

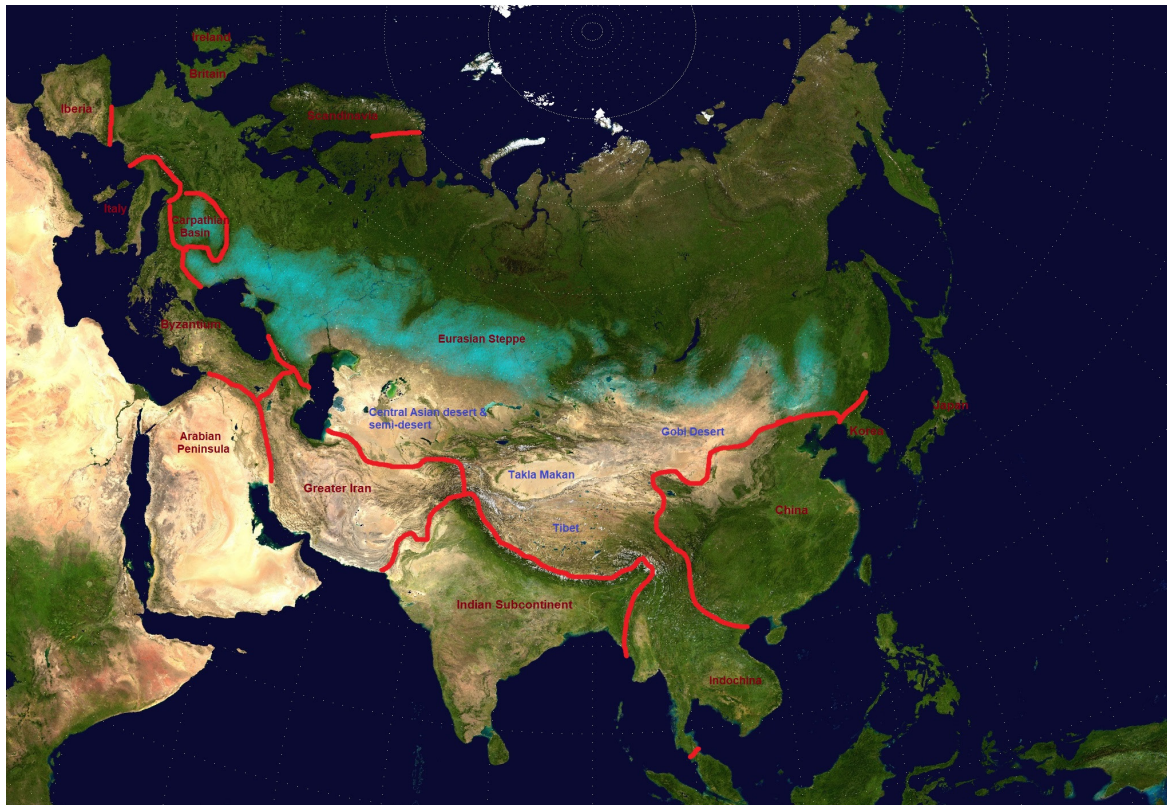
1. Proto-Indo-European migrations (see Allentoft, 2015; Haak, 2015; Lazaridis, 2022) around 3000–2500 BCE from the Dnieper–Don area towards Mongolia (Tocharians, Saka) W → E (horses/wagons).
2. Proto-Iranian migrations around 2000–1500 BCE from the Kazakh Steppe to Eastern Europe (Andronovo, Srubnaya cultures) E → W (first chariots).
3. Royal Scythian–Gelonian (Celtic-type) migrations from Central Europe to Eastern Europe (Urnfield, Lusatian, Hallstatt cultures) W → E (iron weapons).
4. Sarmatian–Alan migrations from Southern Siberia/the Kazakh Steppe towards Eastern Europe (third century BCE to fourth century CE) E → W.
5. Goths from Southern Scandinavia to Eastern Europe (third to fifth centuries CE) W → E.
6. Hun (Xiongnu)–Avar (Rouran)–Onogur–Magyar migrations from Southern Siberia to the Carpathian Basin (fifth to ninth century CE) E → W (reflex bow/cavalry archers).
7. Varangians from Eastern Scandinavia to Eastern Europe (ninth to eleventh century CE) W → E (longboats on rivers).
8. Kipchak Turks and Mongols from Southern Siberia/Altai–Sayan to Eastern Europe (eleventh to fourteenth century CE) E → W.
9. Russians/East Slavs from Eastern Europe towards the Pacific Ocean (fifteenth to nineteenth centuries CE) W → E (gunpowder).

Every Steppe empire – but most notably the Russian Empire – had to face the challenge of how to defend such a large and sparsely populated territory with no clear natural borders (Heller, 2003, pp. 13–15). While on the fringes of Eurasia there are many well-defined, more densely populated, geopolitically clearly isolated territories (the Iberian Peninsula behind the Pyrenees, the Italian Peninsula behind the Alps, the Carpathian Basin, Ireland and Great Britain as islands, the Scandinavian Peninsula, the Arabian Peninsula, India below the Himalayas and the Thar Desert/Indus, the Korean peninsula, the Japanese and Philippine archipelagos, etc. – see Figure 1 below), the North Eurasian Steppe and Taiga Forest zone lacks clear natural barriers apart from the Arctic Ocean in the north and the Pacific Ocean/Sea of Okhotsk in the east. The southern and western frontiers are especially problematic, as these areas of Eurasia are more densely populated than the

Steppe-Taiga region (I treat this as one entity due to the fact that the Taiga Forest and Tundra region has never been able to support the emergence of state formations – sparsely populated northern areas were always dominated by Steppe or Scandinavian neighbours, as described in points 1 to 9 above).

The question of Eurasian borders is intertwined with the artificial definition of the border of the European subcontinent. On the Steppe, from the Atlantic to the Pacific Oceans the only real natural barriers are larger rivers, which are listed in the table below.

Figure 1: The Eurasian Steppe (biome highlighted in cyan, natural geopolitical barriers in red)



Source: Author's own graphic

We can see that in West Eurasia the only rivers that can be considered as natural barriers are the Rhine, the Danube and the Volga, the first two also being used in antiquity for the Roman Limes. However, even the Dnieper was not large and long enough to constitute a clear divide in the land between the Volga and the Rhine, and it was crossed by various invading armies several times before the extensive hydroelectric reservoir developments after the Second World War.

The Eastern European Plain is the only part of Eurasia where there is no real barrier (a significant body of water, desert or mountain range) and it has been the usual route of European military invasions against Russia proper (the Great Northern War, the Napoleonic Wars and Operation Barbarossa in World War Two). The shortest route between the Baltic Sea and the Black Sea is

Table 1: List of Eurasian rivers from west to east

River	Length (km)	Basin size (km <sup>2</sup> )	Discharge avg (m <sup>3</sup> /s)	Discharge max (m <sup>3</sup> /s)
Rhine	1,230	185,000	2,900	13,000
Elbe	1,112	148,000	870	1,232
Oder	840	119,000	567	
Vistula	1,047	194,000	1,080	
Danube	2,850	801,000	6,465	15,900
Dniester	1,362	69,000	310	
Dnieper	2,201	504,000	1,670	
Don	1,870	426,000	935	
Volga	3,531	1,360,000	8,110	48,500
Neman	937	98,000	678	
Daugava	1,020	88,000	678	
N Dvina	744	357,000	3,332	
Ob-Irtysh	5,410	2,990,000	13,100	40,200
Yenisei-Angara	5,539	2,580,000	20,200	190,000
Lena	4,294	2,490,000	17,773	51,600
Amur-Kherlen	4,444	1,855,000	11,500	25,500

Source: Compiled by the author on the basis of CIA Factbook data

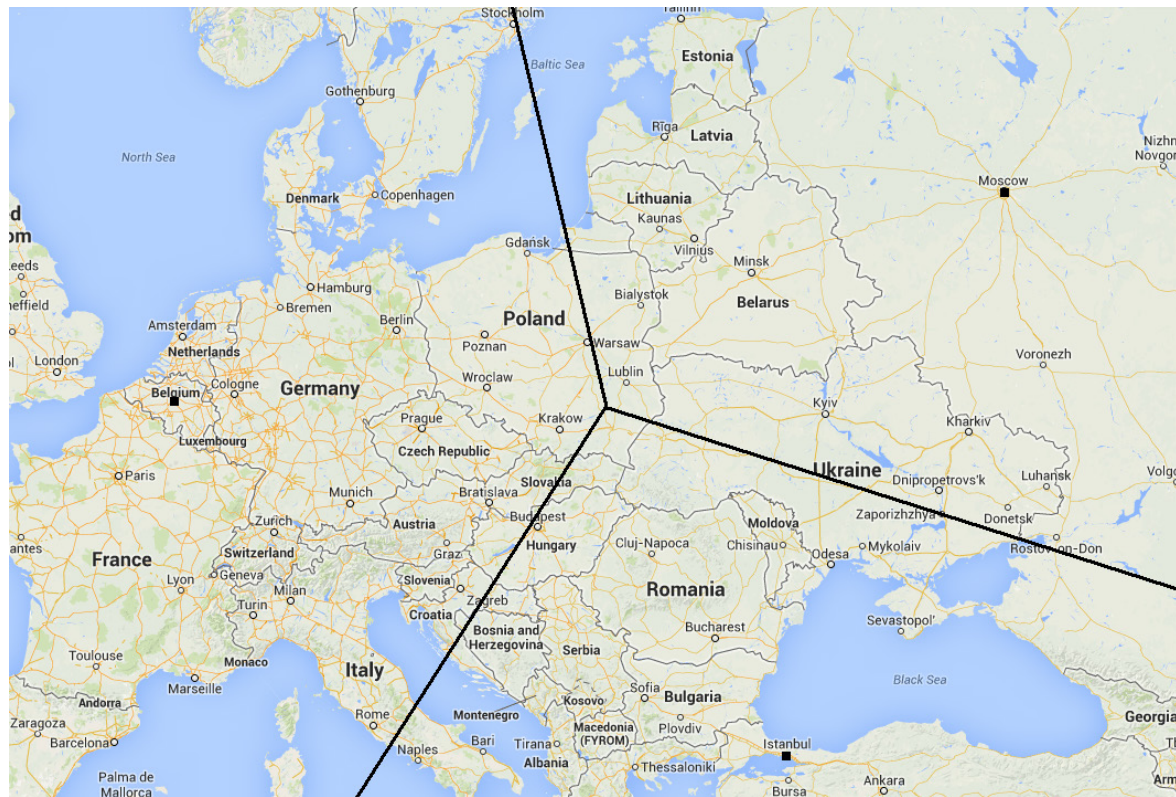
roughly 1,200 km – between present-day Kaliningrad and Odessa, more or less along the Dniester–Western Bug–Neman river lines. For any North Eurasian power, this is the ideal western border to minimise defence costs.

Due to the east–west breadth of the Steppe and Taiga areas, as well as the extensive deserts in Central and Inner Asia, it was historically unfeasible to invade any North Eurasian power from the east or the south. Any “counter-invasion” usually only happened from the west as nomads usually migrated from east to west. In the case of China, only the Yuan and Qing dynasties extended into the Steppe-Taiga region, but these were precisely the states founded by conquering Mongols and Manchus respectively and therefore cannot be considered as a Han Chinese conquest from the south-east, but rather as keeping the original nomadic territory inside the new empire. Thus the most problematic historical border of the Steppe-Taiga region is on the European side.

Considering the distances from the major population/economic hubs of Europe, we can discern three crucial borders forming three geopolitical centres: the Lower Rhine, Byzantium and Moscow (for a detailed discussion, see Fehér, 2017). Metaphorically, these geopolitical centres are the “three Romes”: Rome, the Frankish/later the Holy Roman Empire in the west; Byzantium and the Ottoman Empire/Rum in the south-east; and Moscow (the “Third Rome”) in the north-east (see Figure 2).



Figure 2: The natural influence zones of Europe's three geopolitical centres



Source: Fehér (2017)

We can see that the bee-line distances are not far from the aforementioned shortest Kaliningrad–Odessa line, as geographical realities push the Moscow–Byzantium contact line southwards to the Carpathians–Lower Danube–Black Sea–Caucasus. The Lower Rhine vs. Byzantium line fits the largest extents of the Byzantine and Ottoman Empires remarkably well.

### 1.2. Defining the Natural Geopolitical Regions in Eurasia

As we have seen on Figure 1 above, geography supports the division of the fringes of Eurasia into many “natural geopolitical entities” along which historical states were formed many times. First of all, the various islands and archipelagos have the advantage of clear boundaries (Britain, Ireland, Japan, the Philippines, the Indonesian archipelago, etc.). Mountain ranges and bodies of water delimit several other well-defined regions. These include Iberia, Italy, Scandinavia, the Carpathian Basin, Byzantium covering the Balkan peninsula and Anatolia (it is important to note that the present-day territory of Romania was never an integral part of the Byzantine or Ottoman empires, but geographically is clearly the south-western end of the Steppe), the Arabian peninsula, the Iranian plateau/Greater Iran from the Pamirs to Armenia (its western border usually on the Euphrates River, its northern one on the Syr-Darya), the Indian subcontinent, Indochina, Korea, and China

proper east of Tibet and south-east of the Gobi desert up to Liaoning (the drainage basin of the East China Sea including the Yellow Sea).

These natural geographical entities are linked by the Steppe and the temperate forest regions of Eurasia. States falling into the contested area from Southern France to Greater Manchuria (defined as the Amur drainage basin) have fought numerous wars to define their borders among themselves. The westernmost part of the Eurasian landmass was first successfully organised by Charlemagne, and the former Frankish Empire is still the core and “engine” of today’s European Union (France, Germany and the Benelux countries). The North Eurasian state had an interest in maintaining vassals along its long land borders in order to decrease the potential of invasions from the more densely settled parts of the Eurasian landmass. An optimal scenario has never been reached by any North Eurasian power, including the Mongol or Russian empires, but many of these more densely settled border areas have been organised as vassals during various historical periods.

Table 2: Summary list of the optimal satellites of a North Eurasian power

Satellite/vassal	Blocked Geopolitical Powers	Region
Finland	Western Europe (Sweden/Norway)	Scandinavia
Poland	Western Europe (Germany/France)	Eastern European Plain
Moldova	Byzantium/Anatolia (Türkiye)	Balkans/Lower Danube
Georgia	Byzantium/Anatolia (Türkiye)	South Caucasus
North Caucasus Federation	Persia	North Caucasus
Nogai Khanate (Junior Juz)	Persia/Turkestan	Central Asian Desert
Kazakh Khanate (Middle Juz)	Turkestan/China	Central Asian Desert
Mongolia	China	Gobi Desert/Inner Asia
Manchuria	China	Amur Basin (Far East)
Korea	China/Japan	Far East
Hokkaido	Japan	Japanese Archipelago

Source: Author's own suggestions

Despite the foregoing, on the Eastern European Plain, east of the Frankish/Holy Roman areas towards the Urals, political leadership was contested until the seventeenth century when it finally became clear that Muscovite Russia would organise this geopolitical region, defeating Polish, Lithuanian and Mongol–Turkic states aiming for the same goal. Poland and the Baltic states were caught in the middle of the German *Drang nach Osten* and the Russian expansion westward, which led to numerous bloody conflicts between the sixteenth and twentieth centuries. Due to these dynamics, from the late eighteenth century till the late twentieth century the western border of the “North Eurasian Empire” settled close to the geographical Kaliningrad–Odessa line, more or less in keeping

with the historical western borders of the Kievan Rus' and the early Baltic tribes. By the end of the reign of Catherine the Great (1796), the Russian Empire had practically reached the optimal extent for a North Eurasian power, not yet over-expanding into the desert areas of Central Asia or the natural geopolitical regions of other Eurasian powers (such as the South Caucasus or the Balkans).

For the record, it must be noted that there are two other potential lines demarcating West vs. North Eurasia: a shorter, approximately 900-km “pan-Slavic line” between Szczecin and Trieste – roughly corresponding to the Cold War borders, and a longer, 1,600-km line between Narva and Azov (Rostov-on-Don), which was the western border of Muscovy in the fifteenth and sixteenth centuries, the eastern border of legal Jewish settlement (the Pale) and also roughly the western border of Russia in 1992. However, the latter line excludes historically important Orthodox Rus' territories from the North Eurasian power block and is too close to the Moscow core region, while the former one includes a too large population of non-Orthodox Slavs and non-Slavs, as well as being too close to the Lower Rhine power centre. Population density is a relevant feature of drawing the lines between North Eurasia and other centres. The Central Federal District of Russia is the most densely populated part with 60 inhabitants per km<sup>2</sup>. Strategically, territories with population densities above that figure are more difficult to permanently rule/accommodate: while population density is 46/km<sup>2</sup> in Belarus, 43 in Lithuania, 30 in Latvia and Estonia, and 16 in Finland, in Poland the figure is 122, in Slovakia 111, in Moldova 86, in Romania 80 and in (pre-war) Ukraine 74. It may therefore be asserted that a sustainable western border of a North Eurasian power can only be found close to the Kaliningrad–Odessa line assuming the Great Power position of the Moscow centre or with the full integration of the Moscow centre into the Western orbit, which would mean the effective destruction of Russian statehood. While Western academic circles usually argue that Russia could make the transition to a post-imperial civic identity, the author is of the view that this is impossible due to two different reasons:

- a) In the longer term it would be unlikely to keep Russia's territory together in a fully democratic environment, as various regions would be interested in seceding democratically either on an ethno-nationalist/religious basis (North Caucasus, Tatarstan, etc.) or on economic grounds (e.g. the Far East, Western Siberia), and the European Union could not absorb/anchor the full territory.
- b) Even if Russia was able to successfully make the transition while maintaining its territorial integrity, the internal logic of its socio-economic organisation would mark a break from traditional Russian statehood, so in that respect it would be a “post-Russian” East Slavic democracy (if such a phenomenon could ever exist, which is still unclear, as even Ukraine cannot be considered to be a full-fledged Western-type civic democracy, not to mention Belarus).

The special features of Russian statehood which are mutually exclusive with Western-type civic democracy are discussed in detail in the following chapter, especially in Table 3.

### 1.3. The Early Divergence of Ukrainian and Russian Statehood

All three East Slavic countries (Russia, Ukraine and Belarus) consider the Kievan Rus' as the cradle of their nationhood. However, differing interpretations exist about the nature of their disintegration. Hard-line nationalists in both Russia and Ukraine claim exclusivity of Kievan Rus' heritage for their nations, while mainstream historiography considers the Rus' to be the predecessors of all three nations (Jekelcsik, 2014, p. 21). This topic is more than relevant today, as Ukrainian nationalists consider Russia to be the successor to the Asiatic Golden Horde, sometimes referring to Russians as ‘assimilated Turkic barbarians and Finno-Ugric drunkards’ (Heller, 2003, p. 135), while Russian President Vladimir Putin and his circle regularly deny the existence of a separate Ukrainian nation, with some right-wing hardliners claiming that Galicians are a bunch of ‘degenerate Poles brainwashed by the Habsburgs’ to weaken Russia.

Vladimir Monomakh (1053–1125) was the last Grand Prince of Kiev (1113–25) to unite the later Galician and Vladimir-Suzdalian (Muscovite) princely lines and have a clearly European spouse, Gytha of Wessex, testifying to the Europeanness of the Kievan ruling family. After this, Rus' princes usually married among their own people or took “Asian” (Cuman, Tatar, Caucasian) wives. It is important to bear in mind that after Monomakh, the next Russian ruler to marry into a European ruling family was the son of Peter the Great, Alexei Petrovich, who wed Charlotte Christine of Brunswick-Wolfenbüttel in 1711. However, this did not really mean an integration of the European and Russian royal houses, but rather resulted in non-Russians ruling the Russian Empire. Of the eight great-grandparents of the last emperor, Nicholas II, only one was of ethnic Russian origin: Nicholas I of Russia, who himself also had only one ethnic Russian great-grandparent, Anna Petrovna, the daughter of Peter the Great and his Polish commoner wife – unless we believe that Paul I was a son of Count Sergei Saltykov, but DNA analysis of the remains of Nicholas II showed them to belong to haplogroup R1b, which would be in line with origin from Denmark/Northern Germany, i.e. Holstein (see Gill, 2014; Ivanov, 2016).

To return to the early Rus', internal wars for the title of grand prince intensified following the death of Monomakh, and with his Russian and Cuman allies, the Prince of Vladimir-Suzdal, Andrey Bogolyubskiy, sacked Kiev in 1169. After this, Kiev lost its former significance (to be destroyed totally by the Mongols in 1240) and two power centres emerged: Galicia in the south-west and Vladimir-Suzdal in the north-east. Bogolyubskiy did not sit on the Kievan throne but rather established (transferred) the title Grand Prince of Vladimir (from 1169), claiming primacy among Rus' principalities. During the Mongol rule, the Asian orientation of the Principality of Vladimir contrasted with the European orientation of Galicia. In the time following Alexander Nevsky (1221–63), the principalities of Novgorod and Vladimir-Suzdal mostly subjugated themselves to the Golden Horde in order to fight off Sweden and the Teutonic Order (‘the enemies of state are in the West’, see Heller, 2003, p. 85), while Galicia-Volhynia was integrated into the Polish-Lithuanian Commonwealth with a non-Orthodox, pro-Western ruling class.

The transfer of power from Kiev to the north-east also took place in church affairs. After the Mongols had destroyed the city, Kyrill II was elected Metropolitan of Kiev in 1242. Kyrill first supported



Danilo Halytsky in his ambitions for power, but he opposed his choice to accept the crown from the Roman Pope in 1254, and from 1251 until his death in 1281 he permanently resided in the north-east, in Novgorod and Vladimir. Despite this, he was buried in Kiev. Kyrill's successor, Maxim (1283–1305) still received the title Metropolitan of Kiev and All Rus', but he lived and was buried in Vladimir. Maxim's successor, Peter (1306–26), moved the metropolitan see permanently to Moscow. Rival Galician and Lithuanian metropolitan sees had sporadic recognition from Constantinople, but all had ceased to exist before 1400. The canonical successor of these efforts is the Greek Catholic (Uniate) Church of Galicia from the 1596 Union of Brest.

In Russian historiography, the “papal collaboration” of the Galician Church and its subsequent merging with Poland excludes the possibility of considering Ukraine as the successor state to the Eastern Orthodox Kievan Rus' (see Putna, 2017, chapter VI). At the same time, Muscovy cannot be considered to have been fully sovereign before the end of the fifteenth century. Politically, the grand princes of Moscow paid tribute to the Golden Horde and its successor states until 1476. In religious terms, the Byzantine Empire was still overlord, and its rulers were referred to as “emperor” until the fall of Constantinople in 1453. The elevation of Muscovy to full sovereignty was not complete until the adoption of the title of tsar by Ivan IV (“the Terrible”) in 1547 and until the Russian Orthodox Church (ROC) was recognised as a patriarchate (of Moscow and All Rus') in 1589 (even if being *de facto* independent from Constantinople since 1448). After the Time of Troubles, the history of a truly sovereign Russia began with the Romanov Dynasty in 1613, which was also symbolised by the new non-Scandinavian but rather local Russian ruling family (unpublished genetic data in the possession of the author shows local ethnic Russian paternal origin for Fyodor Koshka). The Scandinavian origin of the Rurikids was also recently proved by ancient DNA (Zhur, 2023).

When evaluating the 2018 schism between the Ecumenical Patriarchate of Constantinople and the Russian Orthodox Church, we must bear in mind the fact that from Moscow's perspective this was just another treason against Orthodoxy committed by Constantinople, like the proclaimed union with Rome at the Council of Florence in 1439.

It is easiest to summarise the differences between the European and Russian types of statehood development by examining how the imperial titles were formed and managed. In Europe, the conquered/ inherited territories usually kept their own nominal independence and institutions: rather than being monarchs of a centralised, single entity, the Habsburgs were the kings of Bohemia, Hungary, Croatia and Galicia-Lodomeria, and princes of Austria, Styria, Tyrol, etc. Even in sixteenth-century Spain, which was a force of global significance, Castille had a different parliament of nobles to Aragon and Catalonia. On the other hand, Muscovite rulers annexed Tver, Novgorod, Kazan, Astrakhan, Sibir, etc. without preserving separate titles, but rather making themselves a centralised tsar. There were no separate boyar dumas for the former Novgorod and Tver territories, but only one Boyar Duma. Thus in European statehood, with the exception of France, federalism is inherent, while – similar to Asian empires – Russia was usually unitary. Russia was first federalised by the Bolsheviks, whose Marxist ideology came from Western Europe. The differences between Russian and Ukrainian/Polish society are therefore rooted in the Middle Ages (see Table 3).

**Table 3: Social differences between Kiev/Poland–Lithuania/Ukraine and Moscow/Russia**

Aspect	Kiev/Poland–Lithuania/ Ukraine	Moscow/Russia
12th and 13th-century rule	City/tribal independence	Autocracy
Relations with Golden Horde	Clear enmity	Situational alliance
14th-century rule	Decentralisation	Centralisation
State theory/concept	Noble republic	Despotic monarchy
Church policy	Union with Rome (West)	Eastern Orthodoxy
Theological/social focus	Persuasion	Authority
	Advice	Obedience
	Piety	Rigour
	Individualism	Collectivism
Legal system towards state for the nobility	Rights and obligations	Obligations without rights
Military obligations	Service for reward/land	Obligatory service without reward
Local government role	Local autonomy	Local representation of state
Social hierarchy	Well-defined classes	Disenfranchised under despot
Church ideology	Western Christian unity	Moscow = the Third Rome; Rus' = Israel
Peasantry, population	90% free or Cossack	90% serfs
Mobility, foreigners	Openness	Restrictions
Personal dignity	Based on merits	Based on birth/nationality
Factories, organisations	Private initiative	State initiative (boyars/oligarchs)
Enlightenment philosophy	Separation of powers	Prioritisation of quick decision-making
18th-century society	Oligarchy, private armies	Prioritisation of centralised military
Cause of revolution	Tyranny	Lack of autocratic power
Threat to sovereignty	Attack from neighbouring countries	Revolutions in neighbouring countries
Influence of head of state	Administration	Administration and public opinion
Representative body	Parliament/assembly	Unnecessary
Judiciary	Independent jury	Resignations/relocations
Rural land distribution	Private landholdings	Obshchina (communes)
Nature of anti-Semitism	Racial and economic	Religious and economic

Source: Compiled by the author based on Heller (2003) – most of the features listed for Kiev/Poland–Lithuania also apply to the West

## 1.4. Genetic Differences

When evaluating genetic differences, we have to consider ultranationalist claims on both sides, which consider the other side “ambiguous/not properly Slavic” (usually asserting Finno-Ugric and Turkic admixture among Russians or Turkic and Ashkenazi admixture among Ukrainians).

The table below shows the differences among East and West Slavic ethnic groups. South Slavs are not included for comparison as they have assimilated a significant pre-Slavic element in the Balkans and have had no significant genetic impact on the Eastern European Plain.

Type of Y-DNA	Russians	Belarusians	Ukrainians	Poles	Czechs/Slovaks
Balto-Slavic	58.8	78.6	66.0	61.1	47.1
Germanic/Norse	10.8	7.8	9.1	16.5	11.5
Celtic	2.7	4.3	4.0	5.3	9.2
Illyrian & Thracian	3.7	1.4	5.0	5.1	13.8
Near Eastern, African & Caucasian	6.2	4.9	11.1	6.5	5.7
Sarmatian/Alan	2.3	0.7	2.6	3.3	-
Uralic	12.1	0.7	1.0	0.3	-
Turkic & Mongolic	3.5	1.4	2.0	1.5	4.6

Source: YFull Y-DNA Tree

We can see that on the paternal line the “most similar to proto-Slavs” are the Belarusians, and that Russians are far from being genetically “Asiatic”. Notwithstanding the absorption of many Uralic, Turkic, Mongolic and paleo-Siberian peoples, the real Asian genetic contribution is below 20%, even if it is significantly larger than among other Slavic peoples (1-5%). Each Slavic people is different from the others, which is in some measure due to the neighbouring genetic influences, thus the Poles have the highest Germanic admixture, the Czechs and Slovaks the highest Celtic, Illyrian and Thracian (Alps–Balkans) admixture, and the Ukrainians the highest Near Eastern (Neolithic Trypillian as well as Ashkenazi Jewish, Crimean Greek, etc.) admixture. It is no surprise that it is the Russians who have the highest Asian genetic admixture but that is still below 20%. In the light of this, the Russo–Ukrainian conflict cannot be defined by means of real ethnogenetic differences, only imagined ones. This is obviously irrelevant to those who use political communication in order to achieve a specific end.

## 2. The Ukrainian View – the Rus’ vs. the Horde

Ukrainian nationalists claim that Ukraine is the real successor state to the Kievan Rus’ through the Kingdom of Galicia, the Zaporizhian Sich (Cossack Hetmanate) and the Ukrainian National Republic after the First World War (Jekelcsik, 2014, pp. 21-26). This belief is even included in the founding credo of several Ukrainian political parties (e.g. Batkivshchyna). Their argument goes as follows:

The Principality of Moscow was the successor to the Principality of Vladimir, which was the successor to Rostov–Suzdal. Rostov was the capital city of the Finnic Merya tribe. The other proto-Russian principality, Murom–Ryazan was based on the territory of Finnic Muromians. Novgorod is known to have been founded by Scandinavians in Finnic-populated territory (Chudes). Thus all of the later core Russian lands were non-Slavic in the early period of the Kievan Rus’, with the exception of the Smolensk region, the only non-Finnic territory in present-day Russia, which was still Belarusian-speaking in the early twentieth century.

From the 1240s until the break-up of the Golden Horde in the mid-1400s, all Muscovite rulers were appointed by the Horde’s *yarlik* and (except for short periods) were considered to be vassals of the Horde. When Ivan III refused to pay tribute, the Horde fell apart, and thus – beside the khanates of Kazan, Crimea, Astrakhan, Siber, the Nogai Horde and the Kazakh Khanate – Muscovy can be seen as one of the successor states to the Golden Horde. Muscovy/Russia gradually annexed all of the former territories and vassals of the Golden Horde by the nineteenth century (the last being Kazakhstan) and territorially it is thus a clear successor state to the Horde.

The dynastic argument goes that Vladimir Monomakh was the last Grand Prince of Kiev (1113–25) to hold authority over all of the territories. Of his male offspring, the descendants of the eldest, Mstislav of Kiev, ruled in Western Ukraine and became “Kings of Rus’”, while Yuriy Dolgorukiy – the ancestor of all Muscovite rulers – was only Monomakh’s seventh son. In the thirteenth and fourteenth centuries, the principalities of Galicia–Volhynia and Chernigov usually fought against the Mongols, while Vladimir–Suzdal frequently cooperated with them, using Mongol forces to subjugate other principalities (such as Novgorod or Tver). Therefore, the Galician line was the rightful dynastic heir of Monomakh.

Ukrainians also argue that Genghis Khan (1162–1227), Ivan the Terrible (1530–84) and Joseph Stalin (1878–1953) were tyrants of a similar nature, each separated by three centuries. In their systems, a select minority (a leading tribe, oprichniks, party members) terrorised the majority of the population: the former elite, craftsmen, merchants and peasants alike. They militarised the economy, favoured constant warfare and had a hunger for new territories. After February 2022, perhaps most would extend this list with Vladimir Putin.

The problem of Ukraine’s statehood is the fluidity of its border, especially in the south-east. Before the First World War, much of the Kuban and Belgorod area was half ethnic Ukrainian, but due to the famine known as the Holodomor, Ukrainians disappeared from these territories, and even



the Donets Basin became heavily mixed, while Crimea was never ethnic Ukrainian to begin with. Ukraine has no defendable eastern border, thus its nationalism and concept of Rus' heritage raises the same issue as that of most anti-Russian campaigns: Russia is too large to be conquered and too large, and mentally too different, to “Europeanise”, and as full conquest/integration is therefore not an option, a clear border, a viable military objective, has to be defined. Historical invaders of the Eastern European landmass always faced the question of setting a viable objective for their conquest due to the lack of clear geographical barriers. Nazi Germany came closest to a theoretical solution to the problem with the Astrakhan–Arkhangelsk line, the objective of Operation Barbarossa.

The Northern Dvina River is connected to the Volga via the Northern Dvina Canal, and it is the only navigable waterway between the White Sea/Arctic Ocean and the Black Sea/Mediterranean. The internationally recognised territory of the Russian Federation west of the Northern Dvina–Yug–Vetluga–Volga–Don line is approximately 1.8 million km<sup>2</sup>. This comprises roughly 10% of the territory of the Russian Federation and is home to approximately 65 million people (~45% of the total population).

As Figure 3 shows, the Northern Dvina–Yug–Vetluga–Volga–Don line completely covers the original territory of the Rus' Principalities before the Mongol–Tatar conquest. It is also the easternmost line of significant Varian trading activity. Following the Ukrainian arguments, and based on the water discharge and historical geography (see Table 1 above), this could be considered the eastern border of Europe (a.k.a. West Eurasia). To the east of this border we can find culturally non-European ethnic groups, including Muslims (Tatars, Bashkirs, Circassians, Dagestani people, Vainakhs, post-Cuman Turkic peoples, Nogais, etc.) and non-Muslim indigenous hunter-gatherers (the Mari, the Komi, the Udmurt and the numerous peoples of Siberia). Russia only crossed this border eastwards in the second half of the sixteenth century during the rule of Ivan the Terrible, when to all intents and purposes he behaved like a new ruler of the former Golden Horde, gradually subjugating its successor states, meaning the region was not part of the core Russian statehood.

The early Rus' era Silk Road also supports this definition of the eastern border of Europe, as Asiatic trade routes used the Lower Volga area and Ciscaucasia (Alania) south of the River Don (note that the Greeks considered the Don to be the border of Europe in the Sea of Azov area).

Ukrainian theorists – and probably some bold Western ones – who talk about the potential disintegration of the Russian Federation due to a defeat in Ukraine may dream about this “European part of Russia” being integrated with the West, with every other part of the territory going its own way in different directions based on ethnic identities and economic priorities. However, it should be noted that since the days of the Golden Horde, the core “Muscovite” area (the Golden Ring) north-east of Moscow (Rostov–Yaroslavl–Kostroma–Nizhny Novgorod–Vladimir–Suzdal) has never been conquered by a foreign power, and even the Bolsheviks at the weakest point of their power never lost control of the cities. The same applies to Saint Petersburg since its foundation. In the light of this, the West's complete subjugation of Russia along these lines seems unlikely – which consequently raises the question of how to find a settlement to the Russia–Europe border problem.

Figure 3: The Rus' Principalities in the eleventh to thirteenth centuries with the Northern Dvina–Volga line in red



Source: Thearchaeologist.org



### 3. The Russian Imperatives – Back to Asia?

The Russian state has regularly suffered invasions from the west on the Eastern European Plain, but not one was able to cross the aforementioned Northern Dvina–Volga–Don line (discounting the Ciscaucasus region, partly occupied by Germany during World Wars One and Two). Russian defence was usually based on territorial depth, using scorched earth tactics against the Western aggressors. From the Russian perspective, its vital territorial defensive line stretches roughly from Memel/Kaliningrad to Odessa, and any anti-Russian power moving beyond it is perceived as a threat, such an incursion significantly compromising Russia’s defensive stance. Such “Western invasions” in history include the following:

- 1610–12: Polish–Lithuanian occupation of Moscow;
- 1708–09: Great Northern War (Swedish invasion – Battle of Poltava);
- 1812: French invasion of Russia led by Napoleon;
- 1914–18: German invasion of Russia during WWI;
- 1941–45: German invasion of the Soviet Union during WWII (Germany’s specific military goal was to reach the Arkhangelsk–Astrakhan line);
- 2004: NATO accession of Estonia, Latvia and Lithuania, as well as Orange Revolution in Ukraine;
- 2014: Euromaidan in Ukraine – perceived by the Russian elite as a prelude to NATO operations against Russia (subversive and military).

Taking the above into account, it should be no surprise for Western analysts that the current conflict is seen by the Russian elite (and a significant part of the general population) as just another chapter in the West’s invasions of Russia, all of which typically used the territory of Belarus and Ukraine as a springboard to attack Moscow. This view is reinforced by Russian state propaganda and it was underpinned even more strongly by the arrival of German main battle tanks on the Ukrainian front line in September 2023. What’s more, Russia is in the weakest power position since the seventeenth century (see Table 5).

It is clear that historically, population numbers and military sizes favoured Russia even without considering its allies, yet today – even without considering the nuclear arsenal – it can be no match for the Western forces (NATO without Türkiye) or even the USA on its own. A Russo–NATO war could not be won by Russia (and most likely not by NATO either, especially if China and Iran backed Russia openly or indirectly). Therefore my argument is that in order to avoid a hot war, both sides should aim to define a clear border between them. This is especially due to the precarious position of the Suwalki Gap, where the Lithuanian side between the Neman River and the borders with Russia, Poland and Belarus (7,100 km<sup>2</sup>) is inhabited by only 300,000 people, which might invite a Russian invasion and potential population exchange with Baltic Russians who have been systematically discriminated against by the Baltic states since 1992.

**Table 5: Comparison of Russia and its main challengers in the last three centuries**

Adversary	Year	Population (millions)	Global GDP share (%)	Military size (thousands)
Sweden	1700	1.5 vs. 17.5	no data	110 vs. 220
France	1800	28 vs. 37	5.2 vs. 5.6%	600 vs. 500
Germany & Austro-Hungary	1913	117 vs. 171	19.2 vs. 8.2	1,335 vs. 1,352
Germany	1938	69 vs. 181	12.7 vs. 9.0	18,000 vs. 34,000
NATO (without Türkiye)	2020	865 vs. 157	~47 vs. 2.0	~2,800 vs. ~1,500

*Source: Kennedy (1989) – in the third, fourth and fifth columns, the first figure represents the strength of the adversary, the second that of Russia and Belarus*

In the late seventeenth century, Peter the Great decided to forcibly Westernise Russia. On account of that, his evaluation by Russian historians differs widely – ranging from the standpoint that Russia is a backward and underdeveloped, but natural part of Western civilisation (Westernisers) to the view that it is a civilisation in its own right, and thus the West should not be copied or followed, with the future of Russia to be based on Orthodox Slavic traditions (Slavophiles). The Bolsheviks had a lot in common with Peter the Great – they believed that a top-down, despotic and accelerated industrialisation of the Soviet–Russian Empire was the guarantee of survival in a hostile global environment. Furthermore, both considered the Orthodox Church as a backward institution to be subdued (for Peter) or even destroyed (in the case of the Bolsheviks). However, against the odds, Eastern Orthodoxy has shown great vitality. Church attendance and the observation of fasts have been on the rise since the fall of the Soviet Union, even though modern-day spirituality/religiousness is quite far from the levels of the “Muscovite Golden Age” of the fifteenth to seventeenth centuries (see Evans & Northmore-Ball, 2012: regular church attendance is still relatively low, regardless of census self-identification).

Around the beginning of Peter the Great’s reign, the population of Siberia was estimated to be around 420–430,000 (roughly 3% of all Russia); at the start of World War One, it was 9–10 million (6% of the whole Empire); the 2023 estimate is 36.8 million (25% of the Russian Federation). Even though the “windows to the West” (Saint Petersburg, the Black Sea coast, Murmansk) were kept, with the loss of the Baltic States, Belarus and Ukraine, after 1992 the Russian Federation became much more “Asian” than any Russian state before it. Soviet-era labour camps brought about an unbelievable socio-economic development of climatically hostile North Eurasian regions that the humanist-individualist West was unable to achieve – in North America, the only large settlement above the 61st parallel north is Anchorage, Alaska (pop. 288,000) on the mild west coast of the continent. European Scandinavia has six cities of over 100,000 inhabitants above the 61st parallel north (Tampere, Trondheim, Oulu, Jyväskylä, Umea and Kuopio), but on the western fringes



Figure 4: The Suwalki Gap



Source: Author's own elaboration based on World Economic Forum data

of the continent the climate is milder, a factor that has also helped the development of Russian cities (Arkhangelsk, Murmansk and Petrozavodsk, all with a population of around 300,000, plus Severodvinsk and Syktyvkar). However, Russia's unparalleled achievement is the establishment of large population centres in the hostile permafrost/tundra or taiga areas (Yakutsk, Norilsk, Surgut, Nizhnevartovsk, Nefteyugansk, Khanty-Mansiysk, Noyabrsk, Novy Urengoy). The development of the Northern Sea Route is another economic opportunity for the Arctic, Siberian and Far Eastern region. North American and European sanctions in the context of the Russo-Ukrainian War also push Russia's development focus onto Asia.

The 2018 schism between the Ecumenical Patriarchate of Constantinople and the Russian Orthodox Church over the canonical organisation of Ukrainian Orthodoxy is just another chapter in a historical process, specifically that when the Greeks were threatened by Turks and were looking for Western political and military assistance (in the twelfth century against the Seljuks, in the 1430s and 1440s against the Ottomans, and in the 2010s against a more assertive, quickly re-Islamising Turkish Republic), they were ready to give concessions to the West to the detriment of the unity of the Eastern Orthodox Church. Western civilisational trends are also gaining ground in the Greek cultural sphere, and on 16 February 2024 Greece became the first Orthodox-majority country to legalise same-sex marriages. It should thus be no surprise that the ROC considers itself to be the only true Orthodox Church, one which has not been corrupted by Antique pagan (Graeco-Roman) or postmodern individualist-humanist traditions (although since an offensive war cannot be justified from a Christian perspective, the ROC's support for the Russian invasion of Ukraine is significantly damaging its credibility).

In 2024, the actual North Eurasian Empire, the Russian Federation, is at a crossroads – due to a significant extent to self-inflicted reputational damage. The present borders of Russia are quite similar to those in 1725, when Peter the Great died and the continuation of Westernisation was being questioned (Livonia is now no longer under Russian control, but the Azov Sea region is). The rulers in Moscow can consider whether they wish to re-evaluate Peter's judgment and re-orient Russia socio-culturally to a pro-family conservative Orthodoxy and geographically towards Asia and the Arctic, while at the same time maintaining cooperation with those Eastern European nations which are not ready to accept post-Western socio-cultural values. The question of national ideology in Russia's constitution appeared in the Russian media in 2023, and one potential solution could be a change of the historical understanding of Russian statehood. In the symbolic field, this turn to the East could begin with Russian national sports associations switching from the European federations, where they are banned from participating in competitions, to Asian ones.

External – especially Western – influence in Russian statehood has always been controversial, including the debate on the role of Scandinavian Rurikids ruling local Slavs (Heller 2003, pp. 17-19). However, Y-DNA data in the author's possession shows that the original agnatic Romanov Dynasty and other related noble families descending from Fyodor Koshka were not foreigners but descendants of north-eastern Slavic tribes (Kriviches or Ilmen Slavs), and thus these paternal lines (Yakovlev, Herzen, Lyatskiy, Sheremetev, Epanchin, etc.) could form the basis for a new national royal family. This could be a solution to the problematic issue of finding a legitimate heir to President Putin, who is aging. A collective governance of the present elite groups could continue leading state affairs, while a legitimate member of the Russian royal family could be a head of state who would not need to be (re-)elected every six or seven years. As for the war, even if it could occupy all of Left-Bank Ukraine, it is very unlikely that Russia would be able to conquer Kiev, in which case it might be a better option to highlight that the original Rus' capital was Novgorod, and that Kiev was only conquered by Oleg later on. In this scenario, Novgorod could be designated the mother of all Russian cities, letting Kiev go to the West. This solution would close a circle, as the Romanovs were of north-eastern Slavic stock and hailed from around the Pskov/Novgorod area. Bringing the Romanovs and related lines into play as the basic legitimacy of a new Russian identity is also supported by the fact that, as described in section 1.3, the final split of the West Slavic/Polish and East Slavic/Russian identities took place during the same historical period as the Rurikid-Romanov transformation (the recognition of the Russian Patriarchate in 1589, the Union of Brest in 1596, the Polish-Muscovite War in 1611-12).

## 4. Conclusion

The natural geopolitical territory of the North Eurasian power centre oriented towards Europe is roughly on the Kaliningrad-Odessa line, or more or less at the 1914 Russian border with the exception of Congress Poland. Russia overstepped this boundary in 1945, but has fallen back from it since 1992. NATO pushed into this geopolitical zone in 2004, and has shown a commitment to

continuing the advance through coloured revolutions. Russia began responding to this advance in 2008. History tells us that bloody wars have been fought on the Eastern European Plain, but that Russia could not be fully broken. It can be argued that a united West is now much stronger than any of Russia's earlier historical adversaries were and that Russia is economically and demographically weaker than in earlier conflicts – but the West is not directly involved in the Russo–Ukrainian War and China has not yet provided its full backing to Moscow. The calculus in an open bipolar system of the West vs. Russia and China, or the West vs. all others, would not be as favourable as the simplistic NATO vs. Russia equation implies. While the “collective West” and its allies made up 81% of global GDP in 1991, by 2022 this figure had decreased to 56%. At the same time, it is unlikely that all non-Western countries would be interested in a “global revolt” against Western power, as Russian communications sometimes imply. China and India are still far from their pre-industrial revolution weights (together 57% in 1750) and they are at least as opposed to each other as they are to the “collective West”. The same applies to many other non-Western powers, as indicated by the recent conflict between Iran and Pakistan.

It must be borne in mind that Russian geopolitical imperatives do not change with leadership; whoever succeeds Vladimir Putin will not be less interested in a safe western border. It should be noted that Catherine the Great had no Russian ancestry whatsoever (being fully German and Danish), Nicholas I had roughly 6% (from Peter the Great), and Stalin again almost none at all (being Georgian and Ossetian) – yet they still pursued the interests of the Russian Empire with even greater zeal than other leaders who had (more) “Russian blood”. Many renowned imperial Russian military commanders were Baltic Germans or Western Europeans by origin. Rather than an “ethnic Russian” expansion programme, they served the interests of the Empire, just as a significant (and disproportionate) number of modern Russian military personnel comes from non-Russian ethnic groups (similarly to the decreasing proportion of non-Hispanic Whites in the US Army).

Over the course of history, Russia missed a number of opportunities to safely fix its borders for the long term, and now it is not in a position to take everything back. Anything is better than a hot war with the loss of hundreds of thousands of lives. The relevant powers should formulate a reasonable solution in order to put a stop to the hostilities in Ukraine and move in the direction of a lasting settlement, taking into account not only present, but also historical and geopolitical realities. This half-way settlement could be around the River Dnieper, with a reorientation of Russian statehood towards Asia and the highlighting of the importance of Novgorod and the Slavic agnatic Romanovs and related families, with a possible reintroduction of the Russian monarchy. At the same time, the Galician–Kievan Ukrainian nation could focus on the internal developments necessary to complete its aspirations for Western integration. NATO could accept Russia's new territorial integrity and commit to non-interference in Russian internal affairs. A clear eastern border and a definition of the eastern border of the European Union (the “West Eurasian” power) would also be beneficial for European integration, arresting the EU's tendency towards continual expansion and instead focusing attention on solving its numerous internal problems, such as irregular migration, demographic decline, deindustrialisation, culture wars, etc. (even without taking into account the potential

return of Donald Trump to the White House and changes in America's foreign policy goals). A comprehensive “West vs. North” settlement could also encourage the resumption of limited economic exchange between Eurasian actors, even if an ultimate return to “business as usual” remains unlikely.



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Note: No references are given for widely accessible open data such as the length of rivers, the ancestry of various historical persons or the dates of various historical events.

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## Annex

**Table 6: Populations of the Great Powers between 1700 and 2020 (millions)**

Population	1700	1750	1800	1850	1900	1938	1980	2020/21
Russia	17.5	20	37	73	135.6	180.6	265	147.2
UK	9	10.5	16	27	41.1	47.6	56	67.0
USA	-	2	4	23	75.9	138.3	228	331.5
France	19	21.5	28	35	38.9	41.9	54	67.4
Germany	2	6	9.5	33	56	68.5	78	83.2
China	126	182	298	430	400	~475	981	1,412
South Asia	140	183	200	~230	293	~389	862	1,808

Source: Kennedy (1989) [for 1700–1980]

**Table 7: Relative shares of world manufacturing output of the Great Powers (%)**

Country	1750	1830	1860	1900	1929	1938	1960	1991	2018
China	32.8	29.8	19.7	6.2	?	?	3.1	1.6	15.8
South Asia	24.5	17.6	8.6	1.7	?	?	3.4	1.5	4.0
Russia	5.0	5.6	7.0	8.8	5.0	17.6	12.5	2.8	1.9
UK	1.9	9.5	19.9	18.5	9.4	9.2	5.3	4.8	3.3
USA	0.1	2.4	7.2	23.6	43.3	28.7	39.6	25.7	23.9
France	4.0	5.2	7.9	6.8	6.6	4.5	4.5	5.3	3.2
Germany	2.9	3.5	4.9	13.2	11.1	13.2	?	7.8	4.6

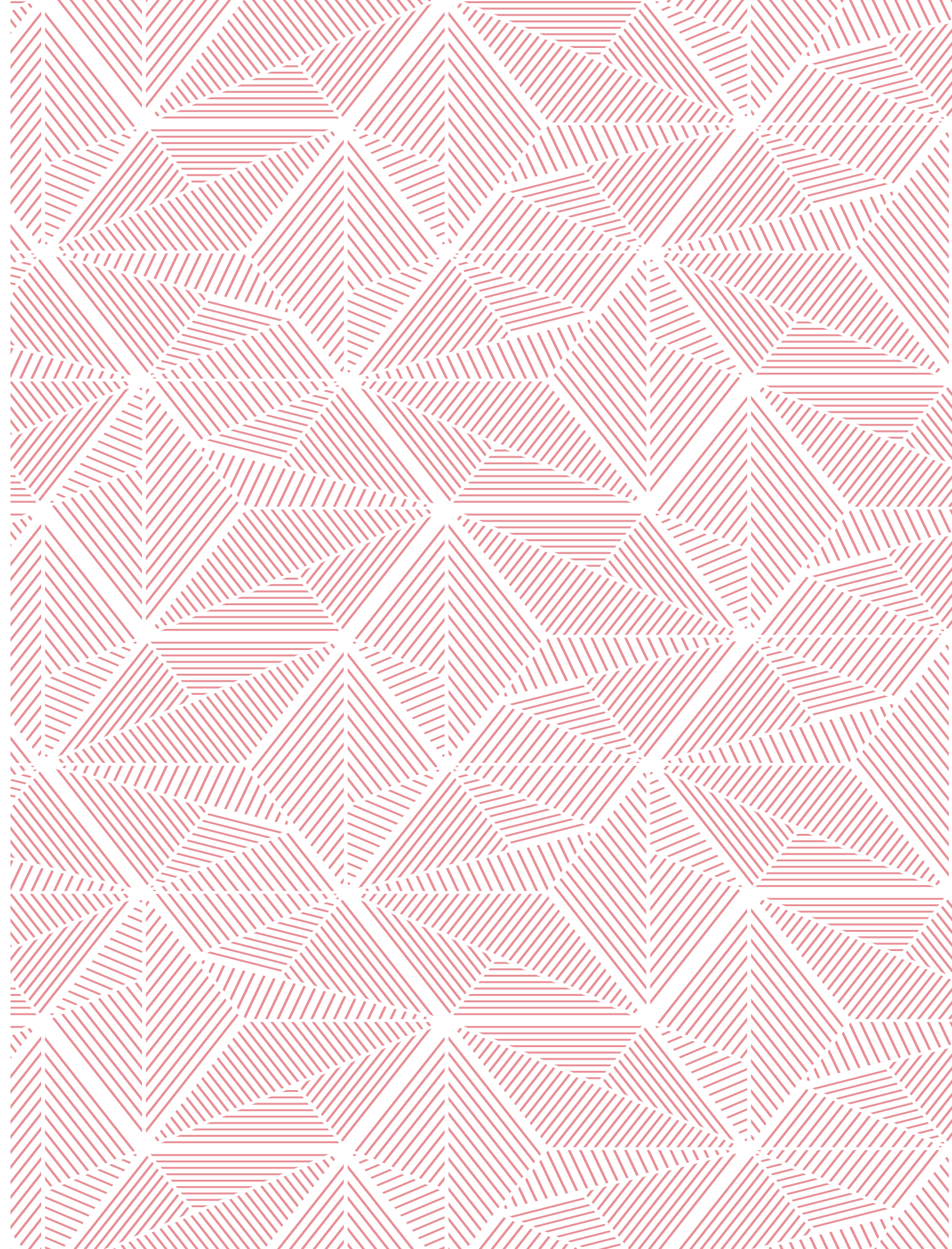
Sources: Kennedy (1989) [1750–1938]; World Bank [1960–2018]

**Table 8: Active military personnel of the Great Powers, 1690–2023**

Country	1690	1750s	1789	1810–15	1860	1914	WWII mob.	2023 act/res
Russia	170,000	330,000	300,000	500,000	862,000	1.352 m	34 m	0.8/1.3 m
UK	70,000	200,000	40,000	250,000	347,000	532,000	6 m	231,000
USA	-	-	35,000	16,000	26,000	164,000	16 m	1.4/2.0 m
France	400,000	330,000	180,000	600,000	608,000	910,000	5 m	415,000
Germany	30,000	195,000	190,000	270,000	201,000	891,000	18 m	200,000
China							14 m	2.0/3.1 m
India							2.5 m	1.5/5.0 m

Sources: Kennedy (1989) [1690–1914]; Global Firepower [2023] – the second figure for 2023 includes reservists/paramilitaries

**IV**  
**CENTRAL ASIA**  
**COLUMN**

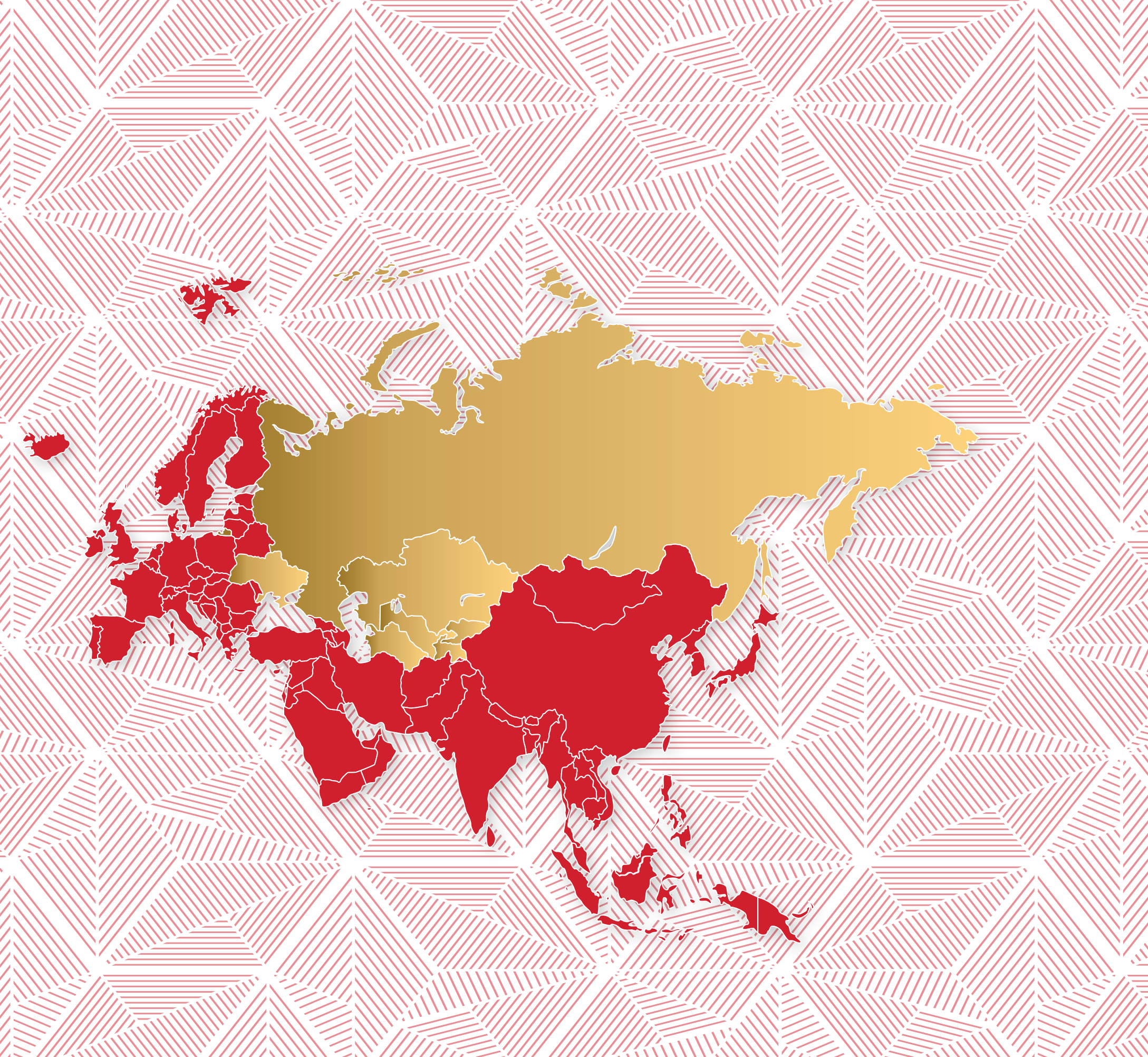




PÁL  
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The Geopolitical Implications  
of the Russo-Ukraine War for  
Central Asia



# THE GEOPOLITICAL IMPLICATIONS OF THE RUSSO-UKRAINIAN WAR FOR CENTRAL ASIA

PÁL GYENE<sup>1</sup>

## Abstract

The present study intends to examine the political, security and economic impacts the first year of ongoing Russo-Ukrainian conflict has made on the Central Asian region. Post-Soviet Central Asia, often maliciously referred to as “Russia’s backyard”, is indeed deeply embedded in the Russian-dominated military bloc and economic integration: three out of the five Central Asian republics (namely Kazakhstan, Kyrgyzstan and Tajikistan) are members of the Russian-dominated Collective Security Treaty Organization (CSTO), while two of them (Kazakhstan and Kyrgyzstan) maintain full membership in the Eurasian Economic Union (EAEU). Uzbekistan and the infamously isolationist Turkmenistan manage to keep a more comfortable distance from the suffocating dominance of the “Russian Bear”. However, since Russia began open military aggression and caused a devastating conflict, even its closest Central Asian partners have proved to be reluctant allies. While in the UN Assembly, the Central Asian states have cautiously refrained from openly condemning Russia’s territorial aggression, none of them has expressed explicit support either. Even Kazakhstan and Kyrgyzstan have abstained from recognising the self-proclaimed Donetsk and Luhansk People’s Republics. The economic impact of the crisis on the region is also profound: while Central Asian guest workers’ remittances from Russia are falling and Central Asian migrants are subject to human rights atrocities such as forced conscription, the very recent influx of Russian migrants into Central Asia drives up real estate prices and generates inflation. A spectacular Russian military fiasco would surely catalyse the slow erosion of Russia’s cultural influence in the region, while China (chiefly as an economic player) and Türkiye (as a political and cultural influence builder) are likely to continue to gain in prominence.

**Keywords:** Russo-Ukrainian war, Central Asia, China, Türkiye, crisis

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## 1. Introduction

With the invasion of Ukraine on 24 February 2022, we saw the beginning of a brutal war for the acquisition of territory unprecedented in Europe – and, indeed, globally – since World War Two. In fact, some analysts argue that we are now already living through World War Three (Matus, 2023). Even if such opinions seem excessive, it may probably be accepted that, due to its dimensions, the war points beyond a regional conflict, and due to its economic and political impact, we are faced with a global ‘conflict of the world order’ (Infostart/Inforádió, 2023). Despite the Hungarian government’s maverick politics, it is mostly from the perspective of the mainstream Western press that the Hungarian public is informed of events. In media forums influenced by the Western public, we hear the amplified voice of the Baltic states, which are regarded as “war hawks”, Poland, and certain British and American circles that support the export of liberal democracy and the rainbow revolutions in the post-Soviet region (Carnegie Endowment, 2023). Thus we are familiar with the motivations of Westerners for the military support of Ukraine, which at present seems unbroken, although the economic costs of sanctions are borne primarily by Europe, more specifically by the German motor industry, while the possible strategic benefits are reaped by Anglo-Saxon powers, primarily the USA, and also perhaps by China if it manages to stay out of the war (Windisch, 2023).

The present study analyses the dynamics of the conflict from a somewhat unusual perspective, namely that of the Central Asian republics, addressing the war’s political implications and possible long-term economic and strategic effects. The strategic and economic position of the region often degradingly referred to as “Russia’s backyard” has been fairly stable. Some Central Asian republics are members of military and economic associations that wish to conduct their economic and military reintegration under Russian dominance. For this reason, the eruption of the war and the Western efforts at ensuring Russia’s international isolation have put Central Asian regimes in a very delicate position. It appears that the short-term economic impacts of the war have hit Central Asia hard, causing a rise in real estate prices and housing costs (although, for example, riding on the waves of Western countries’ export diversification efforts, the countries concerned may even benefit from the sanctions against Russia).

It is hypothesised that, overall, the war will catalyse the so far rather slow erosion of Russian cultural, political and economic influence in Central Asia. Strategically, this might give more value to the Central Asian republics, which, however, as an alternative to Russian orientation, are more inclined to turn towards and cooperate with China and the Turkish partnership offered by the Organisation of Turkic States rather than towards the Euro-Atlantic Alliance.



## 2. Russia's Allies

There is still a tendency to regard Central Asian republics as “Russia’s backyard”. Indeed, of the superpowers, Russia has the most extensive political and diplomatic network of relations, as well as the most significant “hard power” capacities in the region. For its own security, Russia considers maintaining the status quo in Central Asia to be of primary and direct interest, as Central Asian regional hegemony is decisive for maintaining its superpower identity (Tsygankov, 2010). In addition, the fact that some five million ethnic Russians<sup>2</sup> once lived as minorities in the Central Asian republics was not negligible for Russia (Bailes & Dunay, 2007, p. 10).

Three of the five post-Soviet Central Asian republics – namely Kazakhstan, Kyrgyzstan and Tajikistan – are still members of the Russian-dominated Collective Security Treaty Organization (CSTO),<sup>3</sup> and in them Russia operates military establishments with various functions. In Kazakhstan there is the Sary *Shagan* radar station near Lake Balkhas; Kyrgyzstan has an air base in Kant with a CSTO anti-terrorist operational unit and a torpedo testing centre near Lake Issyk Kul in Karakol Province; in Tajikistan there are several military bases, as well as a very special military observation station for satellites known as *Okno* (Window) (Klein, 2009, p. 20; Podvig, 2002, p. 25). Until 2005, the Tajik–Afghan border was guarded by Russian troops vested with a Commonwealth of Independent States mandate. At the same time, Turkmenistan, with its conscious isolationist foreign policy under the motto of ‘positive neutrality’ proclaimed by President Saparmurat Niyazov, and Uzbekistan, which aspires to a leading role in the region, have freed themselves from the Russian military presence and, in their foreign policies, are trying to be as independent of Russia as possible. Although Uzbekistan was a founding member of the CSTO, in 1999 it did not renew its membership, and in 2005 because of the harsh Western attack against the Islam Karimov regime in reply to the Andijan Massacre,<sup>4</sup> it re-entered the cooperation, before subsequently, in 2012, resigning a second time (Litovkin, 2012).

In January 2022, the CSTO proved to be an unexpectedly assertive actor. Due to the social and political unrest caused by a hasty increase in natural gas prices in Kazakhstan, behind which may have been the competition posed by the former president, Nursultan Nazarbayev, and his ‘clan’ (Putz, 2022b), the only way the new president, Kassym-Jomart Tokayev, managed to consolidate his power was by inviting in CSTO ‘peacekeepers’ (Putz, 2022a). Intervention in Kazakhstan was the first time Article 4 of the CSTO Charter had been activated, as at least twice before Russia had refused to become involved in similar cases (requested by Kyrgyzstan in 2010, and by Armenia

<sup>2</sup> Their number has now decreased to approximately four million (CIA – The World Factbook, Central Asia).

<sup>3</sup> The so-called Tashkent Pact was signed by six member states of the former Soviet Union (Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Armenia). Later, Belarus, Georgia and Azerbaijan also joined. The body was renamed the Collective Security Treaty Organization in May 2002. Although it is unspoken, members consider their security to be guaranteed by Russian tactical nuclear weapons (Litovkin, 2012).

<sup>4</sup> In the early hours of 13 May 2005, gunmen attacked several government buildings in the eastern Uzbek city of Andijan, breaking into the city prison to release 23 men who faced charges of religious extremism, and mobilising people to attend a protest in the city’s main square. Later that day, thousands of unarmed protesters gathered to vent their grievances about poverty and government repression. When the main square was sealed off at around 5 p.m., the protesters fled north on Cholpon Prospect where they were ambushed by government forces. Hundreds of people were killed (Human Rights Watch, 2006).

in 2021) (Kucera, 2022). With the successful operation, which – contrary to the expectations of analysts – was followed by a swift withdrawal of CSTO troops (RFE/RL, 2022a), Russia probably reached the zenith of its regional power influence and prestige.

Russian efforts at reintegrating the region’s economy proved far less successful than extending a military “shield” over the post-Soviet Central Asian region did. According to Alexey Malashenko, Russia’s considerable decline as an economic power centre was shown by the fact that while the Commonwealth of Independent States had once been a bloc of twelve former Soviet republics, the CSTO only had nine members between 1994 and 1999, and the Eurasian Economic Community (EAEC, from 2015 the customs union of the Eurasian Economic Union) was founded by only three successor states, namely Russia, Belarus and Kazakhstan (Malashenko, 2013). In spite of this, it does need to be added that, in 2015, both Armenia and Kyrgyzstan joined the EAEC, and it seems very likely that in the near future, Tajikistan, which is strongly reliant on Russia in its military and energy needs, will also join. Although the EAEU is the only cooperation in the post-Soviet space that operates on a supranational basis, it seems that from an economic perspective, the sole beneficiary of the integration is Russia (Bhutia, 2019a).<sup>5</sup> It is perhaps due to this fact that although Uzbekistan’s entry had been on the agenda since the 2016 election of President Shavkat Mirziyoyev, in January 2020 the Uzbek parliament voted for observer status rather than full membership (Hashimova, 2020).

## 3. Russia's Invasion of Ukraine and Political Reactions

Some argue that Russia’s war against Ukraine actually started in 2014 with the illegal annexation of Crimea and the occupation of the Donbas region. Indeed, the *casus belli* for the 2022 invasion was Russia’s acknowledgement of its control over the Donetsk and Luhansk People’s Republics and the ‘intervention to defend them’ against an alleged Ukrainian assault. The actual objectives of the Russian attack launched on 24 February 2022, which the Kremlin referred to as a ‘special military operation’ can only be guessed at. Most analysts agree that the Kremlin had planned on a blitzkrieg and wished to complete the major attacks in three or four days. This speculation seems to be supported by the fact that the initial direction of the offensive was not eastwards, as many had expected, but in the direction of Kiev and Harkiv in the north (Kolozsi, 2022; Euronews, 2023). The planned siege of Ukraine’s two largest cities was a complete failure. When the massive atrocities committed against the civilian populations of Bucha, Irpin and other suburbs of Kiev came to light, Russia’s international reputation deteriorated further (Rugli, 2023). The Russian offensive gained territories

<sup>5</sup> In 2018, trade with Russia accounted for 96.9% of all trade within the Eurasian Union, the remaining 3.1% being accounted for by trade among the four smaller countries. Russia’s share – at 8% in 2018 – is actually the lowest among EAEU members, and it has fallen slightly, from around 10% in 2000. In other words, despite dominating trade within the EAEU, Russia is the least dependent on the bloc for foreign trade (Bhutia, 2019a). Currently 85.1% of all duties that come into the EAEU remain in Russia; the rest – less than 15% – is distributed to the other countries of the union. This issue has been raised by all EAEU members and it became especially urgent following the introduction of international sanctions against Russia and Belarus in 2022 (Aidarkhanova, 2023).

mostly in the south and south-east; at the peak of the attack, Russia controlled about a quarter of Ukraine's 603,000-km<sup>2</sup> territory. The besieging of major towns, however, was typically a fiasco. For example, the taking of Mariupol was painfully slow, and the campaign towards Odessa was halted at Mykolaiv. In the counter-attacks launched in September 2022, Ukrainian troops managed to reoccupy large areas: on the west bank of the Dnieper River, at Kherson they reached the pre-war borders (more specifically, the pre-2014 borders), and came close to them at Donbas. This is relevant because in the autumn, Russia had announced the annexation of the Donetsk, Luhansk, Zaporizhzhia and Kherson regions through a referendum that almost the entire world considered illegitimate. At the time of writing, a third (in the case of Donetsk, half) of the annexed territories are *de facto* under the control of Kiev (Tóth, 2023).

At present, several scenarios are possible for the further stages of the war, but a violent deadlock seems most likely, where neither Ukraine nor Russia has the strength to achieve a sweeping victory (Windisch, 2023). Russia may perhaps capture more territories in the Donbas region, although near Bakhmut or Avdiukhiv we have seen the emergence of a “meat grinder”, which is not unlike Verdun in World War One, with artillery combat and hopeless warfare in the trenches (Majláth, 2023). The success of a Ukrainian counter-offensive greatly depends on further supplies of arms by the West. Opinions are divided about the war's outcome: some experts say Russia may be victorious in the long run, while others believe that, by mobilising its entire population, Ukraine has the better chance (Vörös, 2023). Although nuclear escalation or the use of, for example, chemical or biological weapons of mass destruction cannot be fully excluded (for instance, in the case of a Ukrainian attack on Crimea), the most probable outcome of the conflict appears to be a completion (or rather incompleteness) similar to that of the Korean War, whereby after years of murderous fighting, the parties return to the original military demarcation lines.

Russian successes to date – moderate at best, or according to other interpretations a total strategic and political failure – may unsettle Russia's network of long-term alliances in regions where they have been hitherto fairly stable, one such example being post-Soviet Central Asia. This is suggested by the extremely cautious and reluctant reactions that have so far arrived from Moscow's allies. Among Central Asian heads of state, it was Kyrgyz President Sadyr Japarov who assured the Kremlin of open support for the war. In a Facebook post on 22 February 2022, Japarov wrote that it was Russia's sovereign right to recognise the Donetsk and Luhansk People's Republics, adding that military intervention was a ‘necessary step’ in protecting the Russian-speaking population in the Donbas (Japarov, 2022).

On 25 February 2023, Uzbek President Shavkat Mirziyoyev made a much more cautious statement. The Kremlin summarised his words by saying that Mirziyoyev had expressed his ‘understanding’ of ‘Russian activity’ in Ukraine. However, the Uzbek president's press service denied this interpretation, emphasising Uzbekistan's neutrality in the conflict and underlining the importance of observing international legal norms so that the situation should not escalate further. In the first days of the conflict, Tajikistan, whose economy very much depends on remittances by guest workers in Russia<sup>6</sup>

<sup>6</sup> In the first quarter of 2023, 350,000 Tajik citizens migrated to Russia – 100,000 more than in the same period in 2022 (Ozat, 2023).

and whose foreign policy is strictly isolationist, together with Turkmenistan, which declared its ‘positive neutrality’ in international relations, refused to comment in any way on the developments (Hashimova, 2022a).

For Moscow, the stance of Kazakh President Kassym-Jomart Tokayev must have been even more disappointing, as Kazakhstan had been regarded as Russia's closest ally in the region and a solid member of the CSTO and the EAEU. Tokayev, who in Kazakhstan's January 2022 uprisings had owed the maintenance of his position as president to the CSTO's military intervention (in other words, mostly to Russia), openly refused to send troops to Ukraine; moreover, he refused the diplomatic recognition of the Donetsk and Luhansk People's Republics (Nezavisimaya Gazeta, 2022).

When, on 2 March 2022, the UN General Assembly special meeting about the Ukrainian crisis adopted a resolution condemning Russia's invasion, it was a spectacular diplomatic defeat for Russia. Of the 193 UN member states, 141 were in favour of the resolution (with all the member states of the Euro-Atlantic systems), while 5 objected (Russia itself, Belarus – which is practically a Russian protectorate by now, the Democratic People's Republic of Korea, Syria and Eritrea); 35 countries abstained (including such major powers as China and India) and the remaining members were absent. None of the five Central Asian republics voted in favour: Kazakhstan, Kyrgyzstan and Tajikistan abstained, while Uzbekistan and Turkmenistan stayed away from the voting (Tiezzi, 2022).

On 7 April 2022, the UN General Assembly held another vote, now about the ‘suspension of the rights of membership of the Russian Federation in the Human Rights Council’. This time, there were 93 votes in favour, 24 against and 58 abstentions. Unlike previously, the Central Asian republics voted against the resolution, with the exception of Turkmenistan, which again stayed away. Despite this, the day preceding the vote, the Kazakh political leadership, and Uzbek Foreign Minister Abdulaziz Kamilov made declarations supporting Ukraine's sovereignty and territorial integrity (Putz, 2022c). At the Samarkand summit of the Shanghai Cooperation Organisation in September 2022, Central Asian leaders made no comment upon the Russian annexation of four Ukrainian regions (Kherson, Zaporizhzhya, Donetsk and Luhansk), although the Kazakh Foreign Ministry's spokesperson Aibek Smadiyrov asserted that his nation was on the side of territorial integrity, sovereignty and peaceful coexistence (Rickleton, 2022).

Some analysts assess the fighting that flared up in September 2022 between Azerbaijan and Armenia and also between Tajikistan and Kyrgyzstan as being a symptom of the erosion of the Russian system of alliances (Mankoff, 2022; Najibullah, 2022). The violent border clashes between two CSTO Member States, namely Tajikistan and Kyrgyzstan, cost over a hundred lives (Usmanov, 2022), and the parties mostly ignored Russia's efforts at mediation. In October 2022, the Kyrgyz administration, which considered Russia to be supporting Tajikistan in the conflict, withdrew from the joint military exercise that the CSTO had planned in Kyrgyzstan (RFE/RL, 2022b). In the light of this, many were shocked when at the October 2022 Central Asia–Russia Summit in Astana, the apparently furious Tajik President Emomali Rahmon angrily rebuked President Putin, demanding more respect for Central Asian nations. Even Kazakh President Kassym-Jomart Tokayev was unable to interrupt the monologue that visibly embarrassed the Russian head of state (Altynbayev, 2022).



Another episode that the Western mainstream media endeavoured to present as a diplomatic scandal and a further blow to Russia's prestige came the following month at the CSTO Yerevan Summit when Armenian Prime Minister Nikol Pashinyan refused to sign a joint declaration and questioned the legitimacy of the entire association. He also voiced his frustration that in 2020, Russia had basically failed to help Armenia in the Second Karabakh War (Trevelyan, 2022).

#### 4. The Economic Impact of the War on Central Asia – Alternative Geopolitical Orientations

Economically, the Russo-Ukrainian war has had a severe impact on the Central Asian republics that have been acting in the conflict like “reluctant henchmen”, although in many ways they have proved to be more resilient than expected. The European Bank for Reconstruction and Development estimated an increase in GDP of 5.7% in 2023, a considerable leap from the 2022 figure of 4.3% (EBRD, 2022). Somewhat surprisingly, remittances from guest workers in Russia have not dropped either. In the case of Uzbekistan, for example, between January and June 2022 they amounted to USD 6.5 billion, almost doubling the figure for the same period in 2021 (Kun.uz, 2022). On the other hand, for Kyrgyzstan the World Bank had forecast a drop of some 33% in remittances. In Kyrgyzstan and Tajikistan, in 2020 remittances made up 31% and 27% of the GDP respectively, and over 80% of all transfers were made from Russia (Ratha & Ju Kim, 2022). The expected dwindling of remittances will affect Uzbekistan and Kazakhstan somewhat less, as such revenue carries less weight in their economies than in those of the two poorer mountain republics (Lillis, 2022). Guest workers have often been exposed to harassment by the Russian authorities, and since the start of the war there have been occasional reports of illegal conscription as well. In the town of Orel, about a dozen Uzbek citizens received orders to enlist in the Russian army following the ‘partial mobilisation’ President Putin had declared in September 2022. The military officials in Orel could not provide a comprehensive explanation as to why 28 foreign citizens with temporary work permits had received draft cards meant exclusively for Russian citizens (Hashimova, 2022b).

Inflation is another serious problem in the entire region. In the summer of 2022, it stood at around 16% in Kazakhstan, 12% in Uzbekistan and 14% in Kyrgyzstan (Putz, 2022d). Inflation is driven partly by rising food prices, which are due to the ban on grain exports announced by Moscow at the beginning of the war (Sharifi, Kao & Derbishova, 2022). Another important factor affecting inflation is that the main direction of migration seems to have changed since the war started, particularly since the ‘partial mobilisation’ launched in September 2022. Not only are guest workers moving to Russia from Central Asia, but masses of people, especially young men, are fleeing to Central Asian republics – which they can enter without visas – in order to avoid being drafted. In the two weeks following the mobilisation, Kazakhstan alone received over 200,000 Russian citizens. Although Russians, whose incomes are typically higher than the Central Asian average, can contribute to economic growth in the receiving countries, owing to the inflow of Russian migrants, property prices and the costs of several services have doubled (and sometimes even tripled) in Kazakh towns.

Understandably, all this leads to increasing social tensions in those Central Asian societies that have already been affected by serious housing crises (Doolotkeldieva, 2022).

The war-related inflation, especially the rise in gas prices in the first half of 2022, earned additional revenues for Central Asian countries, particularly Kazakhstan and Turkmenistan, but even Kyrgyzstan, a country with a fragile economy and poor in fossil fuels, has benefited from the re-exportation of Chinese goods. Similarly to Azerbaijan, other Central Asian states by the Caspian Sea have become more valuable in the eyes of European countries as alternative sources of imported fossil fuels in the long run. Admittedly, for the delivery of Turkmen gas to the West without it entering Russia but crossing Azerbaijan instead, there is an urgent need for the construction of the trans-Caspian pipeline, a project that has been postponed for a long time. Most of the legal obstacles to building the pipeline no longer exist. The Convention on the Legal Status of the Caspian Sea, signed by all five Caspian littoral states in 2018, allows pipelines to be established with the consent of only the countries involved in the project (Coffey, 2022).

Due to Russia's large-scale war in Ukraine, most Russian projects are expected to remain suspended or to be cancelled altogether, which will have an impact on employment rates. In addition, rising production costs present challenges to local businesses. Since February 2022, companies from Uzbekistan, Tajikistan and Kyrgyzstan have been facing growing production costs and/or import problems from Russia and Ukraine. As a result, this situation affects their competitiveness, increasing uncertainty and leading to closures and further job losses. The business environment in the entire region has become riskier and most Russian investments have been suspended. Imports from Russia (and from Ukraine) have become pricier and the increasing costs of production affect the competitiveness of Central Asian companies and national economies alike. Public opinion polls show that, in the ongoing climate of war, the citizens of Central Asia are pessimistic about their countries' prospects (Sharifi, Kao & Derbishova, 2022).

If the sanctions imposed on Russia prove to be permanent, serious questions will be raised about the future of the Russian-dominated integration, the EAEU. It seems that the eventual weakening of Russian hegemony will allow two possible alternative geopolitical orientations for the Central Asian republics trying to find their position in the world. Unlike for Ukraine, Euro-Atlantic orientation is not very realistic for Central Asia's authoritarian regimes – in fact, because of the West's foreign policies and its export of an increasingly ideological liberal democracy, it is an alarming option for them. Consequently, an obvious alternative to a waning Russia might appear to be China.

In the fields of the economy and capital investment, China presently appears to be a more proactive and dynamic actor than the economically dwindling Russia, and the Central Asian republics' aggregate trade value with China is already higher than their volume of trade with Russia and the European Union (Bhutia, 2019b). Accordingly, for several Central Asian republics China is already replacing Russia, their traditionally most significant trade partner. Since the 2010s, Central Asian countries have imported most of their consumer goods from China (Cardenal & Arajuó, 2014). Although Chinese investors and Central Asian political elites foster friendly and increasingly closer relations of mutual interest, among the region's broader public there are strong reservations about the PRC, partly because

of the brutal oppression of Muslim Uyghurs, who are regarded as Turkic kinsfolk. In connection with the grandiose Belt and Road Initiative, the fear has grown – especially among the Kazakhs and the Kyrgyz – that the Chinese may occupy their lands. Added to this is a traditional cultural xenophobia against the Chinese (Sadovskaya, 2015). It seems that, together with the ideological American foreign policy that tends to classify China and Russia as one bloc, these factors explain why China is not currently displaying a more confrontational foreign policy towards Russia in Central Asia (or in the Russian Far East).

A more attractive alternative than China for the Central Asian republics might be Türkiye and increased cooperation with the Organisation of Turkic States, which Türkiye heads. Established in 2009 as the Turkic Council and renamed in 2021, the Organisation of Turkic States has become the number one intergovernmental coordination forum for Turkic-speaking countries. At present, it has five full member states, namely Azerbaijan, Kazakhstan, Kyrgyzstan, Türkiye and Uzbekistan, and three observers, namely Hungary, Turkmenistan and the internationally unrecognised Turkish Republic of Northern Cyprus. Thus it is not a negligible force in global terms: its total population is over 150 million and economically it is a crucial region due to its dynamically growing fuel production and transfer.

In addition to the ethnic, linguistic, and cultural ties the Turks have maintained with the Turkic-speaking nations of post-Soviet Central Asia, the still basically secular Türkiye is an attractive political and modernisation model for the young republics. In the first years following independence, investments and loans totalling USD 1.2 billion flowed into the Central Asian countries. Unlike Iran, with its Shiite theocracy, Türkiye is generally very popular with the people of these republics, and Turkish satellite television channels have enjoyed unbroken popularity since the early 1990s, exerting a considerable impact on public opinion.

Although it does not possess the economic weight to be able to fill the possible power vacuum following a Russian contraction on its own, in the light of the Russo–Ukrainian war, the significance of relations with Türkiye seems to be gaining more value for the nations of the Caucasus and Central Asia. Currently, Türkiye seems to be balancing masterfully between the Euro–Atlantic Alliance and Russia. More specifically, under international pressure, after a few days of hesitation, it decided to close the sea straits to block Russian warships and it also sells weapons to Ukraine (among them the famous Bayraktar drones that are regarded as one of the success stories of modern military technology); at the same time, however, it has managed to maintain its partnership with Russia. Türkiye does not openly support the Western economic sanctions and offers refuge to Russian oligarchs driven out of Western ports (Csurgó, 2022).

At the time of writing, the final outcome of Europe’s most aggressive armed conflict since the Second World War is very hard to predict, but it seems most likely that Türkiye and the Central Asian republics will enjoy increased global strategic significance, primarily due to their crucial role in energy production and transit. If the trans-Caspian pipeline circumventing Russia is actually built, the delivery of Azeri or Kazakh and Turkmen gas can only be carried out via Türkiye (Kozma, 2021). In brief, for Western powers too, the Turkic states will be vital players in the coming “Great Game” aimed at isolating Russia.

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## KISHORE MAHBUBANI: HAS CHINA WON?: THE CHINESE CHALLENGE TO AMERICAN PRIMACY

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ALEXANDRA ZOLTAI<sup>1</sup>

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Kishore Mahbubani, a distinguished diplomat and scholar who boasts unparalleled access to policymakers in both Beijing and Washington, has penned the definitive guide to the profound fault lines in the relationship between the United States and China. His work offers a clear-eyed assessment of the risks inherent in any potential confrontation between these two global powers. Moreover, Mahbubani provides a bracingly honest appraisal of the strengths and weaknesses, as well as the idiosyncrasies, of both the USA and the PRC as superpowers on the world stage. With his unique insights and deep understanding of international affairs, the author offers invaluable perspectives on the dynamics shaping one of the most consequential relationships of the twenty-first century.

*Has China Won?* presents a thought-provoking analysis of the evolving global dynamics amidst China's ascendance as a major power. In this meticulously researched and engagingly written book, the author invites readers to contemplate both the seismic shifts that are underway in the international arena and their implications for the future world order.

A seasoned diplomat and astute observer of global affairs, Mahbubani begins by framing the central question: In the ongoing contest for global supremacy, has China emerged victorious? Drawing on a wealth of historical context, geopolitical insights and economic analysis, he navigates through the complexities of China's rise and its impact on the existing Western-dominated international system.

The stage is set by the posing of the crucial question: Has China won? Here, Mahbubani introduces the reader to the broader context of China's rise, framing it as a pivotal moment in global history. He emphasises the need for a nuanced understanding of China's role in the international system and hints at the complexities that will be explored in subsequent chapters.

<sup>1</sup> Alexandra Zoltai, Researcher, Eurasia Center, John von Neumann University.

### China's Rise: The Economic Miracle

In the following chapter, Mahbubani delves into the economic dimensions of China's rise. He meticulously traces China's transformation from an agrarian society to an economic powerhouse, highlighting key factors such as Deng Xiaoping's economic reforms, globalisation and China's integration into the global supply chain. Compelling statistics and case studies illustrate the magnitude of China's economic growth and its implications for the global economy.

### China's Challenges: The Road Ahead

While acknowledging China's economic achievements, Mahbubani also confronts the challenges that lie ahead of it. Issues which could potentially hinder the country's continued growth such as demographic shifts, environmental degradation, income inequality and the middle-income trap are all discussed. By examining these domestic challenges, the author underscores the complexity of China's development trajectory and cautions against overestimating its invincibility.

### China's Global Impact: Diplomacy and Influence

Turning to the realm of diplomacy and global influence, Mahbubani explores China's expanding presence on the world stage. He analyses its growing assertiveness in international affairs, its Belt and Road Initiative and its efforts to shape institutions of global governance such as the United Nations and the World Trade Organization. The country's soft power initiatives such as Confucius Institutes and cultural diplomacy also come under the microscope, as do their implications for reshaping global perceptions of China.

### The China–West Conundrum: Competition or Cooperation?

The book also grapples with the thorny issue of Chinese–Western relations. The historical roots of the mistrust between China and the West, including the legacy of colonialism and Cold War dynamics, are examined, and Mahbubani argues against the inevitability of a zero-sum competition between China and the West, advocating a more constructive approach based on dialogue, mutual respect and cooperation. He emphasises the importance of finding common ground to address shared challenges such as climate change, pandemics and nuclear proliferation.

### Navigating the Future

The book's concluding chapter synthesises the key insights to be gleaned from its preceding exploration of the topic and offers reflections on the way forward, reiterating the importance of nuanced analysis and constructive engagement in managing China's rise and shaping the future of the international order. Ultimately, Mahbubani leaves the reader with a sense of optimism tempered by realism, urging all stakeholders to navigate the complexities of geopolitics with prudence and foresight.

One of the greatest strengths of *Has China Won?* lies in its author's ability to provide a nuanced perspective that transcends simplistic binaries of winners and losers. Rather than portraying China's rise as an inevitable triumph or a looming threat, Mahbubani emphasises the need for a balanced appraisal of the country's achievements and challenges. He acknowledges China's remarkable economic growth and its growing influence on the global stage while also highlighting the structural constraints and internal contradictions that could shape its trajectory in the years to come.

Throughout the book, Mahbubani's writing is both insightful and accessible, making complex geopolitical concepts comprehensible to a wider audience. He deftly weaves together historical anecdotes, statistical data and geopolitical analysis to construct a compelling narrative that sheds light on the multifaceted dimensions of China's rise and its implications for the world.

Some readers may find that Mahbubani's confidence regarding China's peaceful rise and its compatibility with the existing international order overlooks the potential geopolitical tensions and ideological differences which might present challenges to global stability. While he acknowledges these concerns, his emphasis on cooperation may still appear overly optimistic to those critics who advise a more cautious approach to China's growing influence.

*Has China Won?* is a timely and perceptive exploration of one of the most pressing issues of our times. By offering a balanced and nuanced analysis of China's rise and its implications for the world, the author encourages readers to critically engage with the complexities of global politics and to envision a future of greater cooperation and mutual prosperity. Whether one agrees or disagrees with Mahbubani's conclusions, this book is essential reading for anyone seeking to understand the dynamics shaping the twenty-first-century world order.



## MARLENE LARUELLE & SEBASTIEN PEYROUSE: GLOBALIZING CENTRAL ASIA: GEOPOLITICS AND THE CHALLENGES OF ECONOMIC DEVELOPMENT

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SZABOLCS VERES<sup>1</sup>

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Globalisation is a buzzword that receives much attention today. Of course, most of us have an idea of what globalisation means, but the concept itself is extremely complex and from several aspects it is connected with human rights.

We usually use the word globalisation to refer to the various economic, cultural, social and political changes that have shaped the world over the last 60 years. However, globalisation can also be described as a process of economic integration on an unprecedented scale which affects every country in the world and is caused by liberalisation and its consequences. Whichever definition we choose, today globalisation permeates practically every significant area of life and society. Everything is being globalised – and this has both advantages and disadvantages, especially when it comes to a particular region that we are interpreting.

The first half of the 1990s was characterised by substantial changes in the global geopolitical situation. These were complemented by major transformations in the world economy and upheavals in political life. After the dissolution of the Soviet Union in 1991, several new, independent countries appeared on the global political map. At the same time, the so-called post-Soviet space was also characterised by fundamental changes.

Central Asia was no different. However, far-reaching questions arose in relation to the region. After 1991, the problem of the spatial interpretation of the region's territorial borders took on a special geographical import. Following the dissolution of the Soviet Union, the Central Asian states acquired additional significance and this was also recognised in the system of international relations.

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The fate of these newly-independent states attracted the attention of political and professional circles in Europe, the United States and, of course, in the neighbouring countries of the region, from political, economic and military-strategic perspectives alike.

The definition of Central Asia as a geographical and conceptual term is complex. One of the first scholars to designate it as a distinct region of the world was the German naturalist, geographer and explorer Alexander von Humboldt (1769–1859). Its current borders are the subject of various interpretations.

Throughout history, both political geography and culture have employed different perspectives to demarcate Central Asia. Some concepts link the name of the region to that of “Central Asia and Kazakhstan”, which was developed in the Russian-speaking Soviet tradition that emerged in the USSR in the second half of the 1930s. However, if we wish to define what Central Asia is in the twenty-first century, it can be done as follows: Central Asia is the region of the Eurasian continent that is bounded by the Caspian Sea to the west, western China and Mongolia to the east, Afghanistan and Iran to the south and Russia to the north. The region includes present-day Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan – the former Soviet republics which are often colloquially referred to as “stans” because their names end in the Persian suffix “-stan” (Persian: استان) meaning “someone’s country”.

The book *Globalizing Central Asia: Geopolitics and the Challenges of Economic Development* attempts to present this geographically, geopolitically, historically and culturally complex region.

The volume is the joint work of the French historian, sociologist, political scientist and research professor Marlene Laruelle, Director of the Institute for European, Russian and Eurasian Studies at George Washington University, and Sebastien Peyrouse, Professor of International Affairs at the Institute for European, Russian and Eurasian Studies at George Washington University, whose main areas of research are Eurasianism, the political systems of Central Asia, Islam and religious minorities, and the geopolitical situation of Central Asia.

Presenting a unique perspective on the history and post-independence conditions of the five Central Asian countries of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, and featuring a comprehensive overview of contemporary geopolitical and economic affairs, *Globalizing Central Asia* is divided into two parts, both of which deal with different issues while focusing on Central Asia, the relations of the countries of the region with third parties, and the economic and political forces and actors connected to the region.

Part I – “Great Games” and “Small Games”: The Strategies and Outcomes of External Actors – consists of seven chapters, each dealing with ‘external actors’ and their interactions within the region, including their assertion of their own interests. Central Asia’s political, military and geopolitical relationship system with Russia, China, the USA, the EU, the nations of the Middle East and the Gulf region, and the South and East Asian countries are examined in detail. More proximate regional organisations and relations with neighbours such as the CIS, the Caucasus countries or Afghanistan are also scrutinised. It is shown that Central Asia is geostrategically located in the

centre of Eurasia and is at the same time in the heart of Asia, and that the region serves as a kind of bridge between Asia and Europe. With regard to its geopolitical, geo-economic and geostrategic significance, the authors emphasise that Central Asia differs from other regions primarily due to its geographical determinism. Thanks to their geographical location, the Central Asian states have become a region of Eurasian trade, competition and, to a certain extent, conflict, acting as a bridge between East and West, and North and South.

In contrast to the first half of the book, Part II – Facing Globalization: Strengths and Weaknesses of Central Asia's Economies – devotes much greater detail to the individual economic sectors in which the countries of the region can play a leading role, its seven chapters summarising Central Asia's potential in the fields of agriculture, heavy industry, the exploitation of mineral and hydrocarbon resources, and regional logistics. Here the region is treated as a more or less coherent whole, yet the authors also examine the differences between the individual countries regarding each topic. Due to its geopolitical and physical peculiarities, a little more attention is generally paid to Kazakhstan than to the other four states, yet it is apparent that the authors clearly strive to present all of the nations in a consistent manner.

Laruelle and Peyrouse's book is a clear summary both of the geopolitical processes in Central Asia and of the region's future. The countries in question are considered in such a way that they cannot be reduced to simple objects of rivalry between great powers. These states are not passive recipients of external influences, but rather act in their own right, having their own subjectivity and identity, both regionally and on the international stage. The authors attempt to illustrate that 'the realistic interpretation of the interaction between Central Asian countries and external actors is therefore not one "big game" but many "small games" which are modular, evolving, negotiable, complementary, and not mutually exclusive.'

The text is free of disciplinary jargon and the data is presented as a summary rather than organised around a narrowly defined research question. While this in itself is of course not a shortcoming, it does not necessarily satisfy the appetite of researchers and experts who are already amassing more knowledge on the subject. At the same time, the authors employ a particular language, which gives the work a rather unique style.

*Globalizing Central Asia* sheds light on how to understand the geo-economic and geopolitical aspects of Central Asia in today's globalised world, why such understanding is necessary, and why we cannot ignore the impact of events in the region. It clearly underlines how Central Asia's wealth of natural resources and its geographical location draw the attention of rival superpowers.

Although Central Asia is often absent from the global media headlines, the region has never completely fallen out of the sphere of interest of the USA, Russia or China. It is also often seen as India's northern sphere of influence. Laruelle and Peyrouse attempt to do justice to Central Asia and to vividly inform the reader of its role in the globalised world and the attitude of the external superpowers towards the region, taking into account the interests of the Central Asian states themselves.

One of the special features of this groundbreaking study is that it also deals with the challenges that globalisation poses for the countries of Central Asia, and its arguments and findings analyse the region in much greater detail than the arena of the "Great Game" between Russia and the United States in the nineteenth century. In addition to the big picture, the authors also outline the interests of countries that are increasingly interested in the region. These include the EU, India, Pakistan, Iran and the Arab states of the Middle East.

An excellent guide to the contemporary international economic and political processes in the region, *Globalizing Central Asia* is a perfect introduction for anyone interested in the question of Central Asia's place in the globalised world.



# INFORMATION FOR AUTHORS

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*Eurázsia Szemle* is the principal outlet for scholarly articles on Eurasia in Hungary, embracing a wide range of academic disciplines in the humanities, social sciences and economics. Accredited by the Hungarian Academy of Sciences and edited at John von Neumann University's Eurasia Center, the journal covers all aspects of Eurasian Studies, from emphasis on theory formulation to empirical research. As a peer-reviewed, multidisciplinary journal, it publishes original research findings, critical literature reviews, case studies, commentaries and book reviews.

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